Creating a Business Case for Sustainability

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The Centre for Sustainability Management (CSM) is an international competence centre for Sustainability Management at the University of Lueneburg, Germany. It is headed by Prof. Dr. Stefan Schaltegger and currently employs 18 researchers trained in environmental sciences, business management and economics.

CSM conducts theoretical, transdisciplinary and practice-oriented research projects. It offers the first worldwide distance learning MBA in Sustainability Management and is involved in several national and international education programs. Furthermore, CSM organises knowledge and know-how transfer in corporate sustainability management.


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Create Your Own Business Case for Sustainability

No doubt, social and environmental issues can have a substantial influence on the economic success of a company. Corporate sustainability has become a key management topic over the last two decades. At the general level there is wide consensus about its business relevance, so that sustainability management has entered the board rooms of top management. However, many companies are still struggling with the implementation process. Creating and operationalizing the business case for sustainability has become the key challenge.

Middle managers often find it hard to identify the strategic relevance and the effect on business success. As a consequence management faces difficulties in successfully implementing lasting sustainability measures in the company. The business case is not an automatic process - it has to be created by management. This is why the Centre for Sustainability Management has emphasized the business case for corporate sustainability in various research projects and in executive education for the past few years. We have accepted the challenge of developing innovative sustainability management approaches to identify the real drivers of corporate sustainability performance and actively to link corporate non-market activities with core business issues and procedures.

The question of the extent to which strategic sustainability goals are implemented is largely decided at the operational level and closely related to the economic costs and benefits. When transforming the vision of sustainability into corporate reality every manager is confronted with the question which of the many social and environmental topics should be given priority. To address business relevant non-market issues is not the same as replying to every demand of any stakeholder but is rather a core management task identifying those social and environmental issues which can be realized in line with the business goals.

This is where the business case for sustainability approach provides a helpful framework and guideline. It highlights company specific interactions between social and environmental performance and business competitiveness. The approach helps to answer the question of how competitiveness and business success of a company can be improved through voluntarily created outstanding environmental and social performance. The business case is about searching for business models, product offerings, organizational principles, management tools and production innovations to enlarge the margin between benefits or revenues and costs through the specific consideration of non-market topics as well as market topics. Among the main approaches which have been developed by CSM researchers are the Environmental Shareholder Value concept, the Sustainability Balanced Scorecard, the Eco-Efficiency Portfolio, the Stakeholder Value Approach, frameworks and tools for environmental and sustainability accounting, brand management approaches etc.

With this CSM-Newsletter we hope to give you some insight about our research and education activities to support managers in doing well by doing good – inspurring business success through the intelligent voluntary consideration of environmental and social issues, and at the same time by fostering sustainable development through innovative business approaches.

Stefan Schaltegger
Professor of Management
Head of CSM
Managing and Measuring the Business Case for Sustainability – Concepts, Empirical Analyses and Case Studies

A new book edited by Stefan Schaltegger and Marcus Wagner aims to provide a reference of the most essential facts for business about the relationship between environmental and social performance and economic performance or competitiveness.

Over the last decade, the relationship between environmental and economic performance, and more recently the interaction between sustainability performance and business competitiveness have received considerable attention in theory as well as in corporate board rooms and on the political stage. Four years after the Rio+10 meeting in Johannesburg in 2002, a preliminary evaluation of the achievements of business in moving towards a more sustainable development path is necessary. This has motivated Stefan Schaltegger of the Centre for Sustainability Management (CSM), University of Lueneburg, and Marcus Wagner of the Business School of the Technical University of Munich to edit a new book on how firms do and should manage the often mentioned— but rarely thoroughly dealt with—“business case for sustainability”.

The term “business case for sustainability” covers the broad area of questions dealing with the business effects and business success relevance of voluntary social and environmental activities of a company. Stated differently: how can the competitiveness and business success of a company be improved through voluntarily created outstanding environmental and social performance?

There is no doubt, non-market issues such as environmental and social issues, can have a substantial impact on the competitiveness and economic performance of a company. This has been documented in various widely reported cases such as when Shell wanted to sink the Brent Spar oil platform in the North Sea in 1995 or when Nike’s sales fell because of NGO pressures through accusations that the company was purchasing from suppliers who use child labor. There is furthermore no dispute about the fact that the activities of many companies in actual business practice exceed what can be considered economic in a purely financial sense. There is, however, still substantial disagreement about whether management should focus on business in the narrow sense of relating all activities directly to financial performance or whether management has a social responsibility which requires voluntary social and environmental activities exceeding compliance with regulations.

This dispute is strongly coloured by different ideologies and by views of the social embeddedness and role of a company, ethical perspectives of leadership and the role of stakeholders in a business setting. Apart from different value positions this dispute is influenced by different views of how the management of non-market issues and the resulting social and environmental performance of a company relate to business success, i.e. secured existence of the organization, improved competitiveness and increased economic success. In any case the two views meet where management can show the business case for sustainability.

Thus, any attempt to measure and manage sustainability issues in ways that have a positive effect on corporate success must take a closer look at the relationship between sustainability performance of the company, its competitiveness and economic performance. Managers who are able to undertake systematic analysis of how the economic success of a company can be increased through social and environmental activities and who can manage this relationship effectively remain in the minority. This is quite astonishing because the ability to manage non-market issues can obviously be crucial for the existence and economic success of a company. The economic success and brand value of various products such as for example in the sports textile, food, energy or automotive industries rely on immaterial values communicated and understood by their customers. These immaterial values can be managed to create a business case, thus it is on the management and measurement of the business case for sustainability, to which over 45 acknowledged experts in their fields from Asia, America and Europe have contributed as authors. This edited volume covers issues such as frameworks and tools for conceptualizing how sustainability issues can be managed to create a business case, marketing issues, competitive strategy issues, empirical industry and national studies, econometric studies, the economic effects of environmental management systems, eco-efficiency management, social management, performance measurement and company case studies.

This book is targeted at the business community, especially environmental and sustainability managers in companies and top-level management who needs to be aware of major trends; academics who seek a broad and complete overview on the business case for sustainability, consultants, especially in the field of environmental and sustainability management who look for practical and proven concepts and tools for managing the business case for sustainability and fund managers, governments and government agencies, NGOs and international bodies who need better information and understanding of how sustainability issues and competitiveness interact.

Marcus Wagner and Stefan Schaltegger

Publication:
Sustainability Management International – Capacity Building in Latin America

Since November 2005 the MBA training programme Sustainability Management for Business Professionals has been adapted for participants from Latin America.

In spring 2006 the first group of 50 selected participants from Latin America has started to study in a distance learning course. Twenty participants from this group will have the opportunity to study the MBA-Programme in Germany. The new study programme is offered and organized jointly by CSM and the German capacity building organization InWEnt.

Identifying challenges – creating opportunities

The sustainability challenges for companies, regions and institutions are gaining attention in industrialized as well as in developing countries. Since 2003 more than one hundred key managers have, through the MBA Sustainability Management professional education programme offered by CSM, already prepared themselves to deal with the organizational challenges of corporate sustainable development. The MBA participants analyze approaches as to how to identify organizational opportunities and threats and how to create economic benefits with sustainability management.

To increase their know-how about social and environmental success factors in a competitive global market and the regional effects of corporate management is one of the main reasons why participants from developing countries are interested in this programme.

InWEnt, a leading organisation for international cooperation and capacity building, has realized the huge potential in transferring the know-how and skills to put sustainability management into practice in developing and newly industrialized countries. The German MBA has therefore been adapted and developed further with Latin American case studies and issues to meet the specific requirements of participants from Latin America. The target countries selected by the German Federal Ministry for Economic Cooperation and Development for this programme are Brazil, Chile, Costa Rica and Mexico.

The whole programme is organised in three phases: in the first phase a distance learning university course in Spanish or Portuguese offers an introduction to corporate sustainability management with an overview of topics, relevance and methods. The course lasts 6 months and is completed with a university certificate. Following the concept of blended learning the approximately 50 participants receive printed study material and tutorial support on the e-learning platform Global Campus. By exchanging knowledge and ideas in moderated online discussions they benefit from their first experiences with e-learning. Finding solutions for corporate or institutional sustainability issues, they work in small teams and use Global Campus also for e-collaboration. At the end of the certificate course the participants meet personally for a final workshop in Latin America to jointly elaborate solutions on real corporate sustainability case studies.

In each of the four countries a final workshop takes place.

In the second phase the best twenty participants of the certificate course are offered a grant for the MBA programme in Germany. Starting with an intensive German course of four months in Germany the Latin American participants continue to study sustainability management on the basis of several e-learning modules and on-campus seminars in Lueneburg. The MBA-students stay for one year in Germany to study corporate sustainability. This includes training of personal skills and an internship of four months in a German company, industry association or NGO.

The third phase, the transfer phase, takes place after the return to their home countries. On basis of their education in the MBA Sustainability Management the participants develop approaches to foster the sustainability of their organisation or company.

Another important aspect of the project is the collaboration with Latin American Universities to develop a joint University Certificate in Sustainability Management and student exchanges for successful participants of the MBA.

Martina Prox and Torsten Klinke
The topic “sustainability” is more widely acknowledged and represents a critical factor for success for a growing number of companies. A remarkable number of companies in Germany have been quick to consider sustainability issues and to be able to distinguish themselves as sustainability leaders, as reflected in a number of ratings and rankings.

Despite considerable debate it is still difficult to give a precise definition of the “Business Case for Sustainability” or, rather, for a business to systematically identify, analyse and manage the strategic relevance of its ecological and social aspects.

To discuss the meaning of the business case and to identify the prospects of sustainability issues for the next legislative period prominent economic representatives met on November 17th 2005 in Berlin with the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU) to engage in discussion of the topic “From the Business Case to Implementation – Corporate Sustainability in German enterprises”.

During the open exchange of experiences with the Business Case, the participants determined and discussed the key drivers for success and the restraints and barriers for implementation.

Views were exchanged as to what the framework and guidelines for sustainable production should look like in Germany and the role that the BMU should play as a supporting and signal-setting organisation. Conclusions from the discussion were summarized in a report, which is available and can be ordered from the CSM through its website.

The discussion has shown how important it is to make the Business Case for Sustainability a subject of discussion and for constant communication of it in all strategic areas of the company. Every company has to define the strategic relevance of its ecological and social aspects on a case by case basis. A ready-made solution does not exist and is, furthermore, not desirable because individuality and innovativeness in how social and environmental issues are addressed by the company is just what provides the opportunity to increase business competitiveness.

Nevertheless some guidance was forthcoming from this event to give companies a helpful framework and support. The report and the recent book (see page 4f.) identify and explain relevant key factors of the business case and show aspects that should considered carefully for implementation. This creates a foundation for discussion inside and outside the company.

Philipp Hasenmüller
When it comes to environmental and sustainability management, the average South-East Asian company faces a very different situation compared with companies in more industrialized countries. The situation can be characterized by failing or arbitrary enforcement of environmental regulations and rudimentary environmental awareness. Whether there is a business case for sustainability for South-East Asian companies is a crucial question for global sustainable development, because strong growth in populations and industry are leading to an absolute increase in environmental emissions from and social impacts of companies in the region.

Environmental management accounting (EMA) tools provide information on environmental and environment-related financial performance for various decision-makers within a company. As part of the InWEnt-funded capacity development project “Environmental Management Accounting for small and medium-sized companies in South-East Asia”, which has been recognised by the UN as an outstanding project, case studies were conducted in Indonesian, Philippine, Thai and Vietnamese companies.

The comprehensive EMA framework, developed by Burritt, Hahn and Schaltegger (2002), distinguishes and systematizes decision-making situations to improve eco-efficiency and corporate sustainability (see Figure 1 for the framework). It was used in this project to identify the specific decision-making situations of case study companies.

The case studies reveal that the relation between environmental and financial performance is either not known or not properly taken into account in the majority of South-East Asian companies. Not surprisingly, in many cases, first is the demand for some basic environmental and environment-related financial information. EMA tools such as material and energy flow accounting and environmental cost accounting can be deployed (Boxes 1 and 9 of the framework). For instance, a Vietnamese brewery detected that, against their expectations, bottle washing was consuming and wasting more water than the brewing process. A Thai manufacturer of specialty paper discovered that their cost accounting system underestimated the real costs of their rejects. Findings like these lead to new ideas and offer incentives to become more eco-efficient. The Vietnamese brewery, for example, can use the results of an environmental investment appraisal (Box 8) to assess the profitability of recycling the water from bottle washing.

Beyond these elementary EMA applications, some companies started to apply very specific EMA tools. For instance, an Indonesian textile company uses EMA for identifying and pricing the environ-
A growing number of businesses are dealing with questions of how to create useful management information about corporate sustainability. The term sustainability accounting is used to describe new information management and accounting methods creating and providing high quality information which support corporations with regard to sustainable development.

This special issue of the international journal Business Strategy and the Environment, edited by Stefan Schaltegger and Roger Burritt, shows a selection of papers on how sustainability issues can be considered in corporate accounting practices and information management systems. The issue intends to provide a focused selection of scientific papers on the most recent developments in sustainability accounting.

Editors: Stefan Schaltegger (CSM, University of Lueneburg) and Roger Burritt (School of Commerce, University of South Australia, Adelaide)

International Symposium on Corporate Sustainability Management, Bangkok

More than 100 international experts attended the “International Symposium on Corporate Sustainability Management. Approaches and Applications” on 24th/25th November 2005 at the Swissotel Le Concorde, Bangkok, Thailand. It was hosted by the Asian Society for Environmental Protection (ASEP) and co-organized by Fraunhofer Institute (IFF), Magdeburg and the Centre for Sustainability Management (CSM), University of Lueneburg, Germany. The symposium addressed concepts and tools for implementing corporate sustainability management, experiences in practice, and the future challenges lying ahead in this field. It aimed at interlinking networks on corporate sustainability management and enhancing exchange of experience in the Asian region and beyond. InWEnt - Capacity Building International and the German Federal Ministry for Economic Cooperation and Development (BMZ) funded the event.

Further information:
- csm@uni-lueneburg.de
- www.environmentalaccounting.de
Sustainable Football World Cup?

The sustainability of the 2006 FIFA Football World Cup was topic of a panel discussion at the University of Lueneburg on June, 7th, two days before the event started.

With more than 3 million spectators, billions of TV-viewers, and enormous revenues, the FIFA Football World Cup in June and July 2006 was one of the biggest global events ever. Furthermore, it was also the first Football World Cup with environmental goals. The German organising committee, advised by the Oeko Institute Freiburg, developed the so-called “Green Goal” concept (see http://green-goal.fifaworldcup.yahoo.net) to incorporate environmental aspects. The host stadiums of the World Cup participated voluntarily and succeeded in reducing energy and water consumption, solid waste, and traffic volume. Additionally, Green Goal neutralised the World Cup’s inner-German greenhouse gas emissions (about 100'000 t CO2-equivalents).

“The sustainability of the 2006 World Cup - strike or offside?” was the title of a transdisciplinary seminar at the University of Lueneburg which examined the Green Goal concept. In order to exchange their results and points of views with academic experts and the public the seminar participants (students of environmental sciences) and their tutors from CSM (Centre for Sustainability Management) and infu (Institute for Environmental and Sustainability Communication) invited football and sustainability experts to discuss the World Cup’s “Green Goal” concept. Representatives of Green Goal (Christian Hochfeld, Oeko Institute Freiburg, and Gottfried Altemüller-Johann, City of Hamburg), a professional football player (Benjamin Adrion, FC St. Pauli), an environmental activist (Sven Teske, Greenpeace’s Sydney Olympic Games expert), experts on sustainability and sports/events (Henning Wilts, Wuppertal Institute, and Hans Jägemann, former representative of the German Olympics Sports Federation), the moderator Sascha Spoun (President University of Lueneburg), 300 auditors, and the media participated and contributed to this event.

All panelists appreciated the Green Goal concept as a first step towards a more sustainable World Cup. Most of the World Cup stadiums have been able to improve their environmental performance and in some cases even their financial performance by a whole range of measures from deposit bottles to photo-voltaic technology. The panelists also praised the neutralisation of greenhouse gases, but suggested to broaden it beyond the borders of the host country next time. More ambitious targets, the consideration of social aspects, and the inclusion into FIFA regulatory statutes have been high on the wish list for future events, too. The discussion has revealed that major (sport) events offer a great opportunity to communicate sustainable development across different regional and social backgrounds. This requires intensive media relations and positive role models, for example a football player who is engaged in sustainable development projects.

The CSM/infu discussion certainly contributed to an emerging discourse on sustainable development and management in the context of major events. It goes without saying that large sports and cultural events inevitably create additional environmental impacts. The German Football Association, however, proved that with environmental management measures substantial environmental impacts can be reduced effectively. Green Goal thus was an encouraging first step towards more sustainable mega events.
University of Lueneburg’s environmental management system successfully revalidated

As first German university, the University of Lueneburg received an environmental management system (EMS) certificate according to the European environmental management audit scheme (EMAS) in May 2000. Since then, the university has continuously improved its environmental management.

To keep the EMAS certificate the university has to be validated by public auditors on a regular basis. Mr. Georg Hartmann (EMS auditor at Deloitte Cert) conducted the third review of the university’s EM S in June this year. The auditor discussed the continuous improvement measures with the university’s vice president Prof. Dr. Stefan Schaltegger, deans, the respective of the university’s administration and students. The consistent integration of environmental management in all fields of activities like administration, teaching and research was of particular interest.

Mr. Hartmann was fully satisfied by both, the interviews as well as the fact that the university’s EM S is in full accordance with the EM AS guidelines. Hence, the university’s environmental management system has been successfully re-validated.

More information is available on the internet (in German): http://umweltmanagement.uni-lueneburg.de

DNW Conference “Meeting the Future”

The Centre for Sustainability Management (CSM), in close cooperation with the PhD Network Sustainability Economics and Management (DNW), organises the young scientists’ conference “Meeting the Future”.

The conference will be held from 21 to 23 September 2006 in Lueneburg (Germany). On the occasion of the DNW’s 10th anniversary the organisers aim to review the achievements in sustainability economics and management research for the last decade and to give an outlook on future developments. A major goal of the conference is to provide a platform for young scientists and encourage communication between academics and practitioners. Among the participants will be politicians, young scientists, professors and business representatives. A call for abstracts has been announced. The conference language is German.

For further information please visit the conference website www.meeting-the-future.de or contact

Heinrich Tschochohei (tschochohei@uni-lueneburg.de)
Guide to tools of corporate sustainability management

The handbook “Sustainability Management in Business Enterprises” which has been developed by CSM on behalf of the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU) and the Federation of German Industries (BDI) is now available in Thai language.

The guidance document on sustainability management tools is intended as a source of ideas and a comprehensive collection of approaches for the senior management of small and medium sized enterprises (SMEs) and for people at all management levels in large enterprises who are starting to tackle the challenges of corporate sustainable development. It provides a structured overview of the most important concepts and instruments of corporate sustainability management in alphabetical order. The report was originally published in German and announced in the context of a large conference on “Sustainable economics. Challenges for the business development”, Berlin, conducted by the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU) and the Federation of German Industries (BDI). Because of high demand from companies the report was published in a second edition and translated into English in 2003 to meet the requirements of multi-national companies. Almost three years after the first edition, the report has now been translated into Thai.

In the context of the “International Symposium on Corporate Sustainability Management”, Bangkok, 24-25 November 2005, the Thai report has been handed over to His Excellency Mr. Yongyut Tiyapairat, Minister of Natural Resources and Environment, Thailand, by Prof. Dr. Stefan Schaltegger, Centre for Sustainability Management, University of Lueneburg, Germany.

The translation of the report was mainly organized by the Asian Society for Environmental Protection (ASEP) and financially supported by InWEnt, Capacity Building International. The report helps Thai companies to identify and realize the potential of sustainability business development and enables them to apply various sustainability management tools. With its overview of instruments and concepts that are suitable for the implementation of sustainable development in business enterprises, it creates for the first time a compendium in Thai language that places all three dimensions of sustainable development in a unified context. The aim in providing this report is to make a tangible contribution to the application and dissemination of practical approaches to sustainable business management in Thailand.

The report is currently enlarged by CSR and corporate citizenship approaches and translated into further languages.

Reference:


Update on “Sustainability Management in Business Enterprises”

In 2002, the first release of the handbook “Sustainability Management in Business Enterprises” was a great success. Since Sustainability Management is developing rapidly, its concepts and instruments undergo constant progression. The German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU) has commissioned CSM to revise and update the handbook. The new version will be published in 2007.

For further information see: www.uni-lueneburg.de/csm/publikationen
Hroch, Nicole (2005):

Metaphors in Environmental Management.
Marburg: Tectum (250 pages).

Metaphors are a vital component in everyday and technical language. The interdisciplinary dissertation "Metaphors in Environmental Management" analyzes the degree to which metaphors influence the perception and implementation of business and environmental management. This comprehensive empirical research evaluates numerous interviews with environmental managers and literature on environmental management by means of metaphorical analysis. The result is an exciting and illustrative text, rich in examples, on the application and methodical approach of metaphorical analysis and the type of language used within environmental projects and the larger context of business communication. (Available in German only.)

Schaltegger, Stefan; Bennett Martin and Burritt, Roger (Eds.) (2006):

Sustainability Accounting and Reporting.
Dordrecht: Springer (713 pages).

To improve corporate sustainability requires that management is well informed. Sustainability accounting and reporting serve the collection, analysis and communication of corporate sustainability information and thus become crucial triggers for management in moving towards corporate sustainability. The contributions to the fourth, comprehensive book of the Environmental Management Accounting Network (EMAN) are drawn from selected papers of experts from Asia, the Americas and Europe presented at recent EMAN conferences. The aim of this book is to provide a reference point and overview for the essential as well as potentially innovative yet implementable approaches and experiences of sustainability accounting and reporting.

Schaltegger, Stefan and Wagner, Marcus (Eds.) (2006):

Managing the Business Case for Sustainability.
Sheffield: Greenleaf (626 pages).

Over the last decade, the relationship between environmental and economic performance, and more recently the interaction between sustainability performance and business competitiveness, have received considerable attention.

The aim to move towards corporate sustainability raises the question of how environmental and social management can be integrated better with economic business goals. The book covers:

• Conceptual frameworks for integrating social, environmental and economic issues in business,
• Analyses of the causal and empirical relationship between environmental and/or social performance, business performance and competitiveness,
• Case studies of companies and concepts, tools and evidence towards improving business value with pro-active strategies,
• Comparison of sustainability performance and firm competitiveness across industry sectors and countries.