Corporate sustainability drivers

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Benefits of development

• Large increase in economic activities ($2.4 trillion in 1900 to $46 trillion in 2001)

• Large growth in industrial production outputs, over fifty times during the past century, four-fifths since 1950s

• Rise in individual income ($2,582 in 1950 to $7,454 in 2001)

• Increase in international goods trade ($311 million in 1950 to $5.5 trillion in 2000)

• Improvements in agricultural output (14 million tons in 1950 to 134 million in 2000 and world’s grain yield (1.06 tons per hectare in 1950 to 2.78 in 2000)

(Brown, Larsen, & Fischlowitz-Roberts, 2002; Flavin, 2001; Roodman, 2002; Miller, 2002; WCED, 1987)
Industrialisation Effects
Economic issues

• Economic disparity and political instability
• Marginalization
• Consumption
• Bribery & Corruption
• Disproportionate income distribution, i.e. rich/poor ratios (within countries, and between developed and developing countries)
• External debt

Adapted from Kirby (2003) and Reid (1995)
Environmental issues

- Global energy use and security
- Climate change/Global warming
- Nitrogen loading
- Natural resource deterioration
- Loss of biodiversity
- Pollution
- Growing water scarcity
- Unsafe ground-water
- Desertification
- Deforestation and soil degradation
- Artificial chemicals
- Plastic pollution of the seas
- Other urban problems
Social issues

• Poverty and extreme poverty
• Under-nourishment and food security
• Diseases and epidemics (e.g. HIV-AIDS, malaria)
• Population growth
• Aging population
• Illiteracy
• Hunger
• Gender differences
• Arms trade and warfare
Cross-cutting issues

- Responsibility
- Governance
- Inter-relatedness among economic, environmental and social problems
- Short-, long-, and longer-term effects and inter-relatedness
## World challenges exacerbated during the last 80 years

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Sustainability

• During the last four decades, there have been a number of efforts aimed at addressing economic disparity, environmental degradation, and social inequalities, evolving from the ‘Environmental Revolution’ to Sustainable Development (SD)

• Sustainability is aimed at addressing the negative economic, environmental, and social impacts of this generation and future ones

(Lozano, 2008)
SD origins

• Sustainable Development has its roots in sustainable forest management which were developed in Europe during the seventeenth and eighteenth centuries.

• In 1713 Hans Carl von Carlowitz published Sylvicultura oeconomica, which discussed managing forests for sustained yield.
Sustainability

Dimensions

Economic

Environmental

Social

Time

Actors

Civil Society

Public Sector
Interest in sustainability

• **Interest** in sustainability from the corporate sector is evidenced by over 7,700 companies in 130 countries (UNGC, 2010) that have signed the UN Global Compact (UNGC, 2008)

• However, embedding sustainability principles, such as the Global Compact, into companies’ systems represents **significant challenges**, especially due to their complexity and the multi-dimensional issues (Langer & Schön, 2003)
Towards more sustainable societies

• Corporations have **recognised** that they possess resources, technology, global reach, marketing skills and motivation to work towards more **Sustainable Societies** (DeSimone & Popoff, 2000; Hart, 2000b; Henriques & Richardson, 2005)
Moving Toward Sustainable Solutions

- LESS ENERGY INTENSITY PER UNIT OF PRODUCT OR SERVICE
- LOWER MATERIAL INTENSITY PER UNIT OF PRODUCT OR SERVICE
- LOWER LEVELS OF ENVIRONMENTAL TOXICITY AND RISK

POLLUTION CONTROL  PROCESS INTEGRATION  WHOLE FACILITY PLANNING  INDUSTRIAL ECOLOGY  SUSTAINABLE COMMUNITIES/CITIES/REGIONS

TIME

Source: (DeSimone & Popoff, 2000)
CSR Evolution

(Lozano, 2009)
CSR and SD

• CSR contribution to more sustainable societies is hindering because:
  • There is a large number of, sometimes confusing other times contradicting, definitions and redefinitions that have appeared over the years
  • Usually equated to philanthropy
  • Usually perceived as referring only to social aspects

(Lozano, 2012)
Corporate Sustainability (1)

• Recently, the term **Corporate Sustainability (CS)** has emerged as an alternative to CSR, where CS is being considered to be a precondition for doing business, as a ‘business case’ (Dyllick & Hockerts, 2002), and the desirable path for organisations (Dunphy, et al., 2003; Weymes, 2004)
Corporate Sustainability (2)

• …meeting the **needs of a firm’s** direct and indirect stakeholders (such as shareholders, employees, clients, pressure groups, communities etc.), **without compromising its ability** to meet the needs of future stakeholders as well” (Dyllick & Hockerts, 2002)

• This definition is being simple, powerful and appealing, but the disadvantages of being vague, having little emphasis on consumption, not specifying whether meeting stakeholders’ needs is to be based on competition, or making no explicit reference to stakeholder feedback
Corporate Sustainability (3)

• For a company to become more sustainability orientated, it should make changes that include the introduction of resource-efficient technologies, sustainability reporting schemes, and the provision of sustainable products, services, and product-service combinations (Siebenhuner and Arnold, 2007)

• CS should encompass a holistic perspective (Linnenluecke, Russel, & Griffiths, 2009; Lozano & Huisingh, 2011)
Corporate Sustainability definition

• “Corporate activities that proactively seek to contribute to sustainability equilibria, including the economic, environmental, and social dimensions of today, as well as their inter-relations within and throughout the time dimension (i.e. the short-, long-, and longer-term), while addressing the company’s systems, i.e. Operations and production, Management and strategy, Organisational systems, Procurement and marketing, Governance, and Assessment and communication; as well as with its stakeholders”

(Lozano, 2012, 2017)
Initiatives, tools and approaches for corporate sustainability

• From the 1970s until the late 1990s, such corporate initiatives evolved from purely ‘end-of-pipe’ solutions (Porter & van der Linde, 1995; Sarkis & Cordeiro, 2001) towards whole-system approaches, by changing products, processes and systems

• Corporate voluntary initiatives have been gaining momentum to foster sustainability in companies (Dunphy et al., 2003; Ny, 2009; Ny, et al., 2006)
Sustainability tools and initiatives

• Circular Economy
• Cleaner Production
• Corporate Citizenship
• Corporate Social Responsibility
• Corporate Sustainability
• Design for Environment
• Eco-efficiency
• Eco-labelling
• Environmental Management Systems (EMAS and ISO 14000 series)

• Factor X
• Green/sustainable Chemistry
• Green/sustainable Marketing
• Industrial Ecology
• Integrated Management Systems
• Life Cycle Assessment
• Socially/Sustainable Responsible Investment
• Sustainability Reporting (AA1000, GRI, ISO 26000, SA8000)
• Sustainable Supply Chains
• The Natural Step
• Triple Bottom Line
Initiatives discussion (1)

• Each initiative has its **advantages** in regards to scope and focus in the dimensions and the system elements, but it also has **disadvantages** when it comes to dealing with the complexity and broadness of sustainability.

• Relying only, or even mainly, in one initiative can result on a **limited and narrow** contribution to sustainability.

• The challenge that leaders and sustainability champions face is to **understand the structure** of their companies and **the context** where they operate, so that they can choose a combination of initiatives that would be able to address their company needs, as well as the four sustainability dimensions.
Initiatives discussion (2)

• One of the least addressed elements of the company system has been organisational systems

• Technocentric and managerial fixes are deficient, especially when they are relied upon as the sole ‘fix’, and, rather, the answer lies in engaging holistically with ‘people’ in changing companies in order to help current generations and future ones to become more sustainable
Engaging in CS

• The companies that have engaged in sustainability have done it mainly through upper management levels’ initiatives (Siebenhüner & Arnold, 2007), but companies have been, generally, treated as ‘black boxes’, thus not accounting for subcultures and intra-organisational differences (Küpers, 2011; Linnenluecke, et al., 2009), or failing to engage with their organisational systems (Lozano, 2012)
External Environment

- Infrastructure
  - Material resources and Energy
  - Economic value
  - Environmental value
  - Human resources

Internal Environment

- Company
  - Resources
    - Shareholders
    - Management
  - Operations and production
  - Assess and reporting
  - Organisational systems
  - Governance

Input-Output

- Suppliers
- Shareholders
- Suppliers
- Shareholders
- Suppliers
- Shareholders

Change processes

Input

- Economic value
- Environmental value
- Human resources

Output

- Economic value
- Environmental value
- Human resources

Time

Contribution to Sustainability

- Customers, consumers, clients
- Civil society
- Competitors
- Other organisations

Company

Value added (based on efficiency and effectiveness)
Organisational Change Management for Sustainability

• An important element to address organisational issues is change management (Jones, 2013)

• Organisational change aims to move from the current state to one more desirable (Ragsdell, 2000)

• Failure to change and respond to new opportunities, processes or technologies can result in economic loses, thereby making economic benefits a primary justification for change in organisations (Cannon, 1994)
Corporate Sustainability Drivers

• CS has been driven mainly by large corporations, with some complementary efforts by SMEs and co-operatives (C.E.C., 2001, 2002; Farmer & Hogue, 1973)

• CS is being driven by many factors (Hopkins, 2002; Oskarsson & von Malmborg, 2005), which can be divided into:
  • (1) **External**, which tend to result in reactive measures, being less likely to help move towards Sustainability, and
  • (2) **Internal**, which are more proactive.
Methods (1)

• A survey was developed for investigating the importance of the drivers in the three types of organisations

• Most of the question on a four-point scale (not important to very important)

• The survey was applied using the online survey-tool Qualtrics

• The data collection took place from August 2016 to February 2017
Methods (2)

• The survey was sent to a database of 1574 contacts from different organisations obtained from the Global Reporting Initiative list of organisations, through LinkedIn®, and personal contacts.

• From the total, 108 full responses were obtained (a response rate of 7.19%), with 61 of them from corporation.
Analysis methods

1. Ranking the criteria in order of importance, with Friedman significance tests, complemented with a Wilcoxon rank sum tests were conducted to test for the significant difference between all the individual drivers for the whole sample.

2. Significant difference in drivers score between the three types of organisations. A Kruskall-Wallis test was conducted and complemented by a Mann-Whitney U test.
Sustainability proactive engagement

- Not at all: 1%
- To some extent: 45%
- To a large extent: 54%
Solely by external stimuli
Mainly by external stimuli, but with some internal factors
Equally by external stimuli and internal factors
Mainly by internal factors, but with some external stimuli
Solely by internal factors

Driving sustainability
Slowing/stopping sustainability
Institutional shareholders
Increased awareness in the student population
Peer-pressure
Demands from employees about the organisation's sustainability efforts
Social crises
NGOs activism
Negative publicity
Shareholder activism
Environmental crises
Market demands for non-financial information
National or regional policies
Access to resources
Sustainability champions
Business case
Collaboration with external parties
Economic considerations
Precautionary principle
Market opportunities
Avoiding risk
Market positioning
Increased levels of social awareness of sustainability
Customer demands and expectations
Sustainability reports
Regulation and legislation
Moral and ethical obligation to contribute to sustainability
Company's culture
Proactive leadership
Reputation
Sustainability drivers' ranking

- Reputation
- Proactive leadership
- Company's culture
- Moral and ethical obligation to contribute to sustainability
- Regulation and legislation
- Sustainability reports
- Avoiding risk
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- Access to resources
- National or regional policies
- Market demands for non-financial information
- Environmental crises
- Shareholder activism
- Negative publicity
- NGOs activism
- Social crises
- Demands from employees about the organisation's sustainability efforts
- Peer-pressure
- Increased awareness in the student population
- Institutional shareholders
**External Environment**

- **Infrastructure**
- **Material resources and Energy**
- **Economic value**
- **Environmental value**
- **Human resources**

**Internal Environment**

- **Resources**
- **Shareholders**
- **Management**
- **Operational systems**
- **Governance**
- **Assessment and reporting**
- **Recovery**

**Change processes**

- **INPUTS**
  - Suppliers
  - Economic value
  - Environmental value
  - Human resources
  - Suppliers
  - Companies
  - Governments/institutions

- **OUTPUTS**
  - Products and Services
  - Economic value
  - Environmental value
  - Human resources
  - Customers, consumers, clients
  - Civil society
  - Competitors
  - Other organisations

**Value added (based on efficiency and effectiveness)**

**Contribution to Sustainability**

- **Upstream** (through procurement)
- **Downstream** (marketing, sales, etc.)

**Company**

**Supply Chain**

**TIME**
Conclusions (2)

• Organisations, such as corporations, will be driven by different factors in their quest to better contribute to sustainability, and that ‘no organisation is an island’

• It is important to **recognise** which drivers have the highest importance and influence for each type of organisation, in order to **foster** them and help corporations better contribute to the SDGs
Corporations must address sustainability in a holistic way, considering internal, connecting, and external drivers, and how they relate to each other.
Thank you!

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You can find more information at:
