

Making Business Sustainable

Closing the Gap Between Doing Good and Making Money



LUND UNIVERSITY

Authors

Jonas Heller, Faculty of Engineering, Lund University
Sabina Wizander, Faculty of Engineering, Lund University

Supervisors

Supervising client, consultancy firm, Stockholm
Bertil Nilsson, Faculty of Engineering, Lund University

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This master thesis concludes our Master of Science degree in Industrial Engineering and Management at the Faculty of Engineering, Lund University. The master thesis has been developed as a solution to a problem posed by the client, a major consultancy firm headquartered in Stockholm (hereby referred to as the client). Due to confidentiality requirements, the client will not be named and some details of the thesis will only be accessible to the client and supervisors.

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We hope that you who read this report and everyone at our client who use the assessment tool will find value in our work and that it will make the world of business more sustainable, one tiny step at a time.

Stockholm, May 2011

Jonas Heller

Sabina Wizander

Summary

- Title:** Making Business Sustainable
– Closing the gap between doing good and making money
- Authors:** Jonas Heller & Sabina Wizander
- Supervisors:** Supervising client, consultancy firm, Stockholm

Bertil Nilsson, Department of Industrial Management and Logistics,
Faculty of Engineering, Lund University
- Purpose:** The purpose of the project is to create a standardized assessment tool for evaluating an organization's maturity and performance in efforts concerning of sustainability work.
- Method:** The work process of creating the assessment tool has gone from being explorative in the initial phase of creating a theoretical framework to abductive when creating the tool. The theoretical data was collected from earlier research and conversations with well renowned professors that the project team met with. The empirical findings were drawn from scientific reports and interviews held by the project team with industry experts and industry representatives. A qualitative data collection method was chosen, as the goal was to explore sustainability on a deeper level rather than being able to explore relations between certain factors quantitatively.
- Conclusion:** The main conclusion that can be drawn from this project is that improving an organization's way of business operation to be more sustainable can be very beneficial for said organization's bottom line. The process to reach a more sustainable way of doing business for an organization needs to start with identifying the stakeholders of the organization, then creating awareness of the organizations current maturity and - before implementation - prioritizing in what areas the sustainability improvements should start. The general maturity in the industry is low and many concepts regarding sustainability are new to the executives in today's organizations. In order to overcome the challenges connected to identifying sustainability key improvement areas it is crucial that the analysis is made by a person who has knowledge in sustainability and insight in the strategy of the organization, and that the outspoken purpose is to find shared value.
- Key Words:** Sustainability, Sustainable Development, Assessment Tool, Shared Value

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I. Introduction

In the first chapter the reader is given brief information about the project, the background of the project, the issues that the report is striving to answer and the outline of the report.

I.1 Purpose of the project

The purpose of the project was to create a standardized assessment tool for evaluating an organization's maturity and performance in efforts concerning sustainability work, in order to identify key improvement areas where the client's value propositions can help the client's costumers. The project also involves creating a process and context where the assessment tool can be used.

I.2 The client ordering the project

The project is ordered by a large Swedish management and IT-consulting company with an annual revenue exceeding 750 MSEK. The project in one part of their work towards becoming leading in sustainability offerings in the strategy consulting industry in Sweden.

I.3 Target audience for the report

The assessment tool created in this project is intended to be used by employees at the client in their work with evaluating companies in current and prospected projects. The secondary target audience is academia and students who search for theory and examples of how the sustainability improvements can affect business and contribute to the bottom line.

I.4 Problem background

The project is part of a long-term process that the client is working on, aiming at connecting their own brand with sustainability and sustainability improvements. One of the first steps in order to do so is to expand their portfolio of sustainability offerings and this project will be the platform for establishing these offerings. There are no models or tools today that measures the performance or the maturity of an organization's sustainability work, and creating awareness of that is fundamental to arrive to conclusions about the benefits that the sustainability work can create.

I.5 Formulation of questions

The project team has during the project been striving to answer following questions.

Main question: Which sustainability issues are most important to consider when an organization's maturity and progress regarding sustainability work are evaluated, and what opportunities are connected to improvements regarding the same issues?

Sub-questions:

Definition: What is sustainability and what defines good sustainability work?

Criteria: What criteria should be used to measure performance in terms of sustainability?

Evaluation: How should the progress in the sustainability work be evaluated?

Benefits: What are the benefits and opportunities created when the sustainability performance is improved? What is the value of these opportunities?

Prioritizing: Which sustainability improvements are the most important for this organization and its stakeholders?

Future: How can the client help their customer in integrating the identified key improvement criteria in their long-time business strategy?

I.6 Delimitations

The assessment tool created in this project is generic. It is not adapted after size of the organization evaluated, type of industry or geographical operation span. Since the solutions go over all areas that the project group consider important to have explored for acting sustainable in business today, there will be groups of criteria less important to focus on for some organizations. For instance, when evaluating organizations with operations in some part of the world, such as a company only operating in the Nordic region with suppliers in the Nordic region, the focus should be less on an issue like child labor (which fortunately is a minor problem in the region) and more on other areas of improvement, such as mirroring the composition of the surrounding society through all levels of organization.

During the project the focus has been on two industries: retail and transportation. The purpose of the focus has been to create to opportunity to compare the differences and equalities between different industries, and to meet people with similar sustainability challenges in our conversations with the industry.

1.7 Objectives and deliverables

The main objective of the project has been to provide the client with a tool that can be used for initiating sustainability improvement initiatives with their customers. The main deliverable is a slide-deck comprising the most important theoretical and empirical findings along with the assessment tool itself and the supplementing working process. To be used with this slide-deck an MS Excel-sheet for use in the evaluation of current maturity has been developed. The academic report is meant to document the thesis work and provide a full background for use of the model, both for academia and the client's employees.

1.8 Outline of the report

The outline of the report is presented in figure 1.1 on the next page.



Figure 1.1 Outline of the report

2. Methodology

The purpose of this chapter is to give the reader an idea of how the work on the project has progressed. The data sources and the idea behind using them are explained as is the process creating the tool.

The work process of creating the assessment tool has gone from being explorative in the initial phase of creating a theoretical framework to abductive when creating the tool. The field of research has been wide since the concept of sustainability covers a broad range of aspects, but the project has at the same time included a detailed level of deep research.

2.1 Work Process

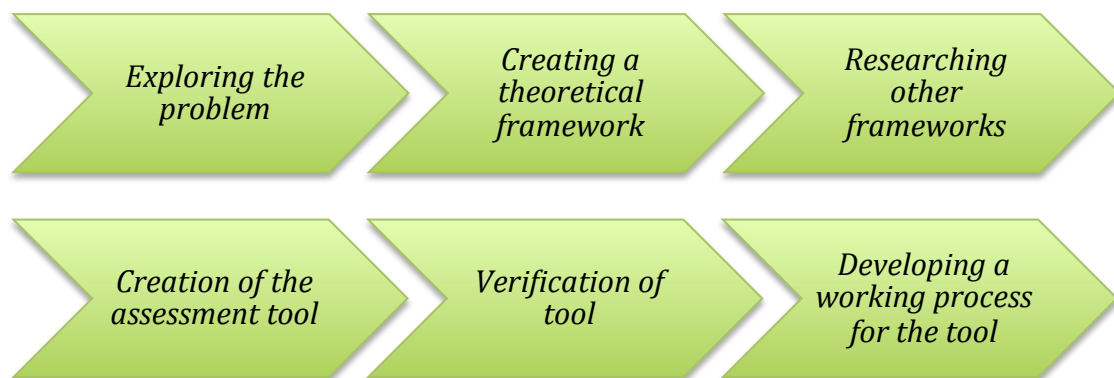


Figure 2.1 Work process of project

The project has been divided into six phases over a five-month period, with different emphasis on each phase. Although the working process has been mostly linear, some iterations between the phases have been carried out, for instance when adding theory to the theoretical framework in cases where gaps have been identified.

2.1.1 Exploring the problem

The client presented the original problem definition and thus, in order to fully understand what was to be the final output of the project, several meetings with the client were held and research on information material from the client company was performed.

2.1.2 Creating a theoretical framework

Since the project team's knowledge level in the field at the outset of the project was limited, an explorative approach was used. Such an approach lets the researchers create their own view of the field, which was needed due to the obscurities and fuzziness of the subject.¹ The research was performed as a desktop study where the data was collected from earlier research and conversations with well renowned professors that the project team met with. The professors were chosen from their field of research and engagement in issues relating to this project.

Studying the issue was not only aimed at creating a knowledge base for the project team, but the purpose was also to create a guide for users of the assessment tool that would summarize contemporary views and theories on sustainability and its role in business. In most cases primary data was readily available, but secondary data was used when primary data could not be obtained or when the secondary data added valuable analysis to the material.²

2.1.3 Researching other frameworks

When the background study was deemed adequately exhaustive, the project team continued its desktop study with a more descriptive stance by researching incumbent frameworks and tools for assessing sustainability work and performance in businesses. A couple of frameworks that proved to be of common use and also were recommended by experts in the field that the project team met with, was then chosen to frame the assessment tool created.

2.1.4 Creation of the assessment tool

Based on the frameworks found in the previous step, a normative stage of the project commenced, where the project teams focus turned to trying to channelize the theory gathered into recommendations and standards for sustainable business.³ Abduction, a combination of deductive reasoning (testing a hypothesis based on theory through empirical findings) and inductive reasoning (the opposite of deduction, creating theory

¹ Björklund, M; Paulsson U, *Seminarieboken*, 2008, p. 58

² Bell, J, *Introduktion till forskningsmetodik*, 2010, p. 125

³ Björklund et al., p. 58

from empirical findings), was used to develop the assessment tool.⁴ An illustration of how the abductive reasoning relates to the work process is given in figure 2.2.⁵

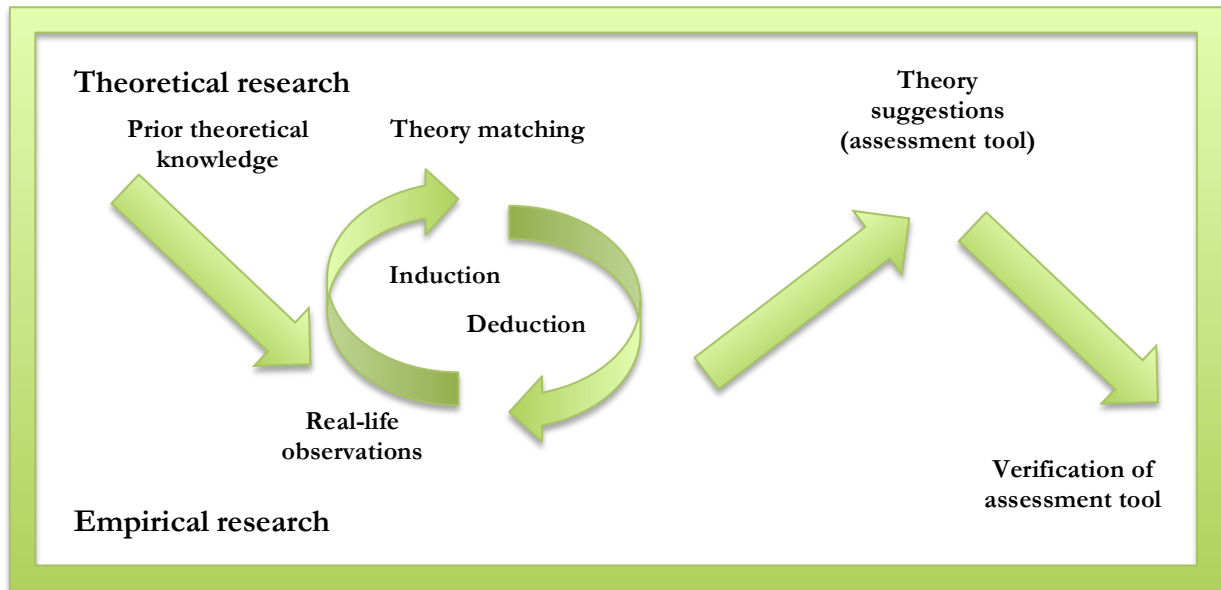


Figure 2.2 *Abductive reasoning in this project*

The empirical findings were drawn from scientific reports and interviews held by the project team with industry experts and industry representatives. Representatives were chosen among the client's current or former customers and was working with sustainability issues on a high level of the organizations, where as the experts came both from the clients staff and external organizations. On the client's request, representatives from the retail and transporting industries were chosen in order to get some kind of limitation (see figure 2.3 for a list of interviewees, both industry representatives and experts). The interviews were goal-oriented, searching for answers in specific areas, and open for unexpected discussion points. The interview guide contained general questions with a few follow up question, all open-ended and without any predefined answering alternatives. Two interviewers were present at all times to capture more of what was said through multiple mindsets and to avoid one interviewer steering the discussion too much or prompting the respondents into certain answers. A qualitative data collection method was chosen, since the goal was to explore sustainability on a deeper level rather than being able to explore relations between certain factors in a quantitative way.

⁴ Ibid, p. 62

⁵ Emerald Insight, *The abductive research process*, 2011-05-03

Transportation	Retail	Client's experts	Academia
AirCo	Clothing&Stuff	Head of transp. practice	Prof. Magnus Enell
AirportsInc	Pharmaco	Head of retail practice	Prof. Larsgöran Strandberg
BusCo			Dr. Martin Blom
FreightCo			

Figure 2.3 List of interviewees

2.1.5 Verification of tool

After constructing a draft for the assessment tool, a verification process started. A workshop where experts from various fields were invited to evaluate the criteria of the tool was held and resulted in some alterations. Next in the verification process came a new desktop study, where literature (primarily editorial material) was searched in order to find examples of good or bad business opportunities connected to adhering or ignoring the criteria. These examples were found in newspaper articles, companies' sustainability reports and websites. These business cases are also intended to serve as help in realizing the importance of a criteria or getting inspiration for own action for those working with the tool. Interviews with industry representatives were used as a verification method; both through discussing topics connected to the solutions and through letting representatives discuss and evaluate the actual solutions. The most important verification was done by the client's project group who will be using the tool and hence need to have full trust in it and they have validated it through repeated readings and discussions in internal workshops. An evaluative approach was taken throughout the verification, characterized by the ambition of evaluating and verifying the tool.

2.1.6 Developing a work process for the tool

In internal workshops with the client's project group, the work process for using the tools was outlined. Using theory already gathered and some that was obtained from further desktop research a complete material intended to be used by anyone working with the tool was developed.

2.2 Credibility of the project

The credibility of a project can be evaluated by three different factors: objectivity, reliability and validity. These should be as good as possible, but there is a trade-off between obtaining high reliance in the factors and the time it takes to get there.⁶

2.2.1 Objectivity of the project

There is no such thing as complete objectivity in a research project and the values of those performing the research will always affect it. Through giving the audience a chance to understand the choices made by the researchers with motivations and explanations, better objectivity can be obtained as the audience evaluates those choices itself.⁷ By starting the research on former theory almost “tabula rasa” and taking in theories and opinions from the broadest spectrum possible, the objectivity of the theoretical framework in this project ought to be high. Creating the assessment tool poses the largest risk to subjectivity, since the choice of criteria forms the outcome of analysis made using the tool. By using recognized theory and frameworks, along with interviews with independent representatives from the industry and academia paired with the expertise in the clients project group a multifaceted and unbiased objective opinion has been reached regarding the selection of criteria for evaluating an organization’s maturity in sustainability.

2.2.2 Reliability of the project

Reliability can be defined as the consistency or repeatability of results, meaning that the same results would be obtained if the examination were performed again.⁸ A way to test the reliability would be to repeat the examination, but in the case with interviews this is hard since the interviewee might have been influenced since the first occasion.⁹ Since many of the results of this project are abducted from well-established theory and frameworks, part of it would without doubt be reliable. The results that comes from interviews and analysis would definitely be harder to reproduce, since the nature of an assessment tool is that it should be applicable and in line with the front-line thinking of the field and thus will change over time.

⁶ Ibid, p .48

⁷ Ibid, p. 59

⁸ Social Research Methods, *Reliability*, 2011-05-04

⁹ Abnor et al., p. 250

2.2.3 Validity of the project

The degree to which the project answers the proposed questions is called validity.¹⁰ It could either deal with determining if what is examined in a test is really the subject that it was meant to evaluate; it could also be a measurement of how well an obtained result really reflects reality.¹¹ The main validation effort in this project has been finding business cases that relate to the criteria of the assessment tool. Through doing this it has been validated that the criteria, being results from both theoretical and empirical results, reflects reality in an acceptable matter. Some criteria have a higher relevance today and subsequently higher actuality, but less relevant criteria has been proved to increase in validity over time as organizations increase their maturity in sustainability. Validity in the overall project can be deemed high due to the many people involved in auditing it through iterating cycles and due to the multitude of sources for research. However, in order to fully verify the validity of the tool, a pilot project should be carried out by the client and one of their customers but due to time restraints this has not been possible to realize within this project.

2.3 Criticism of sources

A critical stance has been taken towards all sources so to preserve a constructive sobriety, but searching for information in a front-line field also requires having an open mind in order to avoid missing anything of importance.

2.3.1 Literature

The field of sustainability is relatively young and hence there is a limited amount of literature in the field. In recent years the interest has increased, and so has the research in the field. Most of the available literature is research papers and books by academic authors, which risk giving a bias towards theoretical models rather than applied solutions. Fortunately, most of the authors have realized the importance of applicability and hence the material that built the project's theoretical framework has a good validity for the assessment tool. Some of the major theories that are used in this project have been triangulated from multiple sources to avoid bias.

¹⁰ Björklund p. 59

¹¹ Arbnor p. 249

2.3.2 Editorial and business information

When using examples put forward by organizations it should always be scrutinized to ensure that the claims are correct, trustable and preferably worked on or audited by an external part since the information should be regarded as marketing material. Even when reported by a credible news source, the bias of the reporter and the possibility of influence from an organization should be taken into account. In researching this material several sources was sought for in order to verify claims, but at some points no better information was found and the project group had to confide in the information from the organization. This might make some of this material less reliable, but since it is not driving or building the results from this project, these sources are still used.

2.3.3 Interviews

The sample of the discussions with industry representatives was made by the client, and hence their customer base and perspective colored the interviews. Even so, the represented companies are all major companies and leading in their field and hence a similar selection would have been preferred even if the client had not recommended it. The information coming from the interviews was mostly official and the representatives were trained not to share any sensitive information. Even so, they sometimes made exception allowing deeper understanding of their main issues and challenges.

3. Sustainability According to Research

The purpose of this chapter is to give the reader the knowledge and understanding of the problem behind unsustainable business and the importance of sustainability improvements needed in order to successfully work with the assessment tool. The chapter explains different views on sustainability, how an organization can benefit from sustainability improvements and also shows different tools and frameworks that exist today.

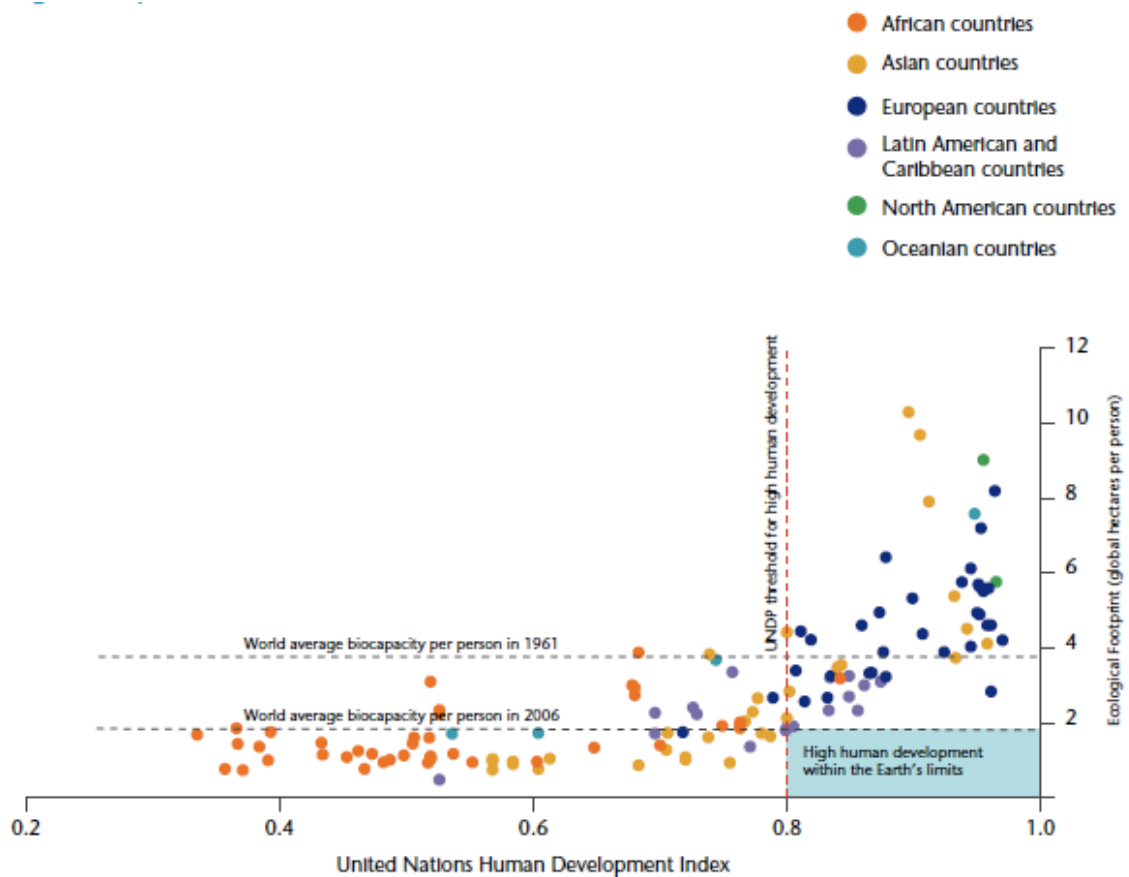
The UN organ World Business Council for Sustainable Development has, in its publication Vision 2050, outlined how we need to change our way of living and doing business if we are to act sustainable in 2050. They estimate that there by then are 9 billion people on the planet, which is approximately 30% more than today. If human kind keep using the natural resources as it does today, resources equivalent to over 2,3 planets are going to be used by 2050. In order to be acting in a sustainable way in the year 2050 the change needs to start now. The global society is on a dangerously unsustainable track, and the result of the way of living is degradation of the environment and societies. A continuous use of fossil fuels and other natural resources are continuing to affect key ecosystem services, threatening supplies of food, freshwater, wood fiber and fish. The last decade has brought more frequent and severe weather disasters, droughts and famines, and this will probably increase if people continue to treat the earth the way they do today.¹² Mitigating the risks and exploiting the opportunities that sustainability offers requires a fundamentally more radical and strategic transformation that must start now.¹³

As the growth towards 9 billions people on the planet continues, substantial changes are required in order for all 9 billion people to live well, within the limits of one planet by 2050. The challenge lies within meeting human demands within the ecological limits of the planet. This is summed up in a chart by the UNDP (figure 3.1) with the UN human development index on the horizontal axis and the ecological footprint on the vertical axis, today mapping almost no country in the lower-right box indicating a sustainable development.¹⁴

¹² WBCSD, *Vision 2050 a new agenda for business in brief*

¹³ Gartner, *Sustainability*, 2011

¹⁴ WBCSD, *Vision 2050 a new agenda for business in brief*



© Global Footprint Network (2009). Data from Global Footprint Network National Footprint Accounts, 2009 Edition; UNDP Human Development Report, 2009

Figure 3.1. Meeting the human development within the ecological limits of the planet. Human development mapped against ecological footprint as a consequence of a country’s action and development.¹⁵

3.1 Defining the sustainability concept

In 1987 *Our common future*, also known as *The Brundtland Report*, was released. The new World Commission on Environment and Development, established and at that time chaired by Gro Harlem Brundtland, the former Prime Minister of Norway, was behind the report ordered by the Secretary-General of the United Nations as a result of the growing concern in the General Assembly for a number of issues, including: long-term sustainable development, cooperation between developed and developing nations, more effective international management of environmental concerns, the differing international perceptions of long-term environmental issues and strategies for protecting and enhancing the environment¹⁶. In *Our common future* sustainable development is defined as “Development that meets present needs without compromising the ability of future

¹⁵ WBCSD, *Vision 2050 a new agenda for business in brief*

¹⁶ G.L. Young, *Our common future (The Brundtland Report)* Environmental encyclopedia, 2003

generations to meet their needs” (WECD, 1987). Today, 24 years later, it is still the most popular and entrenched definition.¹⁷

Another definition is put forward by Baldrige Performance Excellence Program, a public-private partnership initiated by the US government work to improve the competitiveness and performance of U.S. organizations for the benefit of all U.S. residents. Their standpoint is that sustainability has become a key driver of economic growth. They define sustainability as:

The term ‘sustainability’ refers to your organization’s ability to address current business needs and to have the agility and strategic management to prepare successfully for your future business, market, and operating environment. Both external and internal factors need to be considered. The specific combination of factors might include industry wide and organization-specific components. /.../ Sustainability considerations might include workforce capability and capacity, resource availability, technology, knowledge, core competencies, work systems, facilities, and equipment. Sustainability might be affected by changes in the marketplace and customer preferences, changes in the financial markets, and changes in the legal and regulatory environment. In addition, sustainability has a component related to day-to-day preparedness for real-time or short-term emergencies.

Several attempts at a more accurate and operational definition of sustainable development made since then have only led to more ambiguity.¹⁸ In the table below (figure 3.2) the most commonly used and accepted definitions are listed.

Year	Origin of definition	Definition
1916	Theodor Roosevelt	The "greatest good for the greatest number" applies to the [number of] people within the womb of time, compared to which those now alive form but an insignificant fraction. Our duty to the whole, including the unborn generations, bids us to restrain an unprincipled present-day minority from wasting the heritage of these unborn generations."
1991	IUCN/UNEP/WWF. Caring for the Earth: A Strategy for Sustainable Living. Gland,	"Improving the quality of human life while living within the carrying capacity of supporting eco-systems." ¹⁹

¹⁷ School of Architecture and Construction Management, Washington State University, *Defining sustainability* 1999-11-24

¹⁸ EU Euroactive Network, *Sustainable development –introduction*, 2006

¹⁹ International union for Conservation of Nature, *Definition*, 2008

	Switzerland	
1992	Gary Filmon, former Premier of Manitoba and Chair of the Manitoba Round Table on Environment and Economy	Growth in harmony with our environment, preserving our resource base for our economic well-being, and planning for our children's future. ²⁰
1992	Maurice Strong, Secretary-General of the 1992 Rio Earth Summit.	Development without destruction. ²¹
1993	Hamilton Wentworth Regional Council	"Sustainable Development is positive change which does not undermine the environmental or social systems on which we depend. It requires a coordinated approach to planning and policy making that involves public participation. Its success depends on widespread understanding of the critical relationship between people and their environment and the will to make necessary changes." ²²
1994	Earth Council	Sustainable development requires environmental health, economic prosperity and social equity. ²³
2000	The World Business Council for Sustainable Development	Sustainable development involves the simultaneous pursuit of economic prosperity, environmental quality and social equity. Companies aiming for sustainability need to perform not against a single, financial bottom line but against this triple bottom line. ²⁴
2007	Interfaith Center on Corporate Responsibility (ICCR)	Sustainable development...[is] the process of building equitable, productive and participatory structures to increase the economic empowerment of communities and their surrounding regions. ²⁵
2009	Sustainable Seattle	Sustainability is the long-term, cultural, economic and environmental health and vitality with emphasis on long-term, together with the importance of linking our social, financial, and environmental well being. ²⁶
2010	Forum for the future	"A dynamic process, which enables all people to realize their potential and to improve their quality of life in ways that simultaneously protect and enhance the Earth's life support systems." ²⁷

Figure 3.2 Commonly used definitions of sustainability

²⁰ Legislative assembly of Manitoba, *United Nations Earth Summit Government Agenda*, 1992-05-25

²¹ Sustainability reporting program, *Defining Sustainability*, 2000

²² Hamilton; Wentworth, *Vision 2020 Canada*

²³ H. Lamb, *Introduction to Sustainability*, 1998

²⁴ A.B Carroll; M.S Schwartz, *The search for a common core in the business and society field*, 2007-09-18

²⁵ Sustainable Measures, *Definition of Sustainability and sustainable development*, 1998

²⁶ Sustainable Seattle, *Who We Are*

²⁷ Forum for the Future, *What is Sustainable Development*

3.1.1 Triple bottom line

To create a more concise, yet comprising, definition of sustainability, John Elkington, founder of British consultancy firm SustainAbility, established the expression "people, planet, profit" in his book *Cannibals with Forks: the Triple Bottom Line of 21st Century Business* in 1998. His idea was that companies should have three different, and separate bottom lines. Apart from the traditional bottom line of the profit and loss account, there should be one bottom line that states the company's "people account"—a measure in some shape or form of how socially responsible an organization has been throughout its operations, and one "planet" bottom line taking account for how environmentally responsible the company has been. The triple bottom line approach aims to measure the financial, social and environmental performance of the corporation over a period of time, and showing the full cost involved in doing business.²⁸

Definitions for the three factors in the triple bottom line (economic, environmental and social sustainability) were presented in an academic paper from 1992²⁹ by Sri Lankan physicist and economist Mohan Munasinghe.³⁰ The definitions and their concurrence are illustrated in figure 3.3 and the descriptions below.

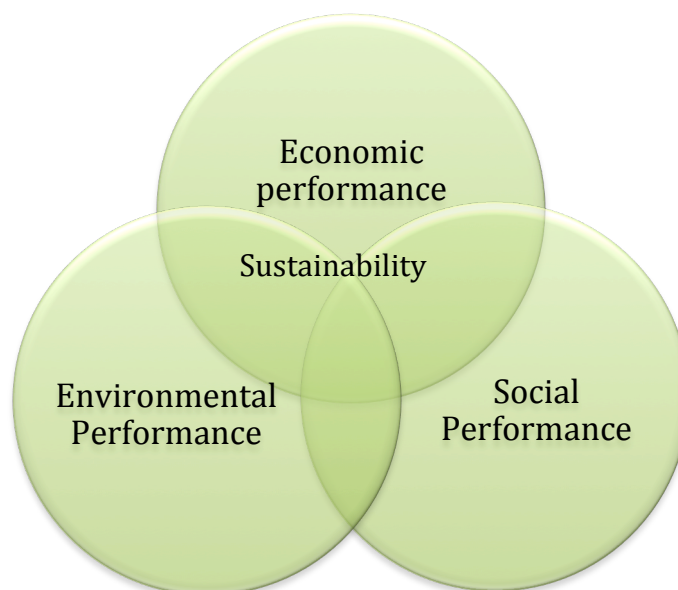


Figure 3.3: Triple Bottom Line Concept, sustainability as a combination of an economical, environmental and social part.³¹

²⁸ The Economist, *Triple Bottom Line*, 2009-11-17

²⁹ M Munasinghe, *Environmental economics and sustainable development* 1993-07

³⁰ Wikipedia, *Mohan Munasinghe*, 2009-07

³¹ Det Norske Veritas, *Triple Bottom Line Reporting*, 2009

- Economic performance

Sustainability in economical terms can be defined as maximizing the flow of income while as a minimum preserving the stock of assets that generates said income, and preferably increasing the stock. This is connected to using scarce resources in an efficient and optimal way. However, to determine what asset to maintain (natural, manufactured and human capital) and how to value these assets (especially environmental resources) is difficult and the subject of debate in each individual case. Utilizing a resource beyond irreversibility can lead to uncertainty and possible catastrophic scenarios.

- Environmental performance

The stability of biological and physical systems at a local and global scale is the focus of environmental sustainability. Biological diversity is the main concern, but all aspects of the biosphere (such as man-made environments like cities), might be included in the interpretation of which systems to preserve. There is no ideal static state that the systems should be kept in; the objective is rather to preserve the flexibility and dynamic ability of the systems to change.

- Social performance

Sustainability in a social context aims at preserving the stability of social and cultural systems. Stability can be achieved by establishing equality both within generations (e.g. eliminating poverty) and between generations (including the rights of future generations). Learning on sustainable practices from less dominant cultures and upholding cultural diversity in the world should be pursued in order to preserve cultural systems.

3.2 Development and trends in sustainability

Sustainability and corporate citizenship are becoming key priorities for organizations around the world. The trend is moving towards updating policies, measuring and issuing public reports.³² Sustainability will become increasingly important to business strategy and management over time. That is one conclusion from the report *Business and sustainability* from The Boston Consulting group. Steve Fludder, vice president of Ecomagination, says that “*We’re beyond the debates over whether [addressing sustainability] is*

³² P. Mirvis ; B.K Googins, *Stages of corporate citizenship: a developmental framework*, Center for corporate citizenship, Boston College, 2010

something that needs to be done or not - it's now mostly about how we do it." Some executives believe that the downturn in the economy has accelerated the shift towards a more sustainable way of companies to act - particularly toward sustainability-related actions that have an immediate impact on the bottom line. It is also becoming increasingly important for organizations to engage with its suppliers, and to hold suppliers to specific sustainability criteria.³³ CEOs seem to start recognize the importance of sustainability, and the importance of embedding sustainability fully within the operations of the company. It is however a significant performance gap between what CEOs believe companies should be doing, and what they report on their own company's actual performance.³⁴

To obtain sustainability, organizations need to look through their own activities and develop new capabilities and characteristics. A crucial change is to implement a culture in the organization that rewards and encourages long-term thinking, which should include financial modeling and reporting and capabilities in the area of activity measurement. The organization also needs to improve their skills in communicating with and engaging external stakeholders and start to operate on a system wide basis.³⁵

Governments are also focusing on sustainability and initiatives that can benefit their countries. In China, where business and government are closely connected through their socialist form of government, the latest five-year plan has shown a focus on sustainability and making businesses more efficient. To determine which sustainability effort to start with, an analysis (visualized in figure 3.4) ranking industries according to cost of reducing emissions and emission intensity was made showing that some industries required less investments to reduce emissions, although its emissions had a high intensity. Thus, the mining, automotive, utilities and property industries are going to face many sustainability initiatives in the coming five years.³⁶

³³ The Boston Consulting Group, *The business of sustainability: Imperatives, advantages and actions*, 2010

³⁴ UN Global Compact; Accenture, *A new era of sustainability*, 2010

³⁵ The Boston Consulting Group, 2010

³⁶ KPMG China, *China's 12th five-year plan: Sustainability*, 2011

Impacts of climate policy on business sectors

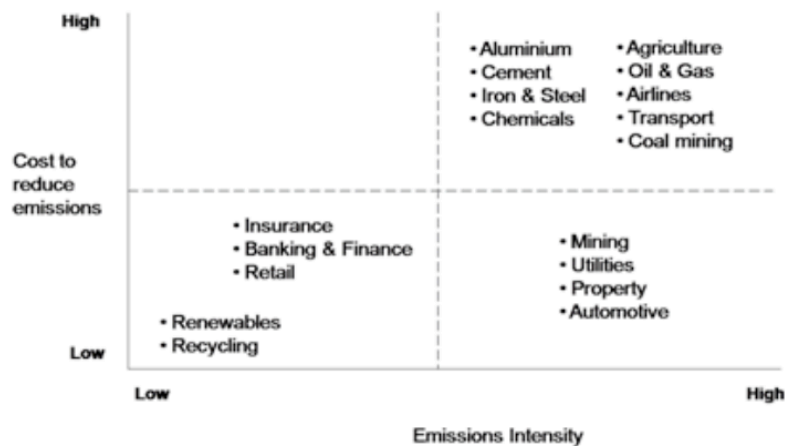


Fig. 3.4 Cost reducing emissions in an industry to emission intensity in the industry³⁷

3.3 Organization's maturity in sustainability issues

The general idea of different stages defining the progress of the development of the maturity is that there is a distinct pattern of activity at the different stages, and the activities become more complex and more sophisticated as the development progresses. There are many different models to measure an organization's maturity of corporate citizenship and sustainability. In general they span from following regulations, moving into philanthropy towards incorporating the sustainability thinking in the business plan and ending at sustainability work that "change the game" in the industry.³⁸

To evaluate this overall maturity of an organization several aspects can be taken account for, e.g. the managers' engagement, the purpose of the sustainability efforts, to what extent the stakeholders are engaged and the transparency of the sustainability performance.³⁹ An organization's maturity regarding sustainability issues should be considered both with regard of what the organization have done up until today and what it intend to do in the future.

3.4 The importance of stakeholders' in sustainability

An organization's stakeholders can be divided into external and internal stakeholders, with the exception of some that matches both groups. Internal stakeholders are those

³⁷ Ibid

³⁸ P. Mirvis et al. 2010

³⁹ Wiser Earth, *The greener Framework – A Sustainability program Maturity Model*, 2005

considered “members” of the business organization such as owners, managers, and employees. External stakeholders are affected by the organization, its operations and products or services although not part of the business organization. Examples of external stakeholders are customers, suppliers, community, government and future generations. Those who can be labeled both “external” and “internal” are for instance employees who live in the community.⁴⁰

Stakeholders are an important concept when discussing sustainability and an important first step is mapping them to know their characteristics, their interest, how they are affected by the company and assess the capacity of different stakeholders and stakeholder groups to participate. The GRI guidelines focus on the stakeholders’ interests’ and give the following definition of stakeholders:

Stakeholders are defined as entities or individuals that can reasonably be expected to be significantly affected by the organization’s activities, products, and/or services; and whose actions can reasonably be expected to affect the ability of the organization to successfully implement its strategies and achieve its objectives. This includes entities or individuals whose rights under law or international conventions provide them with legitimate claims vis-à-vis the organization. Stakeholders can include those who are invested in the organization (e.g., employees, shareholders, suppliers) as well as those who are external to the organization (e.g. communities).⁴¹

3.5 Value Chain Decomposition in Sustainability Evaluation

The *value chain* maps all the activities that make up the organization’s business, and can be used as a framework to identify the positive and negative impact on the stakeholders of the organization of those activities.⁴² In a value chain decomposition of the organization the activities are divided into primary activities and support activities, as pictured in figure 3.5. The point of the arrow represents the profit margin created from performing the activities.

Primary activities refer to the activities directly concerned with creating and delivering a product, and in the traditional decomposition consist of:

- **Inbound logistics:** All those activities concerned with receiving and storing externally sourced materials.

⁴⁰ Btec Business, *Meeting the needs of the stakeholders*

⁴¹ Global Reporting Initiatives v. 3.0 2006

⁴² M.E Porter; M.R Kramer, *Strategy and Society*, Harvard Business Review 2006

- **Operations:** The manufacture of products and services - the way in which input resources are converted to outputs.
- **Outbound logistics:** All those activities associated with getting finished goods and services to buyers.
- **Marketing and sales:** Essentially an information activity - informing buyers and consumers about products and services (benefits, use, price etc.)
- **Service:** All those activities associated with maintaining product performance after the product has been sold.

Support activities increase effectiveness or efficiency in the organization while providing the resources needed by the primary activities, and consist of:

- **Firm Infrastructure:** A wide range of support systems and functions such as finance, planning, quality control and general senior management.
- **Human Resource Management:** Those activities concerned with recruiting, developing, motivating and rewarding the workforce of a business.
- **Technology Development:** Activities concerned with managing information processing and the development and protection of knowledge in a business.
- **Procurement:** How resources are acquired for a business e.g. sourcing and negotiating with suppliers.⁴³

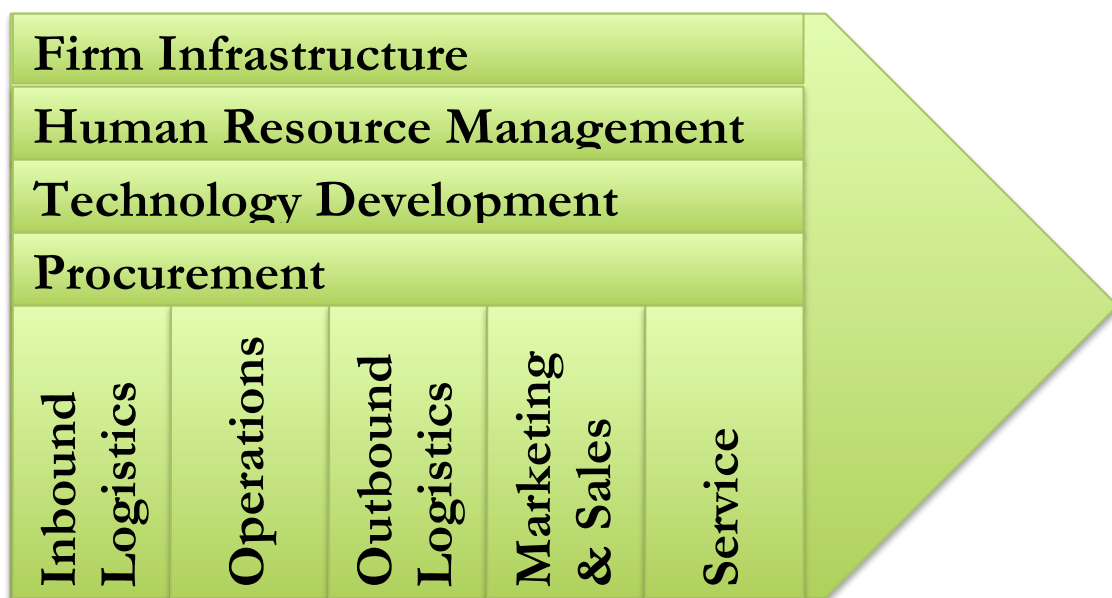


Fig 3.5 Value chain decomposition of an organizations activity⁴⁴

⁴³ Tutor to u, *Strategy –Value Chain Analysis*

⁴⁴ Tutor to u

3.6 Challenges connected to sustainability

The challenges regarding sustainability issues that organizations are facing today stretches in a broad range from employee issues to carbon neutrality. Some challenges are general and some industry specific. Some general issues that all industry sectors face are:⁴⁵

- Business ethics and barriers of corruption
- Labor standards in developing countries
- Good citizenship in local community
- Stricter rules and regulations for compliance
- Emission and waste control
- Diversity and equal opportunities
- Supplier sustainability management
- Workplace issues – health, safety and environment

The transportation industry is facing challenges mostly connected to fuel consumption and carbon emissions. Many means of transportation are very dependent on an infrastructure not owned by the organization, making them dependent of other companies for operational and structural parts of their operations. When transporting people the environmental impact from each person depends on the filling degree in the vehicle/plane/train etc. and hence a challenge is to increase this by different means.⁴⁶ Some industry specific challenges in transportation are:

- Route planning
- Energy usage in operations
- Emissions and waste to air and sea
- Disposal of vehicles, ships, etc.

The retail industry is facing the same challenges as the transportation industry in their logistics department, and additionally they are facing challenges regarding:

- Raise of the LOHAS segment (Lifestyles of Health and Sustainability)
- Energy efficiency in store design, transportation and logistics
- Recycling and environmental packaging
- Waste and hazardous materials⁴⁷

⁴⁵ Cap Gemini, *Mastering the triple bottom Line*, 2008

⁴⁶ Peter Söderlund

⁴⁷ Cap Gemini, *Mastering the triple bottom Line*, 2008

3.7 Benefitting from Sustainability

Sustainability is starting to attract marketing attention, investment and innovation, and technology development.⁴⁸ Companies across the world are increasing their sustainability effort, realizing not only that it is something their costumers demand but that implementing sustainable practices also can improve a firm's efficiency, profitability and reputation. Companies are benefiting from sustainability in various ways (figure 3.6)⁴⁹

Some potential benefits are the competitive advantage the company gets from sustainability strengthening their brand, talent attraction (brand management towards future employees), increased employee engagement and better risk management⁵⁰. There are also potential cost savings by increasing the efficiency throughout the value chain; new potential products or product innovations that are customized to so far unexplored markets and benefits that comes from local clusters that the company can be a part of.⁵¹ These benefits can be reached through e.g. energy efficient and energy saving solutions, strategic differentiation and strategic innovation, cleaner technologies in operations, local sourcing opportunities and carbon neutral sourcing.⁵²

Potential Benefits from sustainability work in the company

- Cost reduction or avoidance
- Competitive advantage -Brand management towards customer
- Talent attraction -Brand management towards future employees
- Employee engagement
- Risk management
- Opportunities for new products
- New market opens up by development
- Cluster development
- More efficiency throughout the value chain

Fig 3.6 Benefits from sustainability improvements^{53 54}

⁴⁸ Gartner, *Sustainability*, 2011

⁴⁹ I Leybovich, *Bottom Line Benefits from Sustainability*, 2011-04-12

⁵⁰ J Friedman, *Six Business Benefits from Sustainability*, Sustainable Life Media

⁵¹ M. E Porter; M.R Kramer, *The Big Idea –creating shared value*, Harvard Business Review 2011-01

⁵² Cap Gemini, 2008

⁵³ Porter et al, 2011

⁵⁴ J Friedman, *Six Business Benefits from Sustainability*, Sustainable Life Media

3.7.1 Shared value

According to Porter and Kramer in their article *The big idea -Creating shared value* there is a common apprehension that business is a major cause of social, environmental and economical problems, and that companies are prospering on the expense of the broader community. A big part lies within the companies themselves and in their old-fashioned way of business thinking. The view on value creation is narrow, optimization of financials are looked at only in a short-term perspective and they seem to be missing the most important customer needs and the influences that determines the long term success.⁵⁵ The companies seem to overlook the well being of their customer, the depletion of the resources vital to their business, viability of their key suppliers and the economic distress of the community in which they operate and/or sell.

Up until now sustainability work has been seen as either a burden to the bottom line for the organization or something that in the best case can help the brand of the company, towards costumers and employees. Shared value is an expression that involves creating economic value in a way that also creates value for society by addressing its needs and challenges and refers to the connection between societal and economic progress. It's not about sharing the value that is created but expanding the pool of economic and social value. Every business is in need of a successful community, not only to sell their products or services but also to provide them with workforce, raw material, knowledge, infrastructure and other public assets.

Shared value opportunities can be created in three different ways; by reconceiving products and markets, by redefining productivity in the value chain or by enabling local cluster development at the company's location. These three means of creating shared value are discussed below.

New products and markets

The most basic question, that many companies today seem to have lost focus on, is “ Is our product good for our customer?” Todays society have huge needs such as health, better housing and improved nutrition and businesses are often far more effective than non-profit organizations and governments to initiate costumers to change their behavior and therefore create great shared value. Meeting the needs of the costumers (and even the costumers' costumers), with new products and the demands for products and services that meets societal needs, can create great opportunities and growth.

⁵⁵ Porter et al, 2011

The world still contains a great amount of unexplored markets, many of them with huge possibilities. To be able to serve and employ these markets products customized for these kinds of markets. Poor urban areas in USA for example are America's most underserved market and the market's concentrated purchasing power has often been overseen. Innovating and creating products that are customized for these markets creates great societal benefits while the profits for the company can be substantial.⁵⁶

Cost reduction and efficiency throughout the value chain

Redefining productivity in the value chain, measuring the input and output of the company and controlling all the activities can make the organization much more efficient. Throughout the value chain numerous societal issues are affected, such as natural resources and water use, health and safety, workplace conditions and equal treatment in the workplace. For instance, efforts to minimize packaging do not only reduce the impact on the environment but also the costs for the company. Wal-Mart, as one example, saved \$200 million by reducing its packaging and rerouting its trucks.

The increased energy prices gives the companies many incentives to improve their energy efficiency, switch to alternative fuels and rerouting, resulting in less impact on the environment. The logistical systems can be redesigned not only reducing the use of fuel but also reducing time-to-customer, inventory cost and management costs.

Better resource utilization saves money for the company, and decreases the impact on the environment. When it comes to suppliers, many organizations are starting to understand that marginalized suppliers cannot remain productive or sustain. The development is moving from today's trend regarding outsourcing to suppliers in low wage locations and driving down prices to actually helping their suppliers to improve the business. By sharing technology, increasing access to input and providing financing can improve supplier quality and productivity and therefore ensuring access to the good supplied for the organization while benefitting from potentially lower prices.

Cluster development

The local cluster around a company involves suppliers, infrastructure, service providers, academic programs, trade organizations, amongst others, and they all play a significant role in whether an organization is profitable or not. Stronger local capabilities in areas as training, transportation and related industries can boost the organization's productivity and consequently the organization benefits from contributing to the cluster. This can be

⁵⁶ Porter et al, 2011

done by identifying gaps in the surroundings and improve those areas e.g. educating potential workforce, improving infrastructure in the area and addressing poverty.⁵⁷

Improving the organizations health-care coverage, training and employee safety can have a great impact on lost workdays and diminishing productivity. Johnson & Johnson for example helped their employees stop smoking, resulting in a two-third reduction, and implementing other wellness programs the company has saved \$250 million on health care costs, a return of 271% between 2002 and 2008.

3.8 Initiating and driving sustainability work in an organization

Driving forces initiating the sustainability can rarely be affected or chosen by the company and are the strongest when many of the driving forces are combined. For the initiative to successfully lead to action the top layer of the organization needs to be on board with the initiative.⁵⁸

Below are some examples of events and factors that can drive the organization's sustainability work and -maturity forward. The first group consists of events (often one-time incidents) that can act as a primus motor for initiating sustainability work in organizations that does not currently have any such initiatives, or sparking the flame in those organizations with a dormant sustainability program. The second group is made up of factors that affect an organization, often over a period of time, to work towards becoming more sustainable.

Events:

- **A series of predictable crisis:** Predictable crisis can trigger responses that move the organization forward. If the market demands new sustainable feature of a product/service that the organization can't provide it will lose all customers.⁵⁹
- **A crisis:** A public scandal concerning sustainability can be very damaging for an organization and the fix often include a great effort in related areas forcing the organization to act on the issue.
- **Change in management:** A board having managed the organization for a long time sometimes has a hard time recognizing the opportunities that sustainability

⁵⁷ Porter et al, 2011

⁵⁸ Magnus Enell

⁵⁹ P. Mirvis et al. 2010

changes can bring, why a shift in management often results in new energy and new initiatives in the organization.⁶⁰

Factors:

- **Regulatory requirements:** Regulations regarding sustainability are already a strong driver in some industries and the regulatory will increase within the short future.
- **Consumer demands for sustainable product and services:** Customers are becoming more selective in their purchasing choices, attitudes and behaviors that may significantly affect business profitability and growth.
- **Resource depletion:** The resources on the planet are finite and some of the resources founding the business for whole industries are coming to an end, why sustainability efforts reducing some material use and switching to a more sustainable source of material are very important.
- **Capital market scrutiny:** Many investors today evaluate organizations partially based on sustainability performance.⁶¹
- **Business opportunity:** see section “*Benefiting from sustainability*”

3.9 Implementing and integrating sustainability in business plan

The challenges that organizations face in implementing sustainability are both internal and external. Ninety-one percent of CEOs believe that execution is now the real challenge to bring about the new era of sustainability according to a report from Accenture. Eighty-one percent of CEOs - compared to just 50 percent in 2007 - stated that sustainability issues are now fully embedded into the strategy and operations of their company. For example, there are cases of companies beginning to integrate sustainability issues into their executive compensation packages, as well as compensation packages for the design and innovation functions, more than in 2007. According to the same survey, the two most significant barriers to implement an integrated company-wide approach to sustainability are complexity of implementation across functions and competing strategic priorities.⁶²

Most important when it comes to planning and implementing sustainability strategies is to think long term. Many sustainability initiatives that we see today is a reaction to major scandal regarding the organization (e.g. Shell, Nestlé, Nike) which is not the optimal,

⁶⁰ Magnus Enell

⁶¹ Accenture, *Drivers of Sustainability*, 1996

⁶² Accenture, 2010

organized and efficient way for the organization to change. Sustainability initiatives are still not part of most organization day-to-day strategy decisions and Magnus Enell, Adjunct Professor at the department of Industrial Environmental Economics at Lund University, thinks that one reason is the (faulty) assumption that sustainability work is a zero-sum-game, and another is that sustainability is considered a “hippie” science and still does not have the status of an issue important enough for discussing in the board room. Some organizations have already incorporated sustainability into their core business strategy, and are engaging employees through “live the brand” campaigns, like IBM.⁶³ Integration of sustainability work in the company’s strategy, culture and policies is an important prerequisite for acting sustainable but not a final goal itself.⁶⁴

3.10 Corporate Social Responsibility and sustainability

Corporate Social Responsibility, CSR, referring to the responsibilities a company has towards the society, has become a new buzzword. It has gone from purchasing greeting cards from an NGO or donating to a charitable cause to entering long-term commitments towards developing the society.⁶⁵ Archie B. Carroll, Professor of Management Emeritus at Terry College of Business and author of *Business and Society* introduced the CSR pyramid in 1979, with four parts in a strict hierarchical pyramid, bottom to top, of the activities of a company and how they should be prioritized (fig 3.7). The pyramid’s foundation consist of the economical responsibilities, i.e. being profitable. Next comes legal responsibilities i.e. obeying the laws and regulations. The two bottom parts are required for a company to be able to operate on a long-term basis in the society. The top consist of Ethical responsibilities i.e. doing what is just and fair (which is considered expected by the society), and philanthropic responsibilities, i.e. being a good citizen, considered to be desired by the society.⁶⁶

Sustainability and CSR are complex expressions that are often confused for one another.⁶⁷ Since there are different definition regarding both CSR and Sustainability there are also many different opinions on the differences between them. Below is the World Business Council for Sustainable Development definitions for the two concepts.⁶⁸

⁶³ P. Mirvis et al. 2010

⁶⁴ Magnus Enell

⁶⁵ The Financial Express, *CSR the new buzz word*, 2008-01-03

⁶⁶ A.B Carroll; A.K Buchholtz, *Business and Society: Ethics and Stakeholder Management*, 2002-03-05

⁶⁷ M Matesic, Director of Croatian business council for Sustainable development, 2010

⁶⁸ C Johnson, *Corporate Sustainability and Corporate Social Responsibility - Do Companies Know the Difference?* 2008-01-04

Sustainability: “Sustainable development involves the simultaneous pursuit of economic prosperity, environmental quality and social equity. Companies aiming for sustainability need to perform not against a single, financial bottom line but against this triple bottom line”⁶⁹

Corporate Social Responsibility: "The continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the work force and their families as well as a local community and society at large"⁷⁰

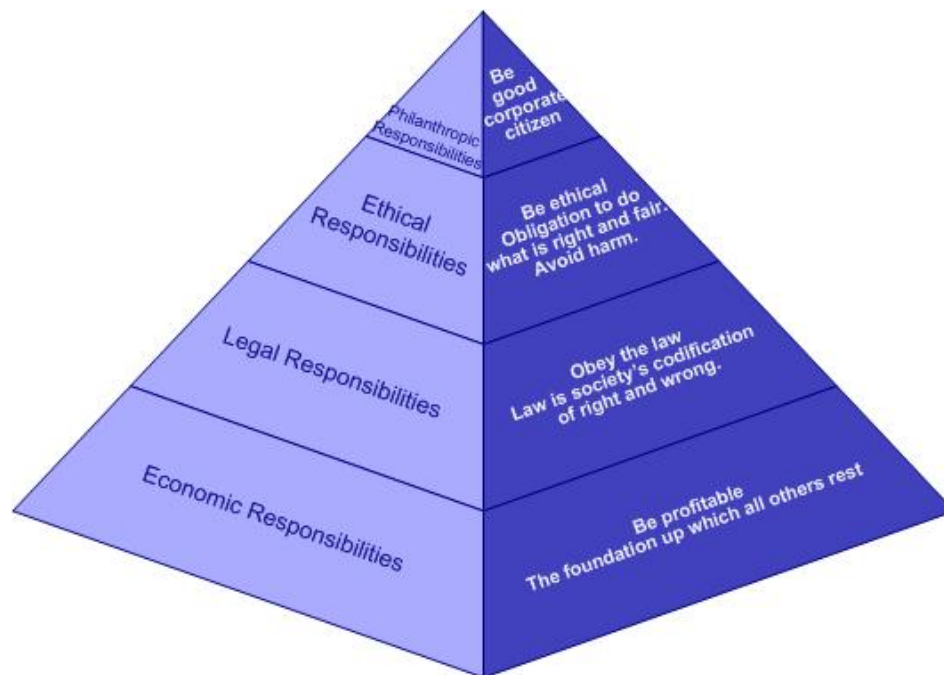


Figure 3.7. Carroll's CSR Pyramid describing the order of an organization's responsibilities.⁷¹

3.11 Existing frameworks, certificates and auditing tools

There are many frameworks and tools for auditing sustainability work in organizations. Several NGOs do auditing in industries that results in rankings, all differing widely from one another. The goal of the evaluations in the rankings is to get as high score as possible in order to create good publicity, brand value, etc. Sustainability reports are issued separately or as a part of the annual financial report, and the big auditing firms are putting a lot of effort and resources to upgrade their ability to and knowledge about sustainability auditing. The sustainability auditing looks at whether or not the company

⁶⁹ A.B Carroll; M.S Schwartz, *Business and Society*, 2007-07-18

⁷⁰ C Johnson, 2008

⁷¹ V Malamud; Y Rotenberg *Corporate social responsibility and sustainable development in the global environment*, 2010-12-16

measures its impacts on the external world or not. There are also certifications, e.g. ISO, which certifies organizations and shows if they are living up to its minimum level of measuring impacts and improving sustainability. The rankings, certificates and audits can be classified by object of evaluation and possible purpose of the evaluation (see figure 3.8) where ISO represents the certificates and GRI the auditing. There is an obvious gap that is not filled by any of the incumbents today.

Object of evaluation \ Purpose of evaluation	Auditing of impacts	Compliance to minimum level of standard	Maturity of sustainability work
Publicity and brand value	GRI	ISO	Rankings
Self evaluation	GRI	ISO	

Figure 3.8 Objective of evaluation and purpose of existing frameworks

3.1.1.1 Global Reporting Initiative (GRI)

Consisting of thousands of experts from over 60 countries spread over the globe, the Global Reporting Initiative (GRI) is a wide network of multiple shareholders. The members of the network use the GRI guidelines for reporting and accessing information in other GRI-based reports as well as actively developing the GRI reporting framework through formal and informal practices.⁷² The GRI framework is made up of several components, the central one being the Sustainability Reporting Guidelines, which is now at its third revision first published in 2006. In addition to these guidelines, specific guidelines for selected industries and national-level information are available. The framework is free for anyone to use and GRI actively invites companies, organizations and individuals to continuously contribute to it.⁷³

The guidelines should be seen as guidance for organizations on how to report their sustainability performance. They are divided into three main fields, analogous to the

⁷² Global Reporting Initiative, *GRI Network Structure*

⁷³ Global Reporting Initiative, *What is GRI*

three main fields usually used for sustainability issues: Economic, Environmental and social, with the last one divided further into four sub-divisions as can be seen in figure 3.9

For each sustainability field there are a number of criteria, called performance indicators, which are the actual criteria in the GRI framework. These criteria falls under aspects such as “Indirect economic impacts”, “Emissions, effluents and waste” and “Customer health and safety”.⁷⁴ The performance indicators are described in depth with paragraphs on why they are relevant, on how to compile and document the information needed for reporting on them plus references for further reading.⁷⁵



Figure 3.9 Structure of Global Reporting Initiative

3.11.2 International Standard ISO 26000 – Social Responsibility

ISO was founded in 1947 and is a network of national standard institutes that today consists of 160 members, coordinated by a central secretariat in Switzerland.⁷⁶ Since ISO is a non-governmental organization, many of its members are mandated by respective nation’s government but many are also set up by national partnerships of industry associations. Hence, ISO unites interests from both the public and private sectors and

⁷⁴ Global Reporting Initiative, *Sustainability reporting Guidelines v. 3.0*, 2006

⁷⁵ Global Reporting Initiative, *Indicator Protocol Set v. 3.0*, 2006

⁷⁶ International Organization for Standardization, *Discover ISO –ISO’s Name*

aims at finding solutions that align with the requirements of business as well as the general needs of society.⁷⁷

Standards are developed by technical committees, membered by experts from the industrial, technical and business sectors who are democratically chosen by the network.⁷⁸ The ISO 26000 standard, developed by experts from the main stakeholder groups (consumers, government, industry, labor, NGOs) from over 90 countries,⁷⁹ contains an extensive definition of sustainability and the principles a sustainable organization must adhere to. The main principles are divided into six core subjects: Organizational Governance, Human Rights, Labor Practices, The Environment, Fair Operating Practices, Consumer Issues and Community Involvement & Development (as seen in figure 3.10). These core subjects fall under either environmental or social sustainability, where as the economic sustainability aspects are included throughout the core subjects.

Each core subject is discussed in terms of principles and considerations in order to give a background for the main recommendations, termed issues. These issues form guidance for organizations on how to address sustainability and give examples of which actions to take and on what to expect from an organization.⁸⁰



Figure 3.10 Structure of ISO 26000

3.11.3 Dow Jones Sustainability Index (DJSI)

Created in 1999 in order to create benchmarks for investors on how to choose sustainability investments, the Dow Jones Sustainability Index tracks the financial performance of companies in various markets.⁸¹ The criteria used are developed by SAM,

⁷⁷ International Organization for Standardization, *About ISO*

⁷⁸ International Organization for Standardization, *How ISO Develop Standards*

⁷⁹ ISO 26000, *Guidance on Social Responsibility* Final Draft 2010

⁸⁰ ISO 26000, 2010

⁸¹ Dow Jones Sustainability Indexes

an investment group focused exclusively on Sustainability Investing.⁸² Divided into economic, environmental and social factors, the criteria focuses on financial performance and are intended for financial assessments rather than exhaustive sustainability analysis.⁸³

3.11.4 Global 100

Founded by small sustainability assessment firms and magazine,⁸⁴ the Global Responsible Investment Network publishes the Global 100 Ranking with the goal of creating a virtuous cycle where sustainability becomes mainstream within the business world.⁸⁵ Based on ten key performance indicators (figure 3.11), such as energy productivity, leadership diversity and innovation capacity, the Global 100 ranks the hundred top-performing sustainable organizations. These performance indicators are designed to reflect the environment, social, and governance metrics in widest use.



Figure 3.11 KPI's in Global 100

82 SAM Sustainability Investing, *Group portrait*, 2010

83 Dow Jones Sustainability Indexes Guide Book v 11.5 2011-01

84 Global 100, *Why we do it*

85 Global 100, *Why we do it*

4. Sustainability according to the industry

The purpose of this chapter is to give an insight into the maturity levels of organizations in two selected industries. Through examples of what drives and challenges the organizations, along with business examples, this gives an industry perspective that can be compared to that of research and that has also influenced the assessment tool.

In order to understand the maturity level of organizations in the transport- and retail industries, representatives from organizations from various sub-industries were interviewed. Questions about what drives their sustainability work, what challenges they face and what particular business opportunities that had come out of their sustainability efforts were asked to better understand the situation of each organization. The organizations are grouped according to industry, but the stories from the companies are not presented in any particular order. All organizations have been anonymized.

4.1 Transportation organizations

In the transportation industry, representatives from four organizations were interviewed:

BusCo - the Swedish branch of an international transport service company.

AirCo – a Swedish airline.

FreightCo - the Swedish branch of an international express logistics company.

AirportInc – a Swedish airport operator.

4.1.1 View on sustainability

In BusCo, the sustainability initiatives are coming more and more from central management as they climb the maturity ladder. Even so, environmental work (which is the part of sustainability issues that they have focused on so far) is still seen as a cost rather than a way to make money. The interviewee told about an initiative that he had proposed, where bus drivers would be sent on eco-driving courses to improve fuel economy and reduce emissions, which was easy to argue for in terms of money but that was still to be realized.

BusCo has settled for a biofuel that can be used in traditional diesel engines and hence do not require investments in new vehicles. This biofuel reduces CO₂ emissions but on the other hand increases NO_x. The company simply does not think they can afford investing in more sustainable technology.

The biofuel used by BusCo could be sourced from Russia, but that would have made it less sustainable. Therefore, they buy it all from a local producer which also gives them better possibility to control the supplier's process.

"We can't just wait for someone else to make aviation more sustainable, we feel a responsibility and see a business opportunity in doing it ourselves".

AirCo representative

AirCo realizes that sustainability work has a dose of game theory in it – if no one else does it, they have to do it. Waiting for another player to take the lead would mean waiting forever if no one else sees the importance of being a sustainable airline. AirCo invest heavily in improving their operations and have come up with ways to save up to 5% of total fuel consumption through landings that are better planned and also shortened routes between destinations through putting better use of technology. Others, especially small players, do not invest and instead wait for the larger ones to innovate and then follow, but this can never keep AirCo from continuing being in the lead of sustainability work since they are convinced that they will profit both in the short and long term. On the contrary, they feel that it is crucial for their existence as a company in 10 years to keep the competitive edge of being a leading innovator on sustainable aviation.

Multinational organizations, like FreightCo and BusCo, face the problem of having sustainability strategies, projects and planning being made in their head offices. This means that the people responsible for this area in their Swedish subsidiaries are not aware of the thinking and reasons behind many initiatives and also have a hard time grasping the big picture in the companies' strategies. A lot of reporting and data on sustainability work is also aggregated on a global level, which makes it hard for each subsidiary to clarify their impact and follow up on their sustainability efforts.

FreightCo has developed an e-learning program on environmental issues that everyone in the organization has gone through. The program has created engagement and made the employees aware of the implications of FreightCo's sustainability work, which has been

manifested in the plentitude of ideas, and initiatives that have been put forward on all levels of the organization.

4.1.2 Drivers behind sustainability work

BusCo feel that their customers still are not willing to pay the true cost of environmental initiatives, and therefore they are not doing as much for the environment as they have the possibility to do.

“Customers today are inconsistent when it comes to sustainability. Ask a bunch of people in the street if they would be willing to pay more for sustainable public transport and most of them will say yes. If you then go and create a sustainable public transport that is more costly than the regular one, most people will forget sustainability and choose the cheaper alternative”.

BusCo representative

Between some destinations, BusCo’s buses are competing against competitors who use trains. Due to this, they have to work hard to reduce their environmental footprint since electrified trains have much lower carbon emissions than combustion-driven buses.

BusCo sees different drivers between their sustainability work depending on whether the client comes from the public sector and hence is a government entity where the buyer is not the same as the consumer or the consumer is a private citizen paying for the trip herself. Research has shown that when customers choose between different service providers for travelling, time, price and place is much more important than sustainability factors. This is one of the reasons why BusCo are not focusing on this yet.

For Airport Inc., one of the strongest drivers is the strict regulations that have been imposed on them by the government. They also have a strong consciousness in environmental issues throughout the organization, which has been built up over long time. The interviewee, who had been working with many other companies and as an environmental auditor, said that Airport showed the strongest devotion and knowledge in sustainability that she had seen in her carrier.

The sustainability work at AirCo commenced in the 1980’s, driven by a few driving spirits who realized that greenhouse gas emissions would be a major issue in the future. Today the driving force is more based on business than ideology, and through their solid sustainability efforts they can use sustainability as a key selling point. Even so, they always make sure not to fall into greenwashing.

AirCo say that they have gotten the money they have put into their sustainability work back, many times over. Some of the projects might have had taken place anyway, in search for fuel efficiency, but also environmental-driven undertakings have had economic payback in form of brand value, unforeseen economic benefits and other examples of shared value.

A large number of FreightCo's clients have sustainability goals and reporting models of their own, which makes it important for them that their transportation company are actively improving their environmental impact and also provides them with precise data on their significant emissions. The customers have different demands when it comes to sustainability, and the Swedish branch of FreightCo often forward the strict requirements of their clients to the headquarters, resulting in various investments and new standards in all markets.

4.1.3 Challenges in being sustainable

“Politicians are mostly interested in quick-fixes, especially when it comes to sustainability alternatives. They need something that shows a result during their term and since people have been convinced that aviation is the bad guy and trains are the good, politicians give their money to the trains”.

AirCo believe in greater integration between different means of transports in the future and seamless transitions to optimize all transports based on which transportation mode is the most sustainable. No company will provide just air, train or bus travel, to compete companies will become transporters who takes passengers from A to B by different means at the best value.

To compete again larger players, BusCo has opted not to use a dynamic pricing model, but rather to be honest and transparent towards their clients. Even so, some price differentiation must be done to even out demand, but by showing how many tickets are available in each price category customers have better ways of comparing and deciding on when to travel.

When BusCo say that customers are not willing to pay for the cost of environmental initiatives, they are missing the point of shared value and maybe are not looking for the right efficiency improving solutions. It can also be a sign of reluctance to invest in sustainable technology that has a high initial cost but pays of over time since their owner structure demands maximizing profits in the near time.

In the future, more of public transportation will be handled on order, which means customers must pre-order their trips, at least at off-peak hours. A computer-based system will then calculate the best route between customers. This system is only 3 to 5 years into the future according to BusCo and it will increase the efficiency and sustainability of public transport, since almost empty buses or trains are a big problem today – both economically and for the environmental efficiency. Increasing efficiency by running vehicles as full as possible is a main issue for the whole transport business.

When competing against trains, buses and other road traffic often look worse in terms of emissions per kilometer and other performance indicators. However, BusCo feels that this is an unfair comparison since trains require its own infrastructure, and when adding the environmental ramifications of building a railroad, buses are actually by far better than trains. A similar point is put forward by AirCo, who adds that aviation is much more flexible than trains since you can move between any airport in the world and changing a route is very easy compared to laying out new railroad. Also, in Sweden 15-20 billion SEK is invested in railroads each year but only 900 million is paid by train companies using this infrastructure. Airlines on the other hand pay all their costs, both in economical and environmental-social terms, at least in AirCo's opinion. They argue that through all taxes, fees and initiatives that they are forced to do by regulation, they take the full responsibility for the stakeholder impacts of their business.

Low margin businesses, like transportation, are more reluctant to investing in sustainability, but FreightCo sees a possibility in closer relationship in the future making it possible to share the cost with their clients.

“It is not hard for high-margin businesses to let the customer pay the cost of sustainability initiatives, but in an industry like transportation, where competition is fierce and there currently is an over supply it is much harder to motivate the cost of being sustainable”.

FreightCo representative

According to FreightCo, the transportation business as a whole is lagging behind other industries when it comes to sustainability. One reason could be the prevalent culture where people often start at the bottom of the organization without any education and work their way to the top, thus lacking the inflow of new ideas from academia that other industries get.

Constant innovation is giving FreightCo a hard time - when brand-building initiatives like having a biofuel fleet becomes common among their competitors, new ways to stand out will be needed. The biofuel vehicles also come with an apparent disadvantage compared to conventional vehicles, as they take three times as long to fuel up, adding time to already strained routes.

Knowing where to focus efforts in sustainability is a major problem for FreightCo. They have put a lot of work in being able to measure and follow up on data and therefore have not yet had time to make the actual investments, as it is better to know what will have the best impact before starting to work on projects. Their focus is still on reducing their environmental impact rather than seeing any business opportunities in sustainability issues, and hence they do not offer any “green” services or products.

FreightCo has put a lot of effort in developing accurate emission reports for which they can take full responsibility, where as their competitors take no responsibility for theirs and hence do not have to invest as much in getting them accurate. To make clients understand the difference of thorough and superficial environmental efforts and to use this in marketing has proven to be a challenge for FreightCo.

Both AirCo, AirportsInc and BusCo face challenges in competing with trains, since the public opinion is that trains are much better for the environment. Through campaigns and research they are trying to change this image. AirCo also face the bad reputation other players bring on the whole airline industry, as well as their superficial sustainability work (such as having a holding company ISO14001 –certified, which does not mean much when they do not have their own planes, pilots, etc. such as AirCo do).

4.1.4 Business opportunities for sustainability initiatives

As a result of the work put into being able to accurately measure, report and follow-up on emissions and environmental projects, FreightCo has built up in-house expertise in the field, which they plan to capitalize through offering consultancy services. One example would be helping clients in placing logistics centers and calculating the environmental impact on different possible locations. AirportInc have already started with similar work, having airport managers visit from all over the world to learn best practice and are starting look into sending their employees as consultants to other airports.

Where FreightCo are having close relationship with their clients, flows can be speeded up through optimizing product packaging, which would also benefit the environment.

“An airport is no longer a place that you just pass on your way to a destination, it is also a place people look forward to visit for dining, shopping and experiencing. In a way to stand out, we should find business opportunities for this through sustainability initiatives”.

Often the first impression visitors get of a city or country is from an airport, and branding an airport as green with green products sold, green restaurants and green transports from the airport might give positive value and make travelers chose one airport over another.

4.1.5 Business examples

BusCo has managed to lower their fuel consumption with around 7% by using a gas instead of air in the tires on their buses.

When asked for a role model in sustainability work, BusCo’s representative told the following example: The restaurant owner of a hotel in Stockholm, famous for his breakfast smorgasbord, decided that everything on it would be organic. When he realized how much more expensive the ingredients would be, he simply demanded that his suppliers would find organic ingredients at regular price or he would turn elsewhere. The suppliers eventually managed to provide him with the right products and today the smorgasbord is fully sustainable and evidence of how putting pressure on suppliers can pay off, according to BusCo’s representative.

Through leasing biofuel cars instead of buying them, FreightCo was able to switch over to a new fleet of vehicles without having to make a heavy investment.

4.2 Retail organizations

For the retail industry, representatives from two organizations were interviewed:

PharmaCo – a leading pharmacy chain in Sweden.

Clothing&Stuff (C&S) - a global retail-clothing company.

4.2.1 View on sustainability

Compared to their competitors, C&S ranks themselves as “good” sustainability wise since they are doing what they think is important. Their closest competitor is focusing on community investment, which could be seen more as philanthropy compared to the capacity building (e.g. improving a factory after auditing it, not only performing the audit) C&S are doing. When investing in communities, like the seamstress school C&S has opened in Bangladesh, this is mostly an act of philanthropy.

“For the moment, our seamstress school is just a way of giving something back to the community, but creating shared value through letting our organization gain a competitive advantage through getting access through a more skilled workforce is definitely something we will want to pursue in the future ”.

C&S representative

British retailer Marks & Spencer is a role model for C&S since they have come much further in their sustainability work. Not only are they best in class on a strategic and tactical level where they have made sustainability a fully integrated part of their core business model, but they are also best at communicating this to their customers. Since branding is the most important driver today, C&S are looking mostly at those who are good at marketing their sustainability work.

“I wouldn’t call our CEO an idealist when it comes to sustainability, but he is a realist with a conscience who knows how ugly things can get if we don’t do things the right way and also sees the money that lies in sustainable fashion in the future. ”.

C&S representative

C&S uses the triple-bottom line definition of “People, Planet, Profit” as a baseline for their sustainability work. They have a group of people who work full-time with CSR issues and with educating and supporting other functions in the organization. They also have a CSR officer on the executive board, working in close corporation with other company officers and the CEO, who is actively working to support sustainability issues within the company, partly understanding their importance through scandals in the 1990’s. Looking at the organization as a whole, the knowledge on sustainability is limited. In production, social questions are audited and worked on but environmental issues are not as high up on the agenda yet. In the buying function, more and more is being done on sustainability but there is still a long way to go. The CSR group has tried to educate employees, but they are yet to find a good way of doing this.

Up until 2004, PharmaCo was mostly focusing their internal governance on ensuring patient security. When they wanted to expand their internal governance to include overall quality, environmental issues and social values, the whole organization had to start working with processes and use a quality management system. In order to do this, an extensive project documenting all processes used in the organization was undertaken which showed many differences in how the same tasks were done depending on who and where in the organization it was. For instance, some pharmacies had focused a lot on environmental work and were ISO14001 certified. This was implemented throughout the organization as a way of learning from best practices and processes. The management has and is a big part of the sustainability work of PharmaCo.

4.2.2 Drivers behind sustainability work

C&S lists a number of important drivers behind their sustainability work: brand value, risk management, employee branding, new innovative products, waste management and cost reduction. Today, brand value is the most important, but they hope that product innovation will be more important in the future. Initiatives like recyclable products, minimized packaging and better materials that need less laundering (which, in fact, is the most important environmental impact of many clothing items) will all be part of a “cradle-to-cradle” philosophy at C&S in the future.

Being partly owned by private investors with a long time engagement in the organization, C&S are allowed to take long-term decisions regarding sustainability and do not have to focus on quarterly-reports in the same way as their competitors.

Having always focused on offering budget-priced clothing, C&S has learnt to cut all costs, including the indirect ones, over the years. Minimizing air travel, administration and other expenses has also led to reduced environmental impact.

Some sustainability initiatives, such as using recycled paper in the offices, are quite easy and does not cost very much to implement. It might not reduce the environmental footprint of C&S much, but it might make the employees more positive to C&S and hence create value in employer branding. The interviewee from C&S calls this kind of initiative “low hanging fruit” (meaning something that can be obtained by readily available means) and says that they do this because - “why not?”

The highly aware, highly educated staff at PharmaCo, who for instance is very proud of the ISO-certification, drives most of the initiatives in sustainability. Consumer panels have shown that sustainability work is important, but it is still not a major factor in buying decisions for PharmaCo's clients.

“When most of your employees have an university degree, on one hand it means that they will be highly demanding and not follow dictates if its not motivated in the right way, on the other hand you will be blessed with people who regularly come up with and implement brilliant ideas by themselves, which is of great value for instance in making the organization more sustainable. ”.

PharmaCo representative

4.2.3 Challenges in being sustainable

According to calculations that C&S has studied, by 2030 all of earth's agricultural capacity will not cover both the need for food and the cotton demanded. A qualified guess from C&S is that the latter will be the one that concedes to the other. Hence, the most important material for the textile industry will have to be replaced or at least handled in a whole new way.

C&S have a number of focus areas with challenges to overcome:

- Social issues – C&S are working closely with their suppliers to secure workers rights, health and safety as well as human rights
- Materials – more sustainable (recycled, ecological) materials in their products
- CO₂ emissions – Reducing emissions in their own processes (e.g. logistics, sales)
- Water – Working with suppliers to clean the wastewater in their factories
- Regulations on chemicals – C&S have one of the most restrictive chemical uses in the industry, using what they call “positive editing” which means completely banning a chemical, even if regulations only ask them to reduce the use of it.

Regulations are seen more as an incitement than a limitation, as long as the development is neutral to competition. E.g., a tax on CO₂ emissions will have the same effect on all players, making it pointless to work against the law and instead spurring C&S to be best at reducing their emissions.

“A lot of people will not take their medication if they don’t trust the doctor or pharmacist they meet. In order for them to get healthy, and for less drugs to be wasted, we need to spend more time on getting the trust of our customers and less on administrating the drug itself”.

PharmaCo representative

Unused drugs that are disposed with other domestic refuse are an increasing environmental problem. Therefore, PharmaCo have tried to get as much of the unused drugs back for safe disposal. They also try to reduce the volume of unused drugs in the first place, and one of the best ways are to increase the customers trust since studies have shown that this increases the likelihood of the drugs being used in accordance with the prescription. Giving the pharmacist a better possibility of focusing on the customer is one way, which is done in part through improving and simplifying the sales-system.

The regulated market for prescribed medications means that doctors decide which drug to prescribe, governmental institutions pay the bill and consumers use the product while paying very little of its actual value. Hence, in trying to make the industry more sustainable, PharmaCo must direct their efforts toward the government who in turn can address the pharmaceutical companies. This is similar to the situation for transportation companies serving public transportation on assignment from the government.

There is a contradiction between making a profit and not having people stock up on unnecessary drugs, which PharmaCo feel they are aware of and working with but this might not be the case for their competitors.

4.2.4 Business opportunities for sustainability initiatives

“We have heaps of ideas for the future and sometimes it’s frustrating that we will have to wait so long to see them (possibly) implemented. Unfortunately, the maturity of both the industry and customers are too low for us to see any value in realizing our bigger ideas”.

C&S representative

For the time being, the best business opportunities for C&S lies in sustainable products, often in form of limited collections. In the future, they fantasize about investing in wind power to reduce CO₂ emissions as well as make money of excess electricity produced.

There are a lot of ways of using sustainability as a selling point for PharmaCo, for instance through having “green” products, but this is not likely to be a sustainable advantage since it is easy to imitate. Instead, showing a long track record of sustainability work might prove to be more valuable in the future. The relative uniformity among

Swedish pharmacies today is likely to break up and differences in how organizations deal with sustainability will be one differentiating factor.

Through having an integrated value chain, with both retail and wholesale in the same organization, PharmaCo believe that they have a better position for controlling the whole value chain and put greater pressure on suppliers, which can result in more effective sustainability efforts.

In the US, drugs are often delivered to stores in bulk and then administrated to customers in the prescribed quantities. In Sweden, everything has to be sold in consumer-sized packages according to law, and hence one pill can be delivered in a lot of superfluous packaging material. Clients who take multiple medications can get pre-packaged, dosed drugs in small plastic bags and PharmaCo are trying to make the government allow this for more customers to make their drug handling more sustainable.

4.2.5 Business example

It is inviting for western managers to believe that, in interaction with organizations from other parts of the world, they can only teach but have nothing to learn. When PharmaCo was visited by an Indian delegation, the latter was horrified to see that there was no 18-year limit for working in PharmaCo. This would be unthinkable in India, with a tough policy on child labor, but in Sweden where the problem is almost non-existing this issue is not seen in the same way.

5. Improving Sustainability in the Organization

The purpose of this chapter is to explain the work process of creating awareness of the maturity regarding sustainability in the organization leading up to prioritizing what areas to improve. The outline of the assessment tool is presented in this chapter and a sample of the Solutions used for evaluation is publicized.

The process of improving sustainability work in an organization has to start with mapping its stakeholders, i.e. everyone that is direct or indirect effected by the organization or its activities or can influence the organization's strategy, tactics or operations. Through interviews with several large Swedish organizations it has been found that many organizations care about their employees and customers in certain issues, but they tend to neglect the needs of other people being affected by the organizations activities, e.g. suppliers' employees, people living close to the plant and employees at the retailers handling the products. Working towards a more sustainable way of operating for the organization is working towards securing the organization's existence and profitability in the long term. This is achieved through securing the existence of the resources the company needs to operate - such as natural resources, human capital, technology, and financing - and also securing the buying power from its customers by enabling and securing their wellbeing locally and globally. Ensuring that the organization is committed to acting sustainable, the improvement that leads to sustainability has to have a tangible benefit for the organizations bottom line, i.e. create value for both the company and the society and/or environment it is acting in – creating shared value.

5.1 Work process

The project team has developed a work process for evaluating and evolving an organization's sustainability work, including stages before and after the assessment tool. The steps are outlined in figure 5.1 below and discussed in further detail.

Before starting any project, background knowledge on the organization must be gathered, and especially important for using this working process is having adequate insight in the strategy of the organization. This will be vital for doing the right analysis and prioritizing among sustainability efforts, as described in 5.1.4. When improvements are finally launched, the organization's strategy must be developed to align with the new practices as a part of the business strategy transformation process.

The way towards sustainability, and creating shared value, for an organization starts with identifying the stakeholders of the company, as described earlier, and mapping all

resources it needs in order to operate and be profitable, giving a clear picture of external relationships (step 1 in the work process model). Then, in order to know how to improve the organization, it is important to know the prerequisites; hence the process' next step is analyzing the current maturity.

After assessing the current situation, the next step is identifying opportunities for shared value. This is done through a gap analysis and is the activity in the work process where most creativity and entrepreneurship is needed.

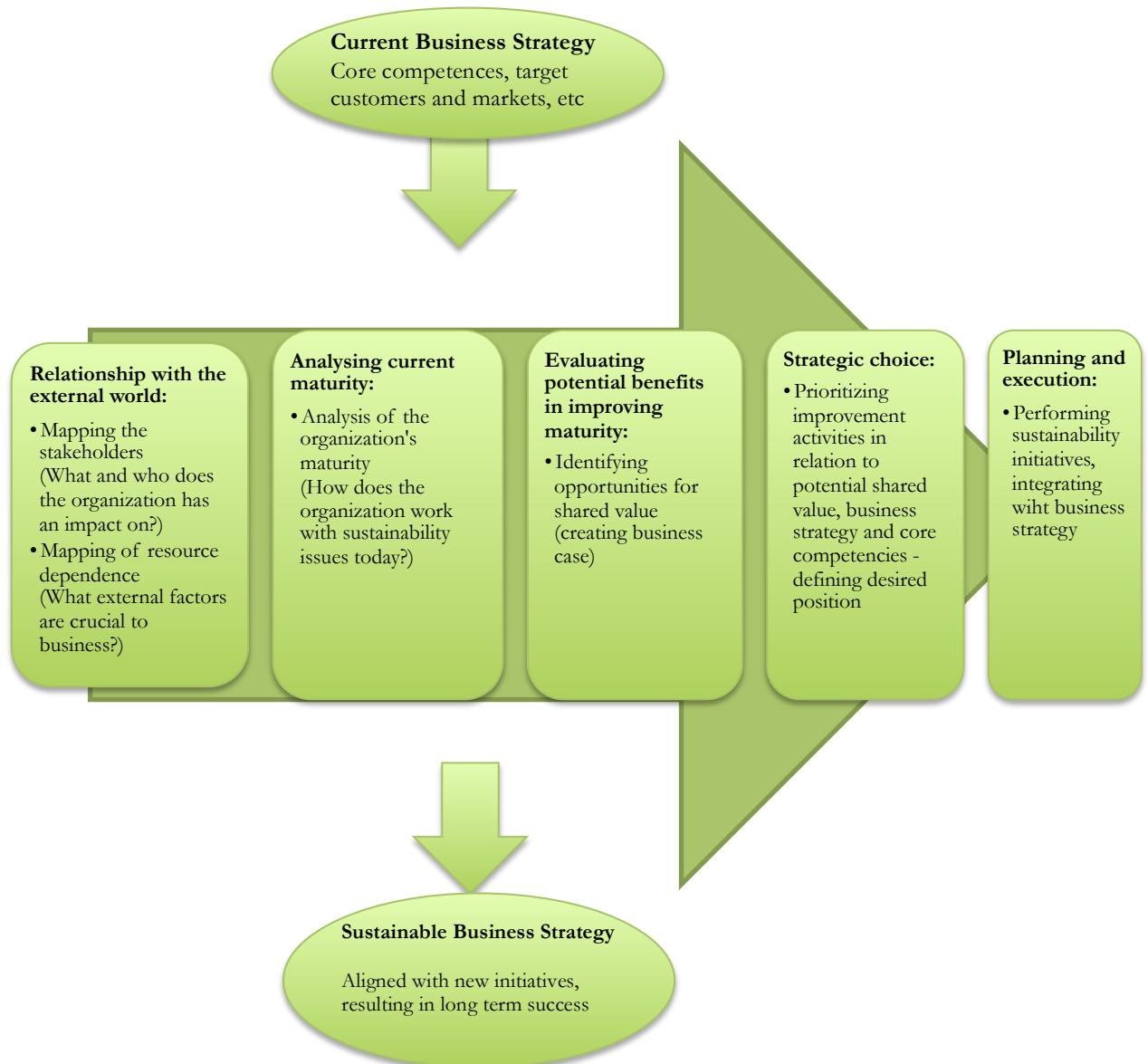


Figure 5.1 Work process

When all the areas where improving the organization's sustainability work can create or increase shared value are known, the organization needs to prioritize what areas to improve first. This decision should be made based on where the sustainability

improvement work create most value for the company, how they relate to the core competencies and whether they are consistent with the organization's business strategy. When the possible improvements are prioritized the organization can start working with the sustainability improvements, preferably together with a consulting company.

5.1.1 Relationship with the external world

The process of creating awareness about the relationship the organization has with its surroundings can be divided in to two parts: awareness of the organization's stakeholders and awareness of the resources on which the organization and its operations depend. Mapping the stakeholders of the organization can be done by looking at the complete lifecycle of the product (or service) provided, and in each step analyzing who and what the product or service has an impact on.

The same procedure, but instead analyzing what resources are needed in each step of the lifecycle, can be used creating awareness about the resource dependence of the company as seen in figure 5.2.

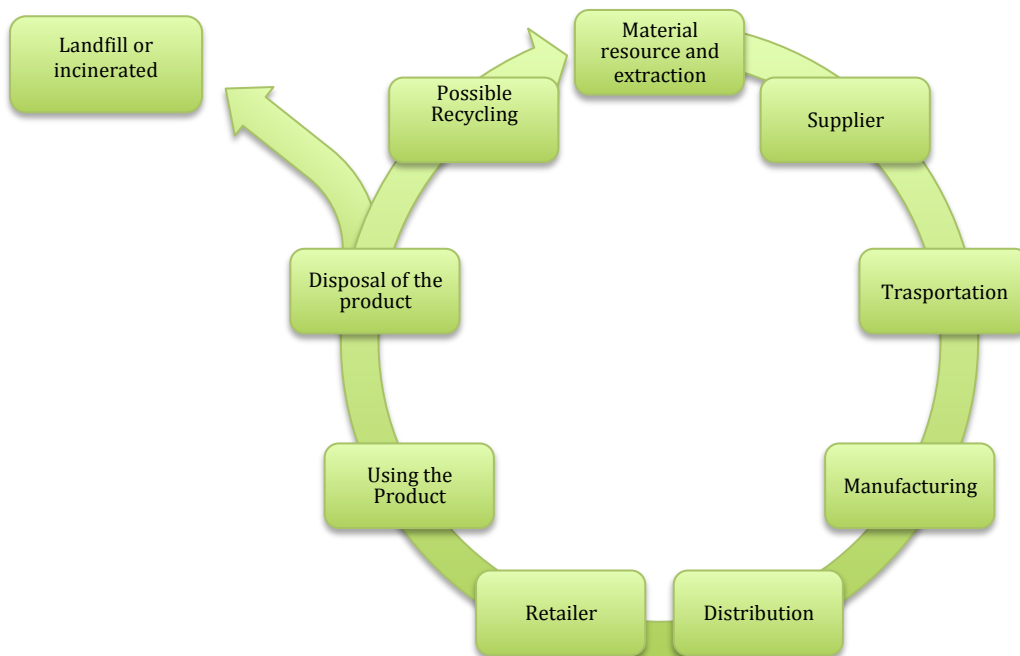


Figure 5.2 Resource dependency analysis for an organization

5.1.2 Analyzing current maturity

The most important step towards successful sustainability work for an organization is a realistic view on the organization's maturity regarding the different issues that the concept of sustainability contains. The assessment tool covers the range of all aspects that should be paid attention to, but is far from covering the concept completely.

The assessment tool consists of 57 solutions, each one dealing with an issue important for the organization to achieve shared value in its business activities. The solutions are sorted in accordance with the organization's value chain. As pictured in figure 5.3, each solution consists of the solution itself (a key statement), a background for the solution (explaining why it is important for an organization's sustainability work) and a business example that describes an organization that has either succeeded or failed in utilizing the solution to harvest its (potential) benefits.

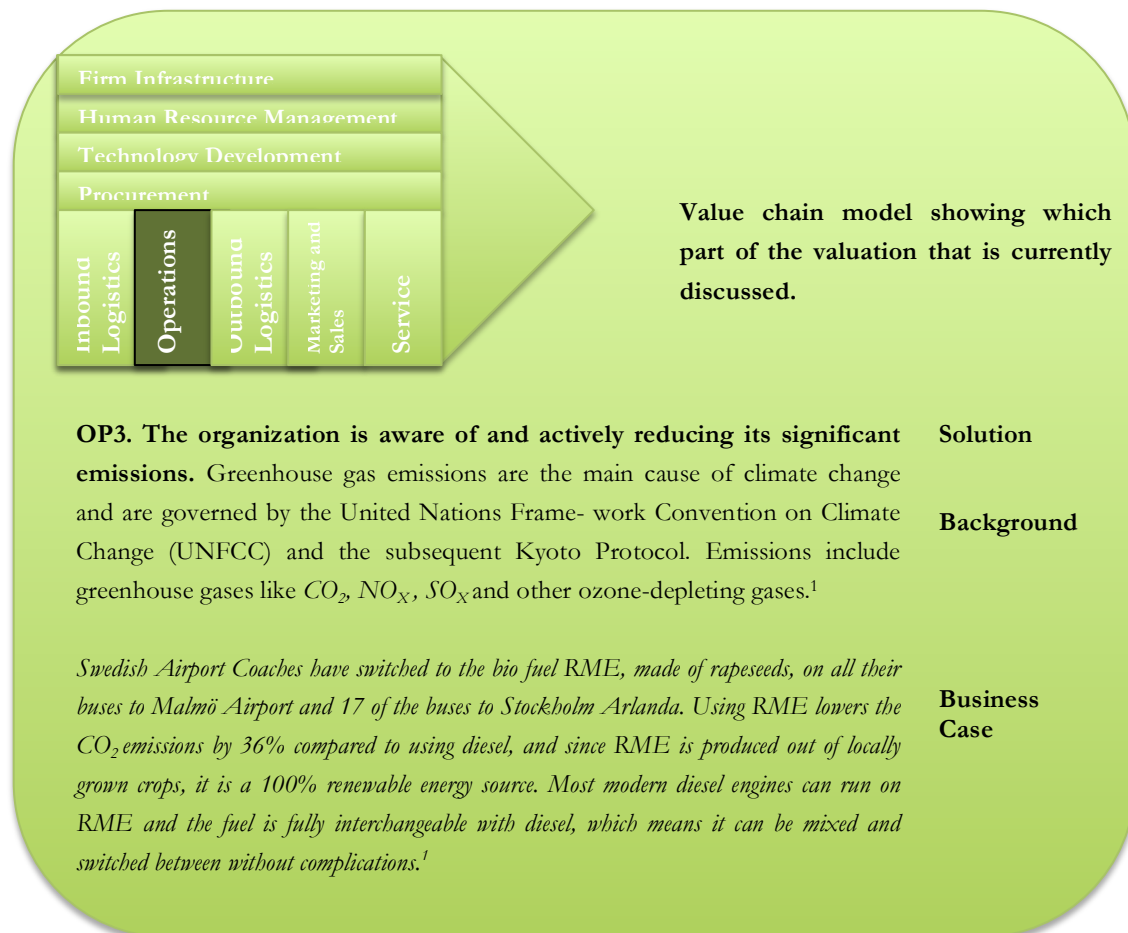


Figure 5.3 Outline of solutions

Each criterion can be answered through a five-step scale in a maturity ladder describing the organization's maturity in the sustainability work regarding each specific issue, as seen in figure 5.4. The solutions are found in section 5.2.

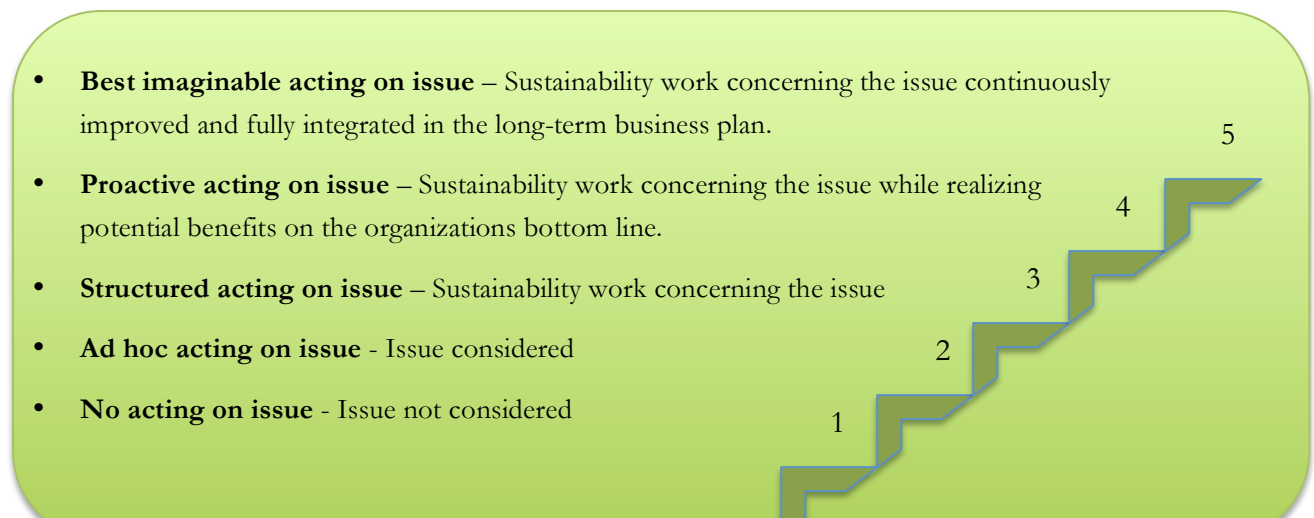


Figure 5.4 Maturity ladder

The steps correspond to the following maturity levels:

1. No acting on issue – Neither the issue nor the organization's contribution to the issue is considered.

2. Ad hoc acting on issue – The organization is highly aware of the issue and how the organization and its activities contribute to the issue. The issue is discussed in the top level of the organization.

3. Structured acting on issue – The organization has an action plan on how to do sustainability work concerning the issue and acts on it with commitment.

4. Proactive acting on issue – The organization is committed to sustainability work concerning the issue, aware of the improvements regarding sustainability and realizing the potential benefits on the organizations bottom line the improvements creates.

5. Best imaginable acting on issue – The organization is committed to substantial sustainability work concerning the issue, applying front-line knowledge or technology and contributing to develop new solutions to handle the issue, and improving the sustainability work further. The organization has seized the business opportunity related to the sustainability work concerning the issue and has fully integrated their action to cease the opportunity and contribute to better sustainability in their long-term business plan.

5.1.3 Evaluating potential benefits in improving maturity

After analyzing the current maturity, there should be a clear idea of the organizations maturity for each of the solutions. The organization will hopefully have a high maturity level on many solutions, but there will always be areas were the development has not reached as far. By going through all or some of the solutions the organization will get an orientation in what can and should be done, which is necessary for the subsequent steps in the work process.

During the evaluation of the current situation, some of the solutions will hopefully have intrigued the customer more than others and maybe served as an eye-opener toward sustainability solutions that are especially suitable for the organization. These can serve as good starting points for the next step in the work process, which is aimed at identifying opportunities for shared value.

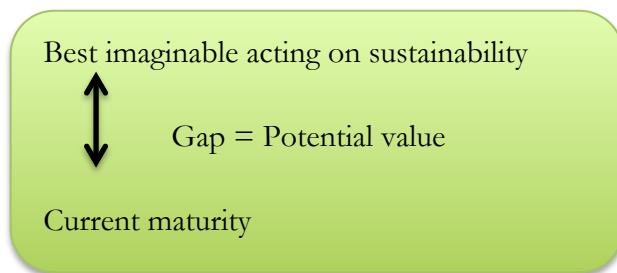


Figure 5.5 Gap analysis

This potential shared value can be assessed through a gap analysis where the gap represents the potential value, as depicted in figure 5.5. The analysis is performed as a discussion with help from the questions presented below, helping in creating awareness of the value of closing and/or minimizing the gap between the company's maturity regarding the issue today and a maturity reflecting "best imaginable". The questions connect to a number of opportunities in sustainability work that has surfaced in interviews and throughout theory. In performing the analysis, both potential benefit and missed opportunities should be sought for. A way of estimating the different latent values that could be realized through acting on a sustainability initiative is by creating small business cases (capturing the reasoning for initiating a project or task) on each solution.

Gap analysis for evaluating potential benefits

Markets

- Can we reach new markets, which we cannot act on today by improving sustainability efforts on this issue? What value does this create for the organization?
- Can we build new markets, on which we can act in the future by improving sustainability efforts on this issue? What value does this create for the organization?

Customers

- Can we acquire customers only willing to buy from organizations improving work on this issue? What value does this create for the organization?
- Can we strengthen our customer buying power by improving sustainability efforts on this issue? What value does this create for the organization?
- Can we meet new customer needs by improving sustainability efforts on this issue? What value does this create for the organization?

Cost reduction or avoidance

- Can we make our resource use more efficient, improving sustainability efforts on this issue? What value does this create for the organization?
- Can we reduce our cost related to waste management by improving sustainability efforts on this issue? What value does this create for the organization?

Efficiency improvement

- Can improving work on this issue lead to higher employee satisfaction? What value does this create for the organization?
- Can improving work on this issue reduce time to shelf for the product /service? What value does this create for the organization?

Reduction of fines and penalties

- Can we reduce fines paid by the organization connected to this issue by sustainability efforts? What value does this create for the organization?

Risk reduction

- Can we reduce risk in our input resources and inbound logistics by improving sustainability efforts on this issue? What value does this create for the organization?
- Can we reduce risk anywhere in our value chain by improving sustainability efforts on this issue? What value does this create for the organization?
- Can we reduce instability in the communities we act in by improving sustainability efforts on this issue? What value does this create for the organization?
- Can we secure stable demand for our product or services by improving sustainability efforts on this issue? What value does this create for the organization?

Strengthening brand

- Can we attract new costumers by improving sustainability efforts on this issue? What value does this create for the organization?
- Can we prevent losing current costumers to our competition by improving sustainability efforts on this issue? What value does this create for the organization?
- Can we attract talented future employees by improving sustainability efforts on this issue? What value does this create for the organization?

5.1.4 Strategic choice

After addressing the current situation and performing the gap analysis, there should be a good understanding of what parts of the organization's operations and parts of the value chain it has already seized the opportunities and created shared value in. Most important, there should be a clear view over which potential improvement areas that exists.

Sustainability improvements can take time to implement and often requires an investment from the organization. Often there is a need to be able to prioritize among those areas where the sustainability improvements should start. When deciding what issues the organization should start focusing on, several factors need to be considered. If the company has core competencies in certain areas, for instance logistics, the issues concerning those areas should have a higher priority. The strategy of the company today (which should have been researched before commencing the work process, as described in 5.1) should be taken into account so that the sustainability work eventually can be incorporated in it. However, the most important decision criteria is how large the potential shared value is, i.e. how much the society and environment can benefit from the sustainability improvement combined with how much the organizations bottom line can benefit from said improvements. Assessing this value could be facilitated by the business cases created in the previous step and trade-offs between for instance costs of executing an incentive versus the benefit of said incentive can be illustrated as in the Chinese example in 3.2.

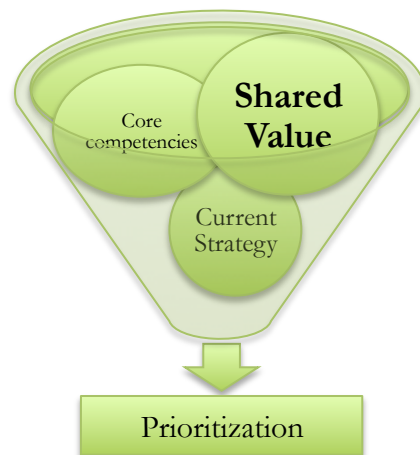


Figure 5.6 Funneling the three prioritization factors

The prioritization will result in any number of improvement activities that the organization deem suitable for execution. Together they will define a desired position in the sustainability efforts of the organization.

5.1.5 Planning and execution of the sustainability improvements

As discussed before (in section 3.9) one of the great challenges in sustainability work is the implementation of the solutions. There is no universal line of action to follow that can be applied on all organizations. The sustainability work should be managed both by people with knowledge regarding sustainability and people with knowledge regarding the organization's business strategy.

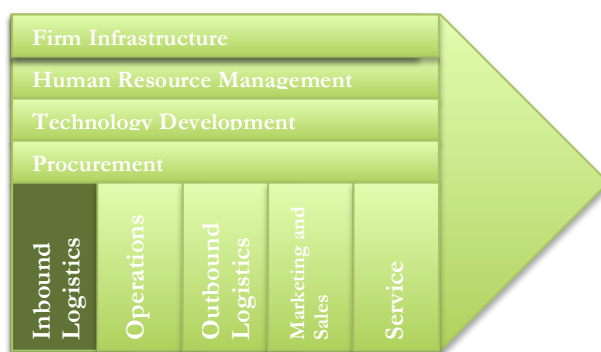
5.2 Selected solutions from the assessment tool

The core step for addressing the current situation of an organization's sustainability work is finding out to what extent the different activities in the organization's value chain affect the stakeholders, as described in 5.1.1. This is done through the 57 solutions in the assessment tool.

Due to the confidentiality requirements of the client, only a limited number of solutions are presented in this report. They have been chosen to exemplify the diversity in the issues considered in the tool but are not necessarily representative for each step in the value chain.

Primary activities

Inbound Logistics



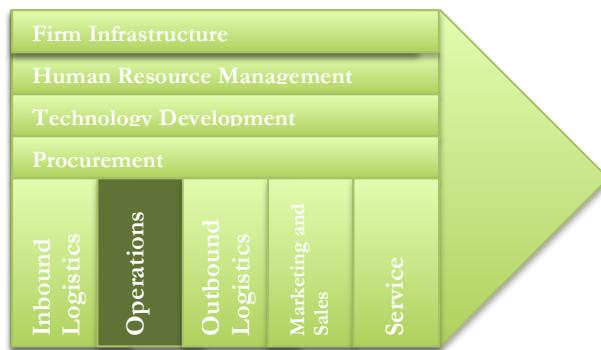
IL1. The organization is aware of and measures significant environmental and social impacts from inbound transports and handling of input materials.

The environmental impacts of transportation systems have a wide reach, from global warming to local smog and noise. For some companies, particularly those with extensive

supply networks, environmental impacts associated with logistics can represent a major part of their environmental footprint.⁸⁶

The British retailer Marks & Spencer's has overhauled their whole supply chain during recent years has involved seemingly simple steps, such as stopping the purchase of supplies from one hemisphere to ship to another. This is expected to not only save them 175 million GBP (about 1,75 billion SEK) each year by 2016, but also cut their carbon emissions significantly.⁸⁷

Operations



OP4. The organization is actively reducing and responsibly handling all its waste, including water spills and hazardous waste.

Being responsible for all waste output is a key issue for sustainable business and reputation. Modern organizations realize that there is actually no such thing as waste; it is simply raw material in the wrong place. Thus, by finding new uses of what was previously seen as an useless byproduct, by making processes more efficient to reduce waste and certainly handling what is left over regarding to highest international standards, an organization can take its responsibility for the local and global environment and society.⁸⁸

International fast-food chain McDonalds, with about 230 outlets in Sweden, has turned what was once waste into a useful resource: The oil used for frying their French fries is turned into bio-diesel by an external partner and then used to fuel the 20 trucks that the restaurant chain use. An interesting problem that has occurred is the discussion with the municipal garbage collecting division, which regards the waste-oil as theirs and hence put claims to it. This shows that waste is already seen as a valuable resource by some - a trend that is likely to progress in the future.⁸⁹

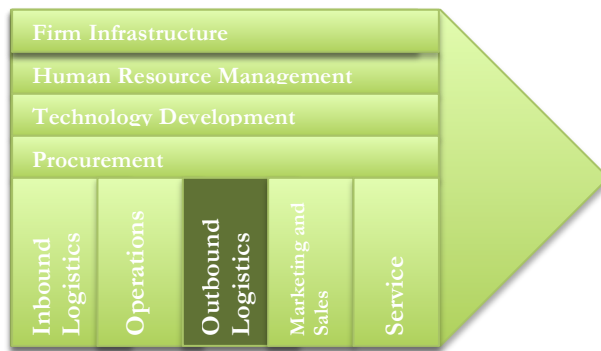
⁸⁶ Evolved from: GRI EN29

⁸⁷ Porter et al 2011

⁸⁸ Evolved from: GRI EN21, EN22, EN23, EN24, EN25 and ISO 6.5.3

⁸⁹ J Hållén, *Nu blir McDonalds frityrolja biodiesel*, Ny Teknik, 2011-04-17

Outbound Logistics

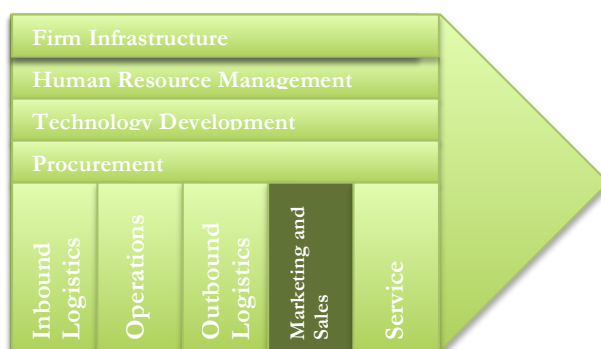


OL1. The organization is aware of and measures significant environmental and social impacts from transporting its products and workforce.

The environmental impacts of transportation systems have a wide reach, from global warming to local smog and noise. For some companies, particularly those with extensive supply and distribution networks, environmental impacts associated with logistics can represent a major part of their environmental footprint. (For companies within the transportation industry, this criterion relates mostly to their indirect transports.)⁹⁰

*The Swedish telecommunications company Ericsson and global logistics provider DB Schenker has started a joint project aiming at reducing carbon emissions by truck transport. Through combining systematic speed monitoring and a mobile on-board traffic system developed by Ericsson, carbon emissions by the DB Schenker truck fleet in Sweden can be reduced and monitored. On-board monitoring of driving behavior and fuel consumption has spurred an internal competition among drivers in eco-driving. For DB Schenker, being able to provide detailed data on the environmental footprint of each transport has also shown to be a great selling point in winning contracts.*⁹¹

Marketing and sales



⁹⁰ Evolved from: GRI EN29

⁹¹ DB Schenker, *Ericsson opts for DB Schenker for a green future*, 2011-04-27

MS2. The organization holds and provides accessible and adequate information on its products and services, and their sustainability impacts.

The specified information is necessary for customers and end users to make informed purchasing choices, and for these preferences to be reflected in the market. Not only will it give customers a chance to inform themselves on the sustainability of the organizations offerings, but it will also work as an internal reminder to all employees on how the organization is doing in terms of sustainability and which products or services have the greatest impacts.⁹²

Customers at Swedish fast-food chain Max can see the carbon footprint, “from earth to table”, of their food selection directly at the menu. Hence, customers have an incentive to choose fish, chicken or vegetable proteins over beef to reduce their individual carbon footprint. The calculations are made by experts from well renowned organization “The Natural Step” and Max automatically compensates for the carbon emissions by planting trees in Africa, making their products carbon-neutral.⁹³ The incentive has earned Max worldwide publicity and awards, for example through a speech by Paul McCartney in the European parliament and on BBC World.⁹⁴

MS3. The organization communicates to the market in a way that is ethical and not misleading.

Marketing communications that do not conform to generally accepted ethical or cultural standards, privacy intrusion, dual standards, or attempts to influence vulnerable audiences such as children, can be a significant issue for stakeholders, as shown by the growth of consumer activism. As markets get more interested in sustainable products, examples where organizations exaggerate their sustainability efforts in order to build brand value (so called “green washing”) is known to have upset shareholders even more.⁹⁵

Car maker GM’s Australian subsidiary GM Holden was convicted of green washing in a federal court, after a campaign for SAAB cars showed to be stating false claims. According to the campaign, GM Holden would be planting enough trees to offset the carbon emissions of the entire life of the vehicle, but in fact they were only planting enough trees to make up for a year of the car’s emissions. The court ruled that all marketing staff had to be retrained and that GM Holden should pay over 20,000 AUD (about 130,000 SEK) for planting enough trees to actually meet the claims they made in their campaign.⁹⁶

⁹² Evolved from: GRI PR3

⁹³ Max, *Koldioxidmärkning*, 2011-04-17

⁹⁴ Max, *Uppmärksambet*, 2011-04-17

⁹⁵ Evolved from: PR6

⁹⁶ M Warren, *Carmaker to act on false promises*, The Australian, 2011-04-17

Service



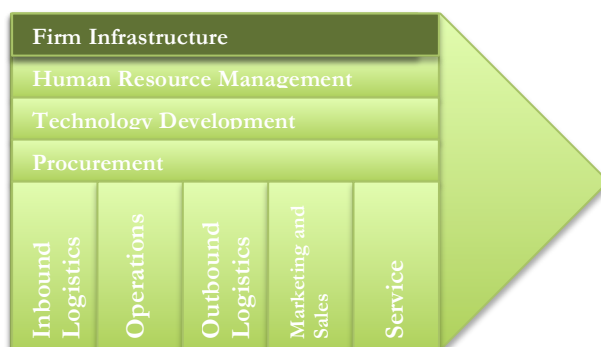
SE2. The organization informs and educates the users about sustainable use of the product or service and encourages the users to follow these guidelines.

An organization is responsible for the use and disposal of their products and should consequently assure that users handle them in accordance with the sustainability plan.⁹⁷

Volvo Cars offers customers who buy one of their eco-models a free course in eco-driving, a driving-style aimed at lowering fuel consumption with 5-15%.⁹⁸ The price for the course is 2750 SEK, but Volvo is likely to get the money back in brand and customer value.⁹⁹

Secondary Activities

Firm Infrastructure:



FI6. The organization is actively working against all corruptive activities.

Corruption can be a significant risk to an organization's reputation and business. It is broadly linked to contributing to poverty in transition economies, damage to the

⁹⁷ Magnus Enell

⁹⁸ Volvo Cars, *Kurs i miljövänlig körning*, 2011-05-03

⁹⁹ B Larsen, *Bli en bättre förare med Volvo Cars*, My News Desk, 2011-05-03

environment, abuse of human rights, abuse of democracy, misallocation of investments and undermining the rule of law.¹⁰⁰

Furniture giant IKEA was just weeks from opening its flagship store outside Moscow in 2000 when they were approached by the local utility company and asked to pay a bribe if they wanted electricity for their new mall. Determined not be involved in corrupt activities, IKEA answered with renting large diesel-generators, which they continued doing for each new store in Russia over the years. IKEA took a public stance against corruption in Russia and started court cases against the utility companies while also giving media full insight in its economic figures regarding the corruption losses hoping that media attention would help them defeat the corruption.¹⁰¹ Along the way, IKEA ended up being sued themselves and in late 2010 the parts settled outside courts, costing IKEA an unknown sum but at the same time saving them on the bribes and adding to their brand value as a community-conscious company.¹⁰²

FI9. Audit of all sustainability work and measuring exists.

In order to improve the sustainability efforts of an organization, it has to be measured and audited. Without knowing the current state of the efforts or the results, it is hard to make any decisions or trade offs for prioritizing those initiatives that has the greatest impact on the triple bottom line.¹⁰³

Volvo Group, a commercial vehicle producer who formerly also produced cars, has been reporting on their environmental impacts and ways of handling those since 1972.¹⁰⁴ Over the years the reports has evolved in to sustainability reports rather than just environmental ditto, and today they use the GRI-reporting standard alongside their own standards and Key performance Indicators.¹⁰⁵

FI10. People in high governance bodies have direct responsibility over sustainability questions.

A governance structure where sustainability questions are an issue for the highest governance bodies puts these subjects high on the agenda and makes it easier for the organization to act on them.¹⁰⁶

Fashion company H&M has appointed a chief CSR officer, with a place in the board. She and her staff are responsible for supporting all other functions within the company in their sustainability efforts and the

¹⁰⁰ Evolved from: GRI SO2, SO3, SO4

¹⁰¹ A E KRAMER, *IKEA Tries to Build Public Case Around Russian Corruption*, 2009-09-11

¹⁰² P Gripenberg, *Rysk Twist kostade IKEA miljarder*, 2011- 01-14

¹⁰³ Evolved from: GRI 3.13

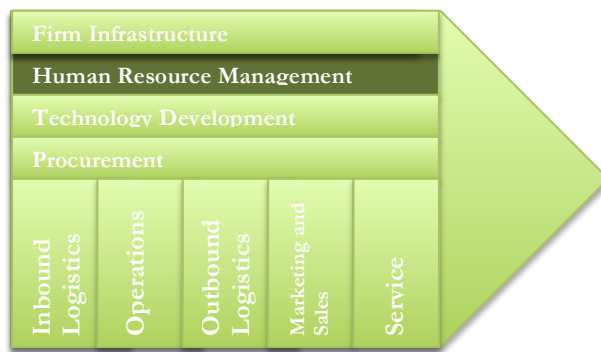
¹⁰⁴ VOLVO Group, *Mobility and Environment*, 1972

¹⁰⁵ VOLVO Group, *Sustainability Report 2010*

¹⁰⁶ Evolved from: GRI 3.1

long-term goal is to make CSR-questions part of every part in the organization – from design to store.¹⁰⁷ The CEO of the company is also said to be dedicated to CSR questions and to see the strategic advantage in sustainable products.¹⁰⁸ To showcase this sustainability awareness and profit of their increasingly sustainable value chain, H&M created the “Conscious Collection” in 2011, made from environmentally adapted and greener materials such as organic cotton and recycled polyester.¹⁰⁹

Human Resources



HR2. The organization strives to have a balance in variation of employment type (i.e. fulltime, part time, temporary, internships etc.)

When an organization employs a large percentage of part-time or temporary employees, there is a risk of evolving an unsustainable human resources policy since employees with little safety in their employment might not be as dedicated as others. There is also a risk of exploiting temporary employees in a way that will not hold over time.

The Swedish coffee chain Espresso House used a large number of interns who worked for free and was subsequently tried and exposed in media. Schedules showed that in one day, only two paid workers but six unpaid interns could run a café. Using unpaid workers gave Espresso House an advantage in their early years, but after repeated scandals they had to limit their number of interns.¹¹⁰

HR5. The organization has hiring and layoff policies that meet, and if appropriate exceeds, international and local recommendations.

Sustainability in a community requires stability in employments and secure employees are often more dedicated to their employer.¹¹¹

Lincoln Electric Company, the world’s largest manufacturer of arc-welding equipment has very high-aimed employment policies. Not only do they offer a written guaranteed-employment policy of 30 hours a week, higher than average salary and generous bonuses, they also never layoff people. When the economy

¹⁰⁷ SL Brännström, *Klädd för ansvar*, SvD 2011-03-18

¹⁰⁸ TT Ekonomi, *H&M satsar på Hållbart mode*, Borås Tidning 2011-04-12

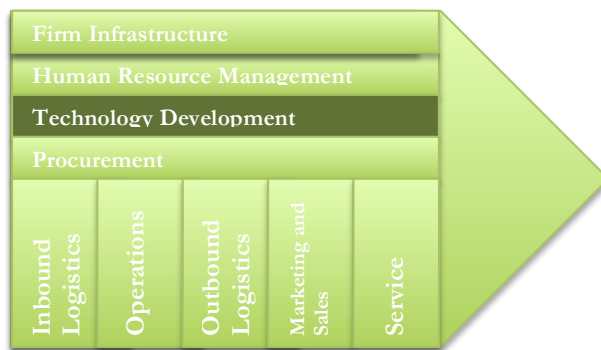
¹⁰⁹ H&M, *Conscious Collection- Sustainable style at H&M*, 2011

¹¹⁰ K S Melvinger, *Facket Rasar mot Espresso House*, Sydsvenskan 2006-06-01

¹¹¹ Porter et al, 2006

goes down they get rid of jobs, not employees, and transfer people between locations and positions in the company. In return they have employees who are loyal, work hard, and stay on average 18 years in the company. “The whole system is based on trust,” notes the vice president of the company. “We’ve not laid anyone off for 30 years. But in return we ask them to do any job we ask of them. We will get rid of jobs. We don’t get rid of people.”¹¹²

Technology development



TD1. The organization is actively working to make its resource use more efficient and strives to increase the degree of recycled input material.

Using less and/or recycled materials helps to reduce the demand for virgin material and contribute to the conservation of the global resource base.¹¹³

*Nike’s Reuse-A-Shoe program grinds used athletic shoes and uses the recycled materials in surfaces for basketball courts, athletic tracks, artificial soccer fields, playground fall protection, and other recycled products. Since its start, the program has successfully kept more than 21 million postconsumer and defective shoes out of landfills. Nike also improved their handling of the packaging; the already 100% recycled material made shoe boxes were manufactured with a new technology saving 4000 tons of materials and \$1.6 million annually.*¹¹⁴

TD2. The organization measures and mitigates environmental impact of provided products and services throughout their lifecycles.

Design for environment can help identify new business opportunities, differentiate products and services, and stimulate innovation in technology. Integrating environmental considerations into product and service design can also decrease the risk of incompatibility with future environmental legislation, as well as enhance reputation.¹¹⁵

¹¹² A W Singer, *How a Downturn Put Ones Rust Belt Company’s Principles To the Test*, Ethicos and Conduct Quarterly 1988-07

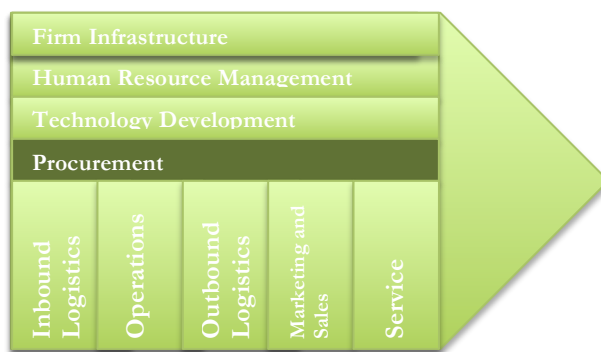
¹¹³ Evolved from: GRI EN1, EN2 and ISO 6.5.4

¹¹⁴ Share Green, *The Natural step –Nike*

¹¹⁵ Evolved from: GRI EN26

For the past two years, Apple has used a comprehensive life cycle analysis to determine where their greenhouse gas emissions come from. They add up the emissions generated from the manufacturing, transportation, use, and recycling of our products, as well as the emissions generated by their own activities. They have discovered that nearly 97% of the emission related to their products, from manufacturing to recycling.¹¹⁶

Procurement



PR1. The organization is striving to use renewable energy sources.

The environmental footprint of the organization is shaped in part by its choice of energy sources. Renewable energy is energy which comes from natural resources such as sunlight, wind, rain, tides, and geothermal heat, which are renewable (naturally replenished).¹¹⁷

*In 2001 IBM signed up for a five-year fixed-price contract with a utility provider to deliver wind generated electricity at IBM operations in Austin, Texas. The energy managers considered this a hedge against possible price increases of fossil fuel-generated power. As natural gas prices increased the same year conventional power prices climbed along with them and became more expensive than the utility's wind-generated electricity and IBM now saves \$60,000 per year through that kind of contracts.*¹¹⁸

PR4. The organization works proactive to help their suppliers in improving their sustainability work.

Since the organization is indirect responsible for their suppliers' operations, including their sustainability improvements in its own agenda will improve the overall sustainability of the organization.¹¹⁹

*Food Marketing Institute (FMI) has found that internal operations only account for about 10-15% of a retailer's environmental footprint, the rest comes from the supply chain.*¹²⁰

¹¹⁶ Apple, *Apple and the Environment*

¹¹⁷ Evolved from: GRI EN4, EN 5, EN6, EN7

¹¹⁸ C Hanson, *The business case for using Renewable Energy*, 2005-12

¹¹⁹ Connecta PPT

¹²⁰ Thinking Ahead, *Organic, Conventional and Biotech farming –They all work* 2011-04

6. Conclusion

This chapter describes the main results and conclusions of the project. It shows how the project has answered the questions posed in the introduction and also shows how it adheres with its purpose. Lastly further recommendations for the client and future research is given.

The main conclusion that can be drawn from this project is that improving an organization's way of business operation to be more sustainable can be very beneficial for the organization's bottom line. The key factor for an organization to succeed in truly capturing the opportunities connected to sustainability efforts is to be able to look beyond the benefits of just strengthening the brand and to see the effects sustainability efforts can make in the whole value chain of the organization. However, many organizations are just starting to explore the field of sustainability, and very few have ventured past the basic possibilities of brand building into business opportunities in other parts of their operations and an integration of sustainability values in their core business model over time.

To illustrate the shared value created from sustainability improvements, the margin from Porter's value chain can be divided into basic margin (margin without sustainability improvements), the organization's own benefit, external value (the value created for all external stakeholders) and shared value (organization's value and external value combined), as seen in figure 6.1.

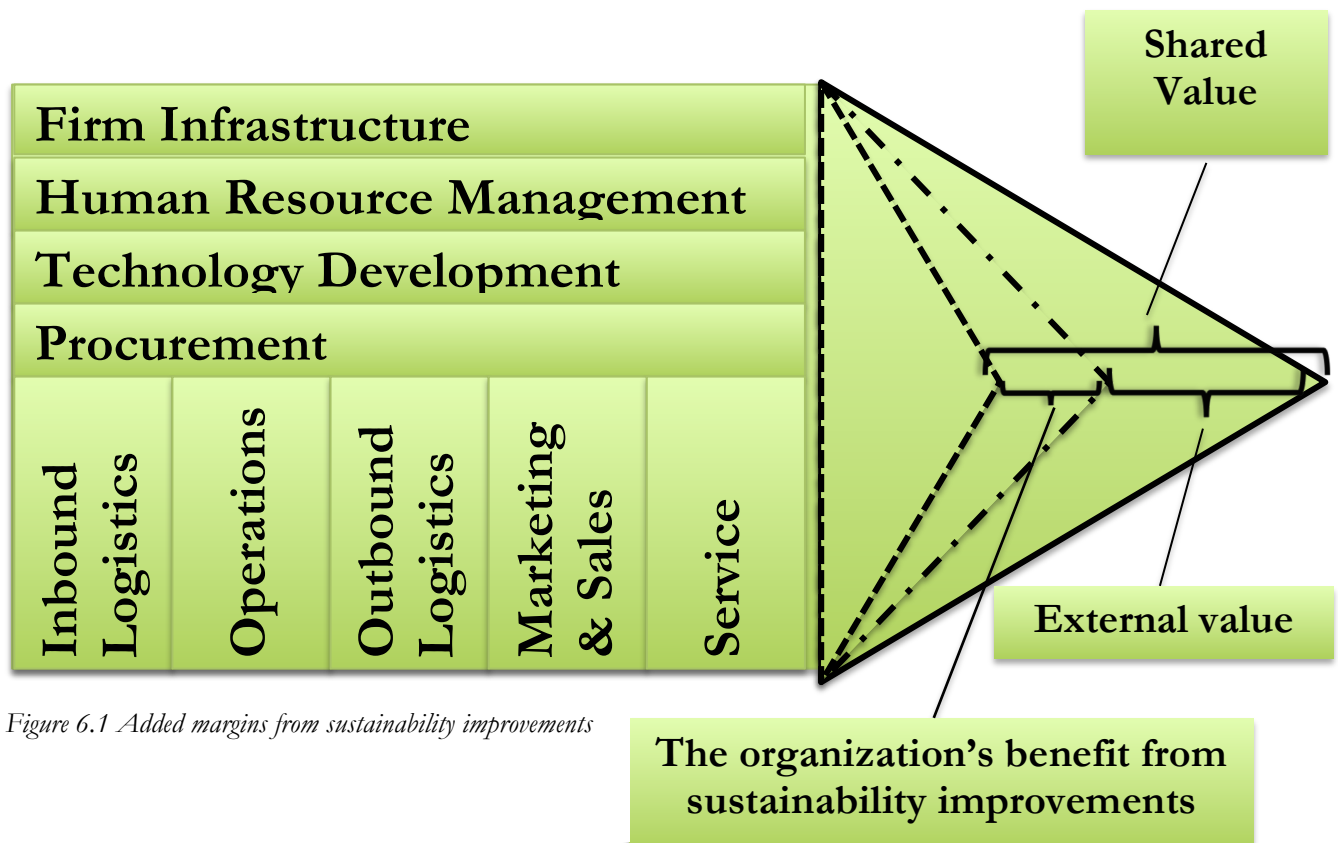


Figure 6.1 Added margins from sustainability improvements

6.1 Fulfillment of purpose and questions

The purpose of the project has been to create a process and context where in which to use a standardized assessment tool for evaluating an organization's maturity and performance in efforts concerning sustainability work. This should lead to enabling identification of key improvement areas where the client's value propositions can help the client's costumers. The project has in fact resulted in an assessment and a complimenting work process, which when used together will give the sought after evaluation of an organization's sustainability maturity and a prioritization of key improvements. This infers that the purpose has indeed been fulfilled.

The main question for the project was: "Which sustainability issues are most important to consider when an organization's maturity and progress regarding sustainability work are evaluated, and what opportunities connected to improvements regarding the same issues?" The first part of the question is answered by the assessment tool since the solutions represent combined knowledge from other frameworks, theory and empirical finding and aim at including as many of the important sustainability issues as possible. The solutions are evaluated on a maturity scale, which is part of the work process. The tool for performing a gap analysis and subsequent ranking of benefit opportunities described in the work process answers the second part of the question. The value of the opportunities cannot be fully described by the working process since the way of evaluating this will differ widely between organizations and issues.

In addition to the main question, a number of sub-questions were to be answered to some extent by this project. In the theoretical framework the concept of sustainability is described from various perspectives, but it is hard to find a combining definition. One perspective that is especially succinct is the one from WECD: "Development that meets present needs without compromising the ability of future generations to meet their needs". For businesses, another definition needs to be added. Based on Michael Porter's theories of shared value, it can be formulated as "Be sustainable in everything you do, but only through sustainability efforts that also gives value to the organization". Thus, good sustainability work is defined by the realization that there should be no trade-off between doing good and making money. The value created for the organization does not necessarily have to be monetary, but could also be in the form of brand value, license to operate, goodwill from a community, etc.

6.2 Sustainability in research

There are numerous definitions of sustainability, and as long as the ambiguity is as widespread as it is today it is hard to measure organizations' sustainability performances and compare them to each other. Rankings can be misleading and misused since they rely on subjectively chosen criteria that often fail to measure true sustainability and rather focus on specific issues that are interesting for the moment. One example of this is that oil companies, whose core business today is based on an unsustainable source, can have top placements on the ranking lists.

Sustainability is a relatively new way of thinking, and even newer is the concept of shared value. A company only auditing their impact on stakeholders can appear to have done very little so far, but the maturity in the industries is very low, and thus auditing according to GRI today can make an organization a leader regarding sustainability in some industries. There are opportunities today that most companies interviewed or researched in other ways are missing out on. One of the reasons is that the maturity and knowledge today are very low and that organizations see a trade off between being sustainable and making money, when these objectives should in fact go hand in hand and never exclude each other as the theory of share value declares.

Because of the novelty of the research field in sustainability, new theories emerge continuously and can rapidly change the playing field with radical shifts in paradigm overnight. Thus, a month into this project's implementation, Michael Porter released an article on shared value that opened up to a whole new view on sustainability and ended up being one of the cornerstones in the theory behind the assessment process. The changefulness of the field will also mean that the theory that this project has relied on might shift rapidly, rendering some of it obsolete.

The theoretical framework used in this project can be summed up with the following view on sustainability:

An organization's purpose of acting in a sustainable way is to **secure it's own existence over time.**



In order to secure it's own existence the organization needs to **guarantee the existence of customers, suppliers and resources.**



In order to do so the organization needs to guarantee the long-term **well-being of humanity and the environment.** This is **acting in a sustainable way.**

6.3 Sustainability according to the industry

In the two industries for which representatives were interviewed, the overall state of maturity in sustainability is rather similar. There are organizations that have decided to be leading in their sustainability work and those who want to follow. If the decision to do so is based on careful analysis that has shown that the organization cannot, in any way, benefit from being more sustainable (which, according to both theory and empirical findings, seems unlikely) this is in order. Unfortunately this kind of analysis was not indicated by any of the organizations lagging in their sustainability efforts and thus the conclusion must be that they simply have failed to identify or cease the opportunities that sustainable business brings. This might result in the loss of profitability since sustainability increasingly becomes both a license to operate and a competitive advantage, depending on the field.

Focusing on brand value as the only potential benefit of sustainable business is an indicator for the low maturity level prevailing in both surveyed industries. Some organizations, like C&S, are aware of the immense possibilities that are possible if they would move beyond regarding sustainability work as simple brand building but they are yet to start moving in that direction.

The organizations that do set out on the path towards becoming more sustainable soon find out that the road is long and winding. Often they see a need to build routines for measuring their impacts before starting to do anything about them, as in the case with FreightCo that have spent three years on setting up measurements and only now are ready to start making changes in their operations to become more sustainable. One of the experts interviewed confirmed that having a good sense of the current state in order to know which sustainability efforts to start with was better than starting up costly projects without a clear strategy or way to measure its effects. The assessment tool also adopts the philosophy of choosing between sustainability efforts to maximize benefit, but waiting three years is too long in a fast-changing environment. Therefore, using the assessment tool to find the low-effort initiatives that harvests the low-hanging fruit could have helped FreightCo to start continuous sustainability work alongside the more long-term, fundamental measuring projects.

An especially peculiar trend that most interviewed organizations showed a tendency toward was that of regarding sustainability as someone else's problem or fault. AirCo and BusCo feels that they are treated unfair compared to trains, PharmaCo is stuck in the middle between the government and the suppliers and both FreightCo and BusCo feel that the responsibility for being sustainable should mostly lie upon the global headquarters. This shows that empowerment in sustainability issues throughout the

organizations and the right information on why and what the organization is doing sustainability wise has not been handled properly by top-management.

6.4 The assessment tool

The assessment tool is generic and can be used on all sizes of organizations. It should be used the same way independent of the organization's strategy, e.g. there is no difference in using it for a low-price brand or a premium brand. The project team also did not see any major differences when comparing different industries. Even though a varying focus will be applied depending on industry all solutions are relevant to all industries.

New research regarding sustainability will come up and the assessment tool created in this project should not be seen as a finished product but a tool that should be updated continuously to reflect recent empirical and theoretical findings. The next step after the conclusion of this project would be to launch a pilot study where the tool could be tested in a real environment, preferably with more than one client. This would hopefully lead to an insight in which solutions that have to be modified removed or added.

6.4.1 The process of working with the tool

The process that goes from identifying the stakeholders of the organization to prioritizing in what areas the sustainability improvements should start is lined with challenges. The general maturity in the industry is low and many concepts regarding sustainability are new to the executives in today's organizations. In order to overcome the challenges connected to identifying sustainability key improvement areas it is crucial that the analysis is made by the right person at the company and that the outspoken purpose is to find shared value.

6.4.2 The gap filled by the assessment tool

As described in 3.11, there already exist tools for auditing, ranking and certifying organizations in their sustainability work. The assessment tool presented in this report cover all the aspects of auditing and requires the same or higher sustainability level compared to known certificates. At the same time, the tool measures the progress of the sustainability efforts similar to the rankings, but without the objective of getting a high score. Thus, the tool fills the gap among evaluation methods as pictured in figure 6.2.

Object of evaluation Purpose of evaluation	Auditing of impacts	Compliance to minimum level of standard	Maturity of sustainability work
	Publicity and Brand Value	GRI	ISO
Self evaluation	GRI	ISO	ASSESSMENT TOOL

Figure 6.2 Gap filled by the assessment tool

6.5 Work process during the project

The design of the assessment tool has been changed several times during the project. Much input has come from the client on how they want the tool to be used and the tool has been reshaped during several workshops with the project team and the client's project group. As a consequence of these iterations, the design of the assessment tool has resulted in a compromise in the design of the tool between what the project group finds optimal and the client's wishes, which hopefully suits the purpose.

6.6 Credibility analysis

Being a very contemporary area of research, the theory on sustainability is often new and has not been tried in extensive studies, even if it is presented by well-known scientists. On the other hand, many of the ideas put forward by theorists are confirmed by the industry as valid, if not yet put into practice. In combination with using frameworks such as GRI and ISO26000, representing the combined knowledge of the most prominent people in both academia and business, as a foundation for the assessment tool and the complementing work process.

By combining theory and empirical studies, the results and analysis put forward in this project should be reliable to a certain extent. However, since the assessment tool has not been evaluated in a field study, the reliability cannot be confirmed. Since the assessment tool is intended to be evolved over time, as consultants learn to work with it and get new empirical and theoretical input, it is not meant for to be finally verified at any given point. The original planning for this project included a pilot study using the assessment tool,

but the collection of theoretical and empirical data along with constructing the model showed to be too time consuming to give time for a field study.

The interviews with the industry representatives was intended to give a much deeper understanding of sustainability in practice and the potential benefits that the organizations had identified but due to the modest maturity level most interviews only scratched the surface on the topics that was to be discussed. Another shortcoming for the project team was the attempt at creating a new definition of sustainability, connecting the loose threads from previous explanations. Although disappointing, this shortcoming resulted in the insight that sustainability is hard to define in one expression and hence needs the views of different people for one to see the whole picture.

6.7 Further recommendations to the client

Throughout the management consulting industry, there is generally low maturity regarding sustainability and sustainability improvements. Our client's maturity in sustainability thinking varies between teams. At the main internal workshop some consultants showed to have a more conservative way of looking at sustainability issues than others. Two areas that could be specifically important when working with sustainability projects and that hold potential for further improvements are:

- Knowledge about the different aspects of sustainability, so that the discussion can concern a wider view of sustainability than only the environmental challenges and opportunities.
- Knowledge about the many different opportunities, apart from brand value, that sustainability work opens up to.

By looking through the assessment tool and the accompanying business examples, a good basic knowledge about the challenges and opportunities connected to sustainability that the industries are facing today can be obtained.

If the client wishes to go further with sustainability offerings by branding themselves as leading in sustainability, some critical success factors must be handled:

- All consultants in the company need to be aware of, accepting and agreeing that adapting sustainability is an important part of the company's offerings.
- All consultants should be knowledgeable in sustainability connected to their field of expertise.

- A thorough review of the client's offices is needed, making sure that as much sustainability improvements as possible are done. To be credible in a leading position the organization itself needs to be a role model in the field. The client can start with the "low hanging fruit" – the small changes that are easy to do now, such as ecological bananas, fair trade coffee, paper from recycle fibers and so on. In the longer perspective, having certified green offices, using ISO-certified technology and consistently using sustainable transportation, among many other initiatives, combined with having sustainability as a core value throughout their operations in all projects that are undertaken, will have the company being truly sustainable. Even the smallest sustainability effort, like the ecological bananas, will send a signal to the employees and visiting customers that sustainability is a core value at the client.

6.8 Further investigations related to this project

Another project (or master thesis) regarding a more specific process of evaluating the gaps between an organization's acting on a sustainability issue today and "best in class" acting could be beneficial. Further evaluating the monetary value, the cost of implementation, time horizon, risk impact and ditto probability, as well as future costs connected to the sustainability improvement would most likely result in changes to the model that would make it even more useful.

Further studies are also required investigating successful implementation of sustainability solutions in organizations. The question of how the client successfully can help their customers integrate the identified key improvements in their long-time business strategy would also develop the knowledge of the subject of making business sustainable.

The possibilities of continuing the work with this project as a reference point are almost endless, and due to the rapid change in the field of sustainability resuming development of the assessment tool will be essential for it to mirror the progress. If other students or professionals have found this project to be of use and been inspired to continue this work, the project team would be very much honored.

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