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INTERNATIONAL CORPORATE SUSTAINABILITY BAROMETER

A COMPARATIVE ANALYSIS OF 11 COUNTRIES

International Corporate Sustainability Barometer

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FOREWORD

Prof. Dr. Ernst-Ulrich von Weizsäcker

Co-Chair, International Resource Panel (UNEP) and Co-President of the Club of Rome

More than forty years after the publication of the Club of Rome's alarming message that humanity exceeds the global limits to sustainable growth, we can still recognize unsustainable business activities all over the world. However, large companies are not only contributing to the fact that humanity is currently living beyond natural planetary boundaries, but they also can play a crucial role in transforming current business practices into strategies for long-term sustainable development.

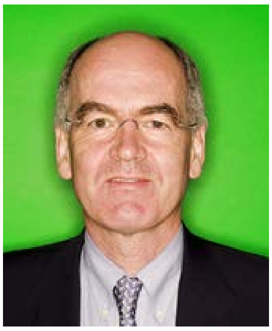
The International Corporate Sustainability Barometer, jointly prepared by the Centre for Sustainability Management, Leuphana University Lüneburg and ten internationally renowned partner institutions in Asia, Australia, Europe and North America, assists such a transformation, as it surveys and compares the current state of corporate sustainability in eleven economically developed countries. It investigates the intentions of companies to engage for sustainability and highlights the crucial importance of societal stakeholders such as NGOs. It can be applied, I am sure, also in rating companies with regard to the seriousness of their approach to sustainable development.

The survey furthermore reveals progress in the integration of sustainability into the companies' core business activities and depicts the current implementation of sustainability management practices. Based on this portrayal of international similarities and country-specific patterns, potentials for future developments can be detected, such as intensifying stakeholder participation or strengthening profits through increased resource efficiency.

In sum, this report not only emphasises the challenges the sustainability principle poses to companies all over the world, but this research also points out opportunities of corporate sustainability. I am firmly convinced that the future belongs to those companies that contribute to global sustainable development by recognising their social and environmental responsibilities in an economically intelligent manner. In the long run, accepting the challenges of corporate sustainability is the sole way to create profits and safeguard jobs. Therefore, it is a great pleasure for me to contribute to this report with a foreword.

I hope that the results of this report will provide a useful benchmark for managers and researchers around the globe. I humbly also express my hope that policy makers including lawmakers feel encouraged creating a frame within which the best in class, according to this Barometer, will also fare best with regard to economic success.

Foreword



John Elkington

Executive Chairman of Volans; co-founder, Environmental Data Services, SustainAbility and Volans Ventures; the inventor of the triple bottom line; and author or co-author of 19 books, the latest being *The Zeronauts: Breaking the Sustainability Barrier*.

The International Corporate Sustainability Barometer is welcome for a number of reasons.

First, it is another signal that the sustainability agenda is finally coming of age. When we set up the company SustainAbility way back in 1987, the same year that the Brundtland Commission published its report, we had to spell the word continuously and for several years. That's no longer the main problem.

Second, experience shows that well-designed surveys of business-related issues and performance can really get the competitive juices flowing in both companies and countries.

Third, it is great to see so many universities and business schools now beginning to get behind at least elements of this agenda. Some have been working in this space for quite some time, but most continue to see this as a set of issues that still struggle to make it to the level of company Boards and C-Suites.

Fourth, it is exciting to see a survey platform that evolved in Germany now going international. Germany has a great deal to offer in this space and it will be very interesting to see how this platform, and the surveys, evolve over time.

Fifth, and by no means finally, I have long been an admirer of Stefan Schaltegger and his work, and congratulate him and his team for producing this first generation survey and set of analyses.

Having said all of that, I also feel strongly that much of what is currently going on in the CSR and even 'sustainability' space is useful to have, but does not really yet add up to the sort of solutions we need to tackle the nature and scale of the global challenges we face.

That is why we are encouraging business leaders to move from 'Change-as-Usual' mindsets and strategies to 'Breakthrough' thinking and action. A growing number of business leaders are speaking out on the need for system change and, for example, for the ending of perverse subsidies that incentivize companies to do unsustainable things.

I very much hope that in future iterations of the International Corporate Sustainability Barometer elements of these wider challenges can be embraced and corporate responses evaluated. In the meantime, welcome to the first international Barometer—and I am sure that your suggestions for future improvements would be valued by the team.

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Abbreviations and Acronyms

AUS	Australia
BEL	Belgium
CSM	Centre for Sustainability Management
CSR	Corporate social responsibility
EHS	Environment, health and safety
Envtl	Environmental
ESP	Spain
et al.	and others
EU	European Union
FRA	France
GER	Germany
GRI	Global Reporting Initiative
HR	Human resources
HUN	Hungary
i.e.	that is
incl.	including
Intl	International
ISO	International Organization for Standardization
JPN	Japan
KOR	South Korea
mgmt	management
NGO	Non-governmental organisation
PR	Public Relations
R&D	Research and development
SUI	Switzerland
UK	United Kingdom
UN	United Nations
USA	United States of America
WFN	Water Footprint Network

Executive Summary

Dealing with sustainability topics is a challenge and an opportunity for large companies all over the world – although every country has its very own peculiarities and priorities.

The goal of the *International Corporate Sustainability Barometer 2012* survey is to depict and compare the state of the art and progress of sustainability management and corporate social responsibility (CSR) practice at the international level. For the report the sustainability, environmental, health and safety (EHS) or CSR managers of the largest companies in eleven countries from Europe, Asia, Australia and North America were asked to fill in the questionnaire providing the data for this survey. This analysis facilitates the identification of patterns, similarities and differences for the countries surveyed, and is meant to stimulate discussion of the managerial implications of the findings. Overall, the survey collected 468 corporate responses with a response rate of 22.5%.

The International Corporate Sustainability Barometer 2012 project builds upon the experience of a series of previous surveys in Germany since 2002. It focuses on three main aspects: the intention, the integration and the implementation of corporate sustainability practice in large companies.

Intention: Why do companies manage sustainability?

This international survey reveals that companies worldwide assess society-oriented *stakeholders* such as non-governmental organisations (NGOs) and the media/public as promoting sustainability management more strongly than market-oriented stakeholders such as suppliers, insurance companies and banks. Securing legitimacy, therefore, appears to be the predominant driver of sustainability engagement.

Also, the companies surveyed seem to primarily *manage those social and environmental issues* that are specifically *required by stakeholders*. Issues such as occupational health and safety, energy consumption, training/development and workplace/employment are of great relevance, unlike biodiversity. International differences exist, for instance, between Spanish and Swiss companies, with the former tending to manage most sustainability issues more closely, and the latter tending to manage most sustainability issues less closely than their international peers. Stakeholder demands in the United Kingdom (UK), Hungary and South Korea are often higher than average whereas the Belgian and Swiss responses tend to be below the international mean.

Integration: To what extent do companies embed sustainability in their core business and in their organisation?

One hallmark of corporate sustainability is how well a company is able to integrate environmental and social policies into its core business. In all investigated countries, the majority of companies claim to *link sustainability to most or all segments of their core business.* Here, the Spanish, Belgian and UK companies score best, whereas linking sustainability and the core business is less well established in Australia.

On average, at the international level almost all *organisational units* are perceived to promote a company's sustainability engagement, although to different degrees. The CSR/sustainability department, top management and public relations (PR)/corporate communications are most often viewed as promoting sustainability management, whereas logistics/distribution, finance and accounting are assessed as being neutral or less involved.

In the international sample the most frequently addressed *drivers of a business case for sustainability* are society-oriented (e.g. reputation) or internally-oriented (e.g. efficiency), whereas market-oriented drivers (e.g. revenue) are less common. For some drivers the responses differ widely between countries. While the largest differences can be found for cost reduction, the smallest difference can be observed for employee motivation.

Implementation: How is corporate sustainability operationalized?

How companies manage their *stakeholder relationships* is one aspect of the implementation of corporate sustainability. In all countries, although the surveyed companies frequently inform their stakeholders about sustainability issues, intensive forms of stakeholder management are less frequently used. More participative stakeholder relationships can be found for South Korean and US companies. In contrast, participative forms of stakeholder engagement are only rarely undertaken in Spain, Japan and Switzerland.

In addition, common patterns can be identified for the most frequently *known and applied sustainability management tools* since flexible working time, environmental management systems and quality management systems are among the most widespread tools in all countries. However, large differences can be found in relation to the awareness and application of tools in the countries investigated: UK, US, Hungarian and Swiss companies know and apply numerous tools whereas the awareness and application of sustainability management tools is less developed in Belgium, France and South Korea. As a special case, the awareness of the most frequently known tools is far above average in Spanish companies, but their tool application is below average.

Most companies measure their *impact* on environmental and social issues such as energy consumption as well as occupational health and safety. In contrast, very few measure their impact on consumer protection, child labour/forced or compulsory labour as well as biodiversity. Yet, some country-specific differences do exist, since the French responses, for instance, are stronger for the issue of freedom of association as well as of child labour/forced or compulsory labour, whereas the Swiss and Australian companies, respectively, score lowest. In addition overall about half or less of the companies analyse the impact of their sustainability management on business success or on competitive advantage, thus hampering the creation of informed business cases for sustainability.

1 INTRODUCTION

"We may have all come on different ships, but we're in the same boat now."
(Martin Luther King, Jr., 1929-1968)

What does Martin Luther King's statement mean for corporate sustainability practice around the world? The International Corporate Sustainability Barometer discusses how companies in different countries deal with the challenges sustainability poses and it investigates their similarities and differences.

Sustainability is on everyone's lips – also in the corporate world. Although sometimes used as a catchphrase, its meaning is defined in the Brundtland Report from the World Commission on Environment and Development (WCED 1987) and has developed a high degree of practical relevance for individuals, countries and companies (e.g. Dyllick & Hockerts 2002; Starik & Kanashiro 2013). The latter, as the focus of this report, play an important role for sustainable development because of the substantial social and environmental impacts of their purchasing, production, communication, design, product and service activities. Some 25 years after the World Commission on Environment and Development in 1987 and some 20 years after the Earth Summit conference of the United Nations (UN) in Rio de Janeiro, it is well worth investigating the current state and progress of corporate sustainability in different countries around the globe.

To survey and analyse the state of corporate sustainability practice in international comparison is the aim of the International Corporate Sustainability Barometer 2012. After a decade of surveys on corporate sustainability management in Germany conducted by the Centre for Sustainability Management (CSM) since 2002, the core elements of analysis, a similar empirical methodology and the experiences gained in the process have been used to expand the project to an international level. Between February and August 2012 the survey was successfully carried out in eleven countries on four continents: Australia (AUS), Belgium (BEL), France (FRA), Germany (GER), Hungary (HUN), Japan (JPN), South Korea (KOR), Spain (ESP), Switzerland (SUI), United Kingdom (UK) and the United States of America (USA).

Whereas many studies concentrate on single sustainability issues or challenges like environmental management, CEO perspectives or sustainability-oriented innovation (Baumast 2000; Wagner 2002; Lacy et al. 2010; Kiron et al. 2013), the International Corporate Sustainability Barometer covers a wide range of corporate sustainability topics. It analyses sustainability issues (such as energy consumption or occupational health and safety), stakeholder relevance (for instance of NGOs and competitors) and corporate measures (such as increasing resource efficiency or communicating environmental and social activities). This allows the International Corporate Sustainability Barometer to identify patterns as well as similarities and differences between the countries surveyed.

In this report, the focus is on each nation's largest corporations by revenue. The survey provides insights into the companies' intentions and goals for corporate sustainability engagement, the integration of sustainability into their core business and their implementation of measures to become more sustainable. The findings of this report can be used to develop management recommendations.

Apart from this report the results of the International Corporate Sustainability Barometer 2012 project will also be presented in an edited volume, discussing in more detail the topics that are only touched on in this report.

Following this Introduction, Section 2 describes the project approach and characterises the international sample. Subsequently, Section 3 presents the findings and international comparisons and discusses implications. It distinguishes three main areas: the *intention*, the *integration* and the *implementation* of corporate sustainability. Finally, the report concludes with a summary and an outlook in Section 4.

2 Approach of the International Corporate Sustainability Barometer

Corporate sustainability implies that economic, environmental and social aspects are simultaneously integrated into a company's conventional management activities. With this ambition, sustainability management does not only foster the sustainable development of the corporation itself, but also contributes to the sustainable development of the economy and society as a whole. Only if a company's sustainability engagement becomes part of its core business and if the management of its social and environmental performance and impacts are strongly linked with economic success, will management be in line with sustainable development. This understanding of corporate sustainability has been developed over the past years and has recently gained increasing attention (Schaltegger & Burritt 2005; Moneva et al. 2006).

2.1 Purpose

The goal of the International Corporate Sustainability Barometer is to depict and compare the current state and progress of sustainability management and CSR in different countries worldwide. Why is such a project needed?

Firstly, sustainability topics are of growing importance for companies all over the world (e.g. Bartels 2008; Lacy et al. 2010; Bartels et al. 2011; Kiron et al. 2013). As a result of globalisation we can thus expect that companies in different countries are similar in some respects concerning their sustainability efforts. Secondly, given that countries differ in history, culture and language as well as in economic, environmental and social conditions, it can also be presumed that differences exist in corporate priorities and management approaches. An empirical survey may thus show global patterns as well as national differences from which research and practice can learn to further improve corporate sustainability management.

To enable international comparisons, the results of this survey are shown and discussed on a country-specific level and are all analysed according to the same structure. The following questions direct the analysis:

- **Intention: Why do companies manage sustainability?**
  Depending on the motivation of a company's sustainability commitment, different strategic patterns for dealing with different sustainability issues may be appropriate.
- **Integration: To what extent do companies embed sustainability in their core business and in their organisation?**
  The hallmark of corporate sustainability is how well a company is able to embed environmental and social policies in its core business, how well it relates sustainability to its value creation and profit-making activities and if it involves all organisational units in this process to ensure full organisational commitment.
- **Implementation: How is corporate sustainability operationalized?**
  The implementation of corporate sustainability is reflected in the intensity of stakeholder relationships, in the awareness and implementation of sustainability management tools and in the measurement of the success of corporate sustainability activities.

2.2 Methodology

The International Corporate Sustainability Barometer is based on an online survey carried out between February and August 2012 in eleven countries in Europe, Asia, Australia and North America. The project was coordinated by the Centre for Sustainability Management (CSM) at Leuphana University Lüneburg in Germany while in every country a national academic institution organised the country-specific survey. The questionnaire was developed by the CSM and was provided to partner institutions in English. Before the survey started, pre-tests were conducted to validate the questionnaire. Each country partner, if necessary, translated the questionnaire into the country's main language. Back translations were undertaken to ensure that the questionnaires asked the same questions in each country and, thus, to enable valid multi-country comparisons.

In each country, the sustainability managers or EHS or CSR managers of the largest companies were contacted by phone or email and were asked to fill in the online questionnaire. In total, 2,076 questionnaires were sent out, which yielded 468 responses. The overall response rate was 22.5% and thus meets the validity requirements set by Bartlett et al. (2001). It is furthermore within the standard deviation range Baruch and Holtom (2008) identify for high quality surveys among organisations. The data can thus be assumed to build a comprehensive picture of sustainability management in large companies around the globe.

This report presents the results as means or as valid percentages, i.e. the percentage is calculated excluding missing responses for the particular question. For each question the number of valid responses is indicated by 'n'. In the very few cases in which data are not available for all countries this is indicated below the figures. The data were analysed using IBM SPSS Statistics 20. The main features of the international dataset are outlined in Table 1.

Country	Abbreviation	Academic institution	Number of responses	Response rate
Australia	AUS	Centre for Accounting, Governance and Sustainability, University of South Australia	48	26%
Belgium	BEL	HEC Management School, University of Liege	22	16%
France	FRA	CERIMES / CEDAG gestion, University Paris Descartes – Paris Sorbonne Cité	20	22%
Germany	GER	Centre for Sustainability Management, Leuphana University Lüneburg	152	40%
Hungary	HUN	Sustainability Indicators Research Centre, Institute of Environmental Sciences, Corvinus University of Budapest	28	33%
Japan	JPN	Graduate School of Business Administration, Kobe University & Faculty of Business Administration, Hosei University	48	16%
South Korea	KOR	Sustainability Management Research Institute, Inha University South Korea & Griffith Business School, Griffith University Australia	32	15%
Spain	ESP	Faculty of Economics and Business Administration, University of Zaragoza & Faculty of Economics and Business Studies, University of Basque Country	23	26%
Switzerland	SUI	School of Business – Institute of Management, University of Applied Sciences and Arts Northwestern Switzerland	25	12%
United Kingdom	UK	Nottingham Business School, Nottingham Trent University	36	16%
United States of America	USA	Department of Civil Engineering Technology, Environmental Management & Safety, Rochester Institute of Technology	34	19%

Table 1: Participating countries, partner academic institutions and responses

The survey focuses on the largest companies by revenue in each participating country. The companies were identified using national databases such as the Fortune 500 list in the USA (CNN Money 2012), SABI in Spain (Bureau Van Dijk 2012) or Welt online in Germany (Welt Online 2012). If a company indicated that its revenue was below 50 million euros (or the respective equivalent in domestic currency), it was excluded from the analysis. If a parent company and a subsidiary were among the largest companies and the subsidiary did not manage sustainability issues independently, it was excluded from the list in order to avoid double-counting of responses. Corporations of all sectors were taken into account (see Figure 1, 2, 3 and 4 for the sample characteristics).

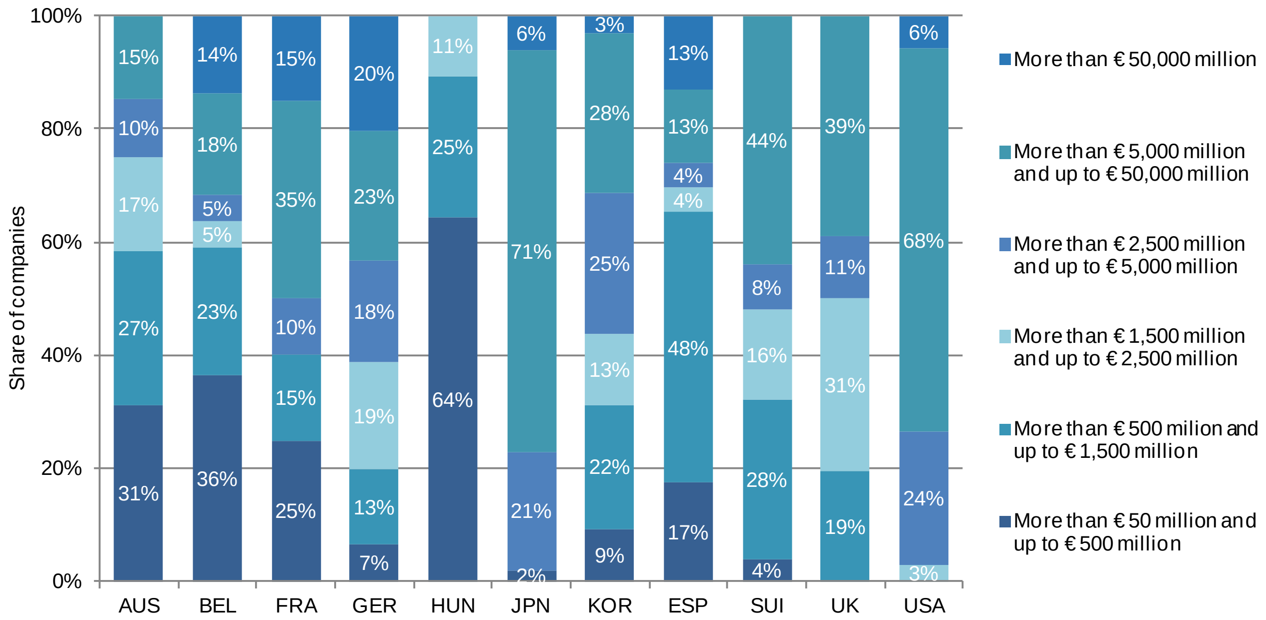

Figure 1: Annual revenue, n = 468
(Figures include total assets for banks and gross premiums for insurances companies)

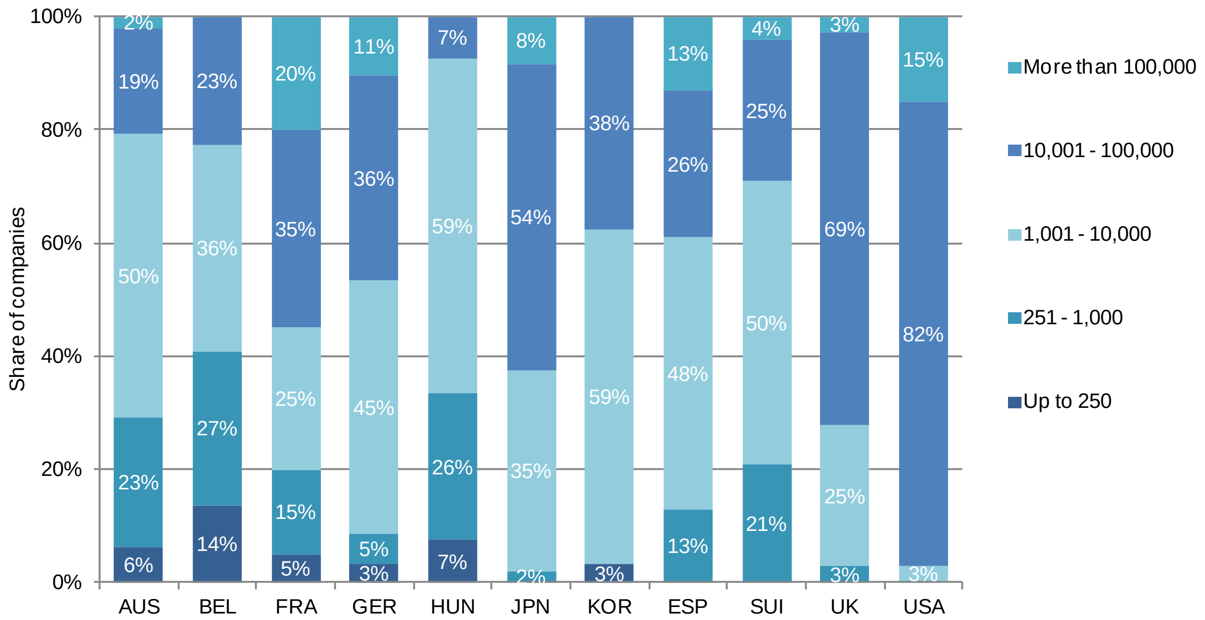

Figure 2: Number of employees, n = 465

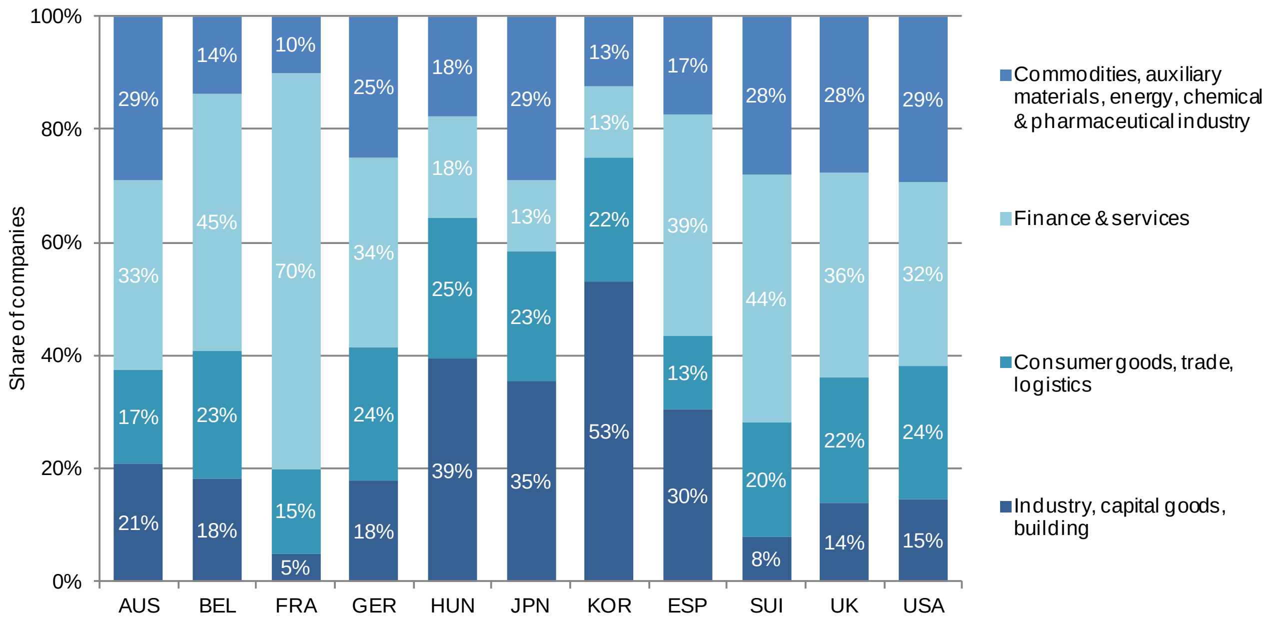

Figure 3: Core business, n = 468

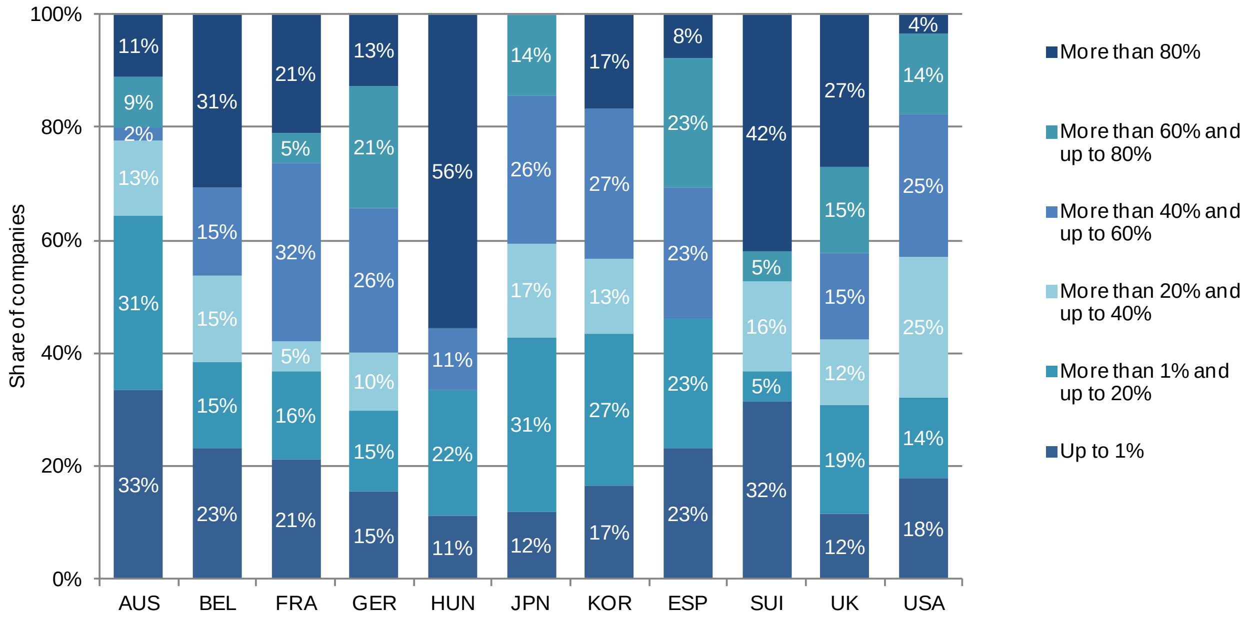

Figure 4: Share of non-domestic sales in total revenue, n = 370

3 Comparison and Patterns

3.1 Intention: Why do companies manage sustainability?

This Section elaborates on motives for corporate sustainability, stakeholder demands and which sustainability issues are particularly relevant to the companies.

Key findings

- On international average and in most countries NGOs and the media/public are the stakeholders promoting corporate sustainability the most.
- Market-oriented stakeholders such as suppliers, insurance companies and banks are frequently ranked as promoting corporate sustainability less strongly.
- Significant differences between the participating countries can be found among the stakeholder demands for specific sustainability issues as well as among the companies' actual management of these issues.

3.1.1 Background

Apart from internal motives for corporate sustainability, such as efficiency improvement or enhancing employee motivation, companies' external *motives* for sustainability engagement include achieving legitimacy and market success (Bansal & Roth 2000; Epstein 2008). On the one hand, striving for organisational legitimacy is a reaction to sustainability-related regulations and pressure from societal *stakeholders* (push factors). Market success, on the other hand, is a motive for corporate sustainability if consumers or investors offer incentives (pull factors; e.g. Dunphy et al. 2007; Moneva & Ortas 2010; Babiak & Trendafilova 2011; Ditlev-Simonsen & Midttun 2011). In the International Corporate Sustainability Barometer this was addressed by the question how different stakeholders influence the implementation of corporate sustainability in the companies.

In addition, there is a wide range of environmental, social and economic *issues* that companies can deal with, such as energy and water consumption, occupational health and safety or consumer protection (Babiak & Trendafilova 2011; GRI 2012). The commitment to engage in specific sustainability issues can be triggered by stakeholder demands. Moreover, the relevance of these issues can also depend on the company's core business. The International Corporate Sustainability Barometer sheds light on what issues are currently in the focus of corporate sustainability management in different countries.

3.1.2 Findings of the International Corporate Sustainability Barometer

Overall, the results on the impact of external stakeholders are fairly consistent (Figure 5, displaying the items with the five highest and lowest values). In all countries most stakeholders promote or are neutral concerning a company's sustainability engagement. On international average company representatives assess NGOs, a society-oriented stakeholder, as most strongly promoting the implementation of corporate sustainability, whereas insurance companies and banks score lowest.

Country specifics can be found, e.g., for Belgian companies, which rate all stakeholder impacts lower than the international average. The opposite is true for the surveyed Japanese companies, which gauge the impact of all stakeholders (particularly consumers/end users), trade associations and banks) higher. As a consequence, Japanese companies assess the different stakeholders in a more balanced manner than companies in all other countries. It is also striking that in Japan not NGOs but community is regarded as the stakeholder that promotes engagement most strongly. Of all stakeholders and all countries, the US companies regard NGOs to most promote engagement, which is surprising since the US companies evaluate the impact of all other stakeholders more or less comparable to, for instance, the UK.

While some market-oriented stakeholders are assessed with relatively low values in all countries (e.g. banks and insurance companies), the assessment of other market-oriented stakeholders such as competitors, rating agencies and consumers is more diverse. Whereas Belgian companies evaluate competitors and rating agencies as slightly inhibiting, competitors are assessed as tending to promote sustainability engagement in the UK. Investors and consumer organisations are other market-oriented stakeholders assessed as promoting engagement on international average.

It is also interesting to note that Swiss companies view international authorities as promoting engagement more strongly than all other stakeholders, whereas French companies evaluate national authorities as being the most promoting stakeholder. In Hungary, on the other hand, scientific institutions score highest, whereas consumers/end users score lowest.

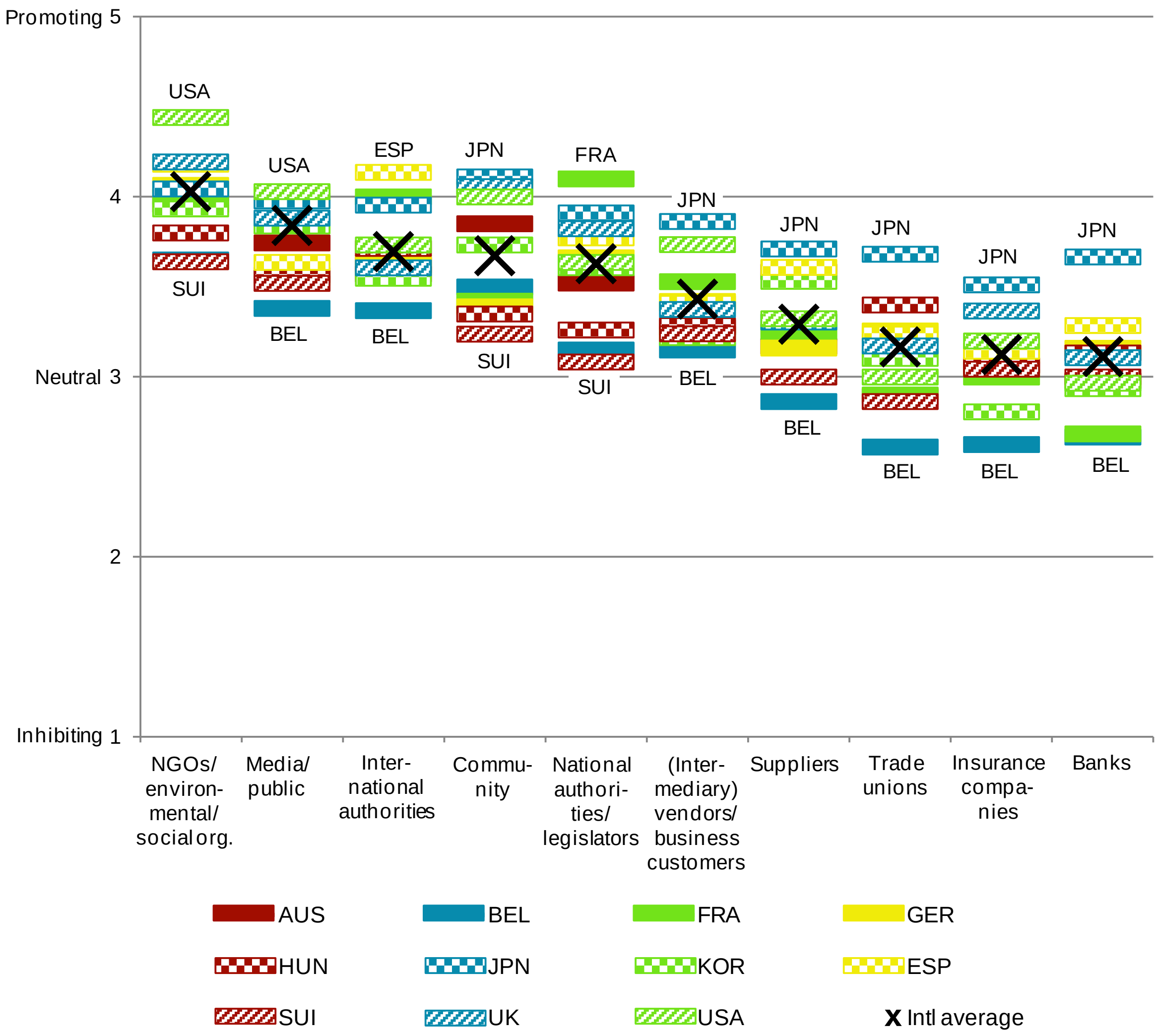

Figure 5: Impact of external stakeholders on corporate sustainability, n ranging from 393 to 450
(Single countries may not be visible due to overlaps; Figure including all items is displayed in the Annex)

The overall picture of the importance of sustainability issues is more diverse. Figures 6 and 7 reveal issue-specific and country-specific differences. The issues range from those that are *managed* closely to those where a necessity to manage is not seen (Figure 6). Whereas occupational health and safety, energy consumption, training/development and workplace/employment are the most important issues, in contrast, transport and child labour/forced or compulsory labour as well as bio-diversity are regarded as less important issues.

These results differ, however, when analysed on a country-specific level. Compared to other issues, biodiversity is only marginally managed on international average, but Japanese and Spanish companies appear as outliers as they report managing biodiversity more closely. Spanish companies also engage in material and water consumption management more frequently than companies in any other country, whereas the Belgian responses for material consumption are far below international average. In addition, the Belgian and French responses are low for the management of emissions/waste water/waste, while German and Swiss companies engage less for freedom of association/right to collective bargaining than companies in any other country. Australian companies differ substantially from the international average because of their low emphasis on transport and child labour/forced or compulsory labour as well as biodiversity. The social issues of diversity and equal opportunity, in contrast, score highest among US companies.

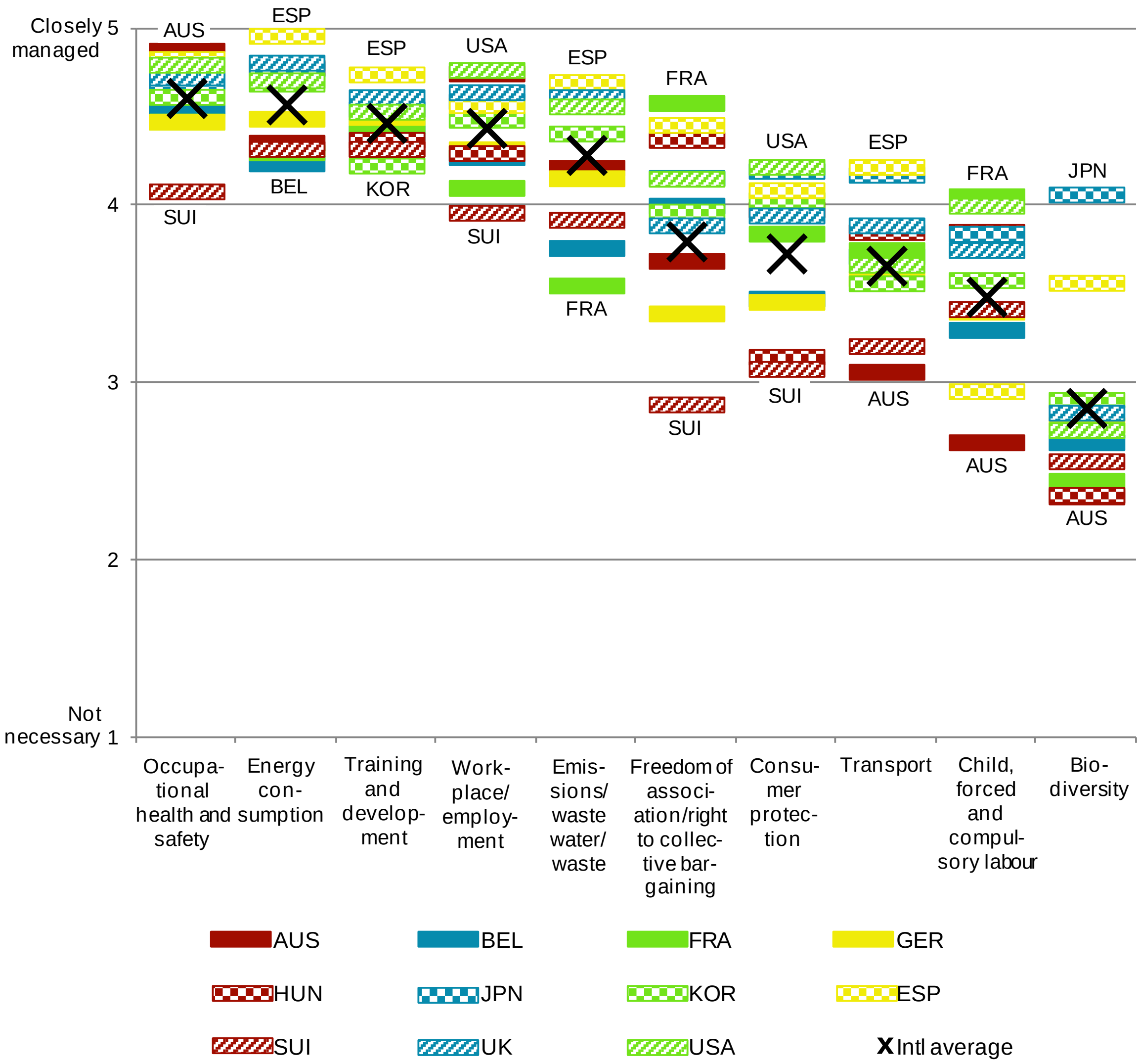

Figure 6: Managed sustainability issues, n ranging from 442 to 463
(Figure including all items is displayed in the Annex)

Generally great similarities exist between the *managed* sustainability issues (Figure 6) and the stakeholder *demands* regarding these issues (Figure 7). On international average occupational health and safety, workplace/employment and energy consumption are the issues with the highest stakeholder demands. In contrast, demands regarding biodiversity, transport, water consumption and child labour/forced or compulsory labour are less strong in most countries.

The actual country-specific extent of stakeholder demands varies strongly. Stakeholder demands tend to be above average in Hungary, South Korea and the UK, whereas particularly the Swiss and to some extent the Belgian responses are far below average. Furthermore, Australian companies face stronger social than environmental demands, since they show high values, e.g., for occupational health and safety, diversity and equal opportunity as well as consumer protection but the lowest value for biodiversity. On the contrary, the Hungarian companies are above average for all environmental issues.

Comparing Figures 6 and 7 also reveals that, although the two scales are not labelled identically, the companies rate their management of sustainability issues with higher values than the respective stakeholder demands. This is particularly true for those issues that show a large difference between the two values. For example, energy consumption as well as training/development rank higher among the managed sustainability issues (Figure 6) than among the stakeholder demands regarding these issues (Figure 7).

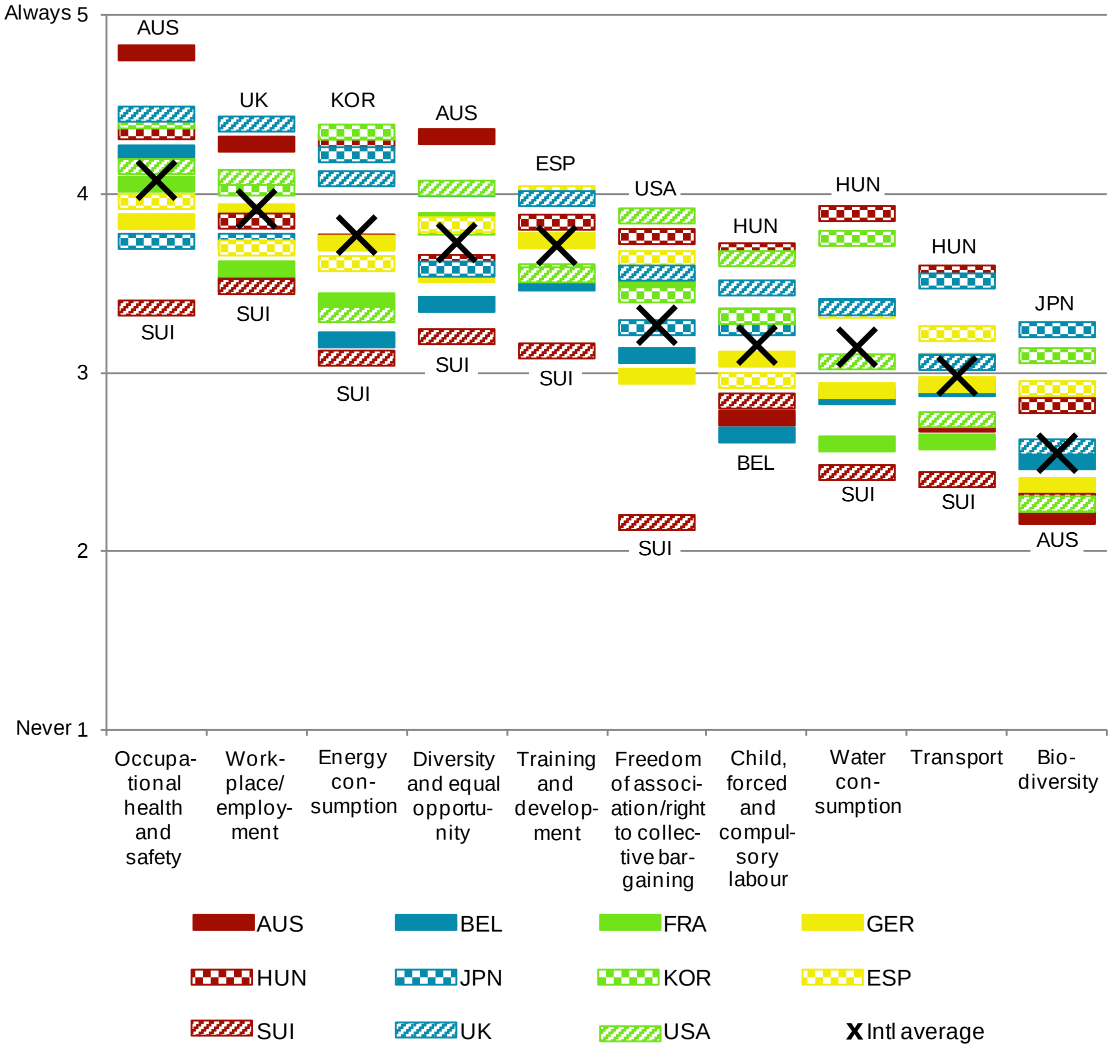

Figure 7: Stakeholder demands to manage sustainability issues, n ranging from 443 to 461
(Figure including all items is displayed in the Annex)

The results on the sustainability issues which companies assess as relevant in the future are twofold. On the one hand, some issues (such as energy/GHG emissions in the environmental field or diversity/equal opportunity in the social field) appear to be relevant future issues for companies in nearly all countries investigated (Table 2). On the other hand, in most countries some issues are of particular future relevance for their companies (e.g. transport in France; supply chain management in South Korea). Additionally, it could be observed that single companies reported very specific issues as potentially relevant in future, such as green IT, soil conservation or urban development.

Country	Frequent examples of sustainability issues relevant in the future (in 5 to 10 years)	
	Environmental	Social
Australia	Energy/GHG emissions; water	Diversity/equal opportunity; community development
Belgium	Energy/GHG emissions; reporting/labelling	Training/employee qualification; work-life balance
France	Energy/GHG emissions; transport	Diversity/equal opportunity; demographic change
Germany	Energy/GHG emissions; materials/resources	Diversity/equal opportunity; training/employee qualification
Hungary	Energy/GHG emissions; waste	Workplace/employment; safety/health
Japan	Energy/GHG emissions; water	Human rights; diversity/equal opportunity
South Korea	Energy/GHG emissions; materials/resources	Safety/health; supply chain management
Spain	Energy/GHG emissions; resources	Diversity/equal opportunity; human rights
Switzerland	Energy/GHG emissions; materials/resources	Diversity/equal opportunity; employee generation
USA	Energy/GHG emissions; water	Safety/health; diversity/equal opportunity

Table 2: Sustainability issues assessed as relevant in the future
(UK: no data available)

3.1.3 Interpretation and Implications

Corporate sustainability can be externally and internally motivated. While internal drivers will be discussed in more detail in Section 3.2, this part of the report explores external motives such as striving for legitimacy and market success.

The overall international picture shows, first and foremost, that NGOs are the stakeholders most strongly promoting corporate sustainability and that in nearly every country securing legitimacy seems to be the predominant driver of sustainability engagement. This interpretation is supported by the fact that other societal stakeholders who influence legitimacy and reputation (media, government authorities and community) also have a strong positive influence on companies. Communicating engagement for sustainability, for instance, could help to legitimate corporate activities and secure reputation. Though more transparency might also provoke criticism by societal stakeholders (Laufer 2003; Ramus & Montiel 2005; Morsing & Schultz 2006), such feedback can be beneficial if it is constructive and if the company and its stakeholders establish an open, trustful and on-going dialogue which is used to continuously improve sustainability management. In addition, to prevent corporate sustainability activities from being assessed as ‘only self-serving’ it is reasonable to combine and balance corporate with societal benefits (Fifka 2009). In this context companies might consider how they can increase their engagement with market-oriented stakeholders.

To some extent, a market orientation in sustainability management can be identified, as investors, competitors and consumer organisations are also assessed as being somewhat important. The influence of these stakeholders can be related to market demands as they are able to stimulate companies to offer environmentally friendly and socially responsible products and services, to invest in sustainability-oriented businesses and to innovate. The integration of end user demands into the product design phase or negotiations with investors about possible effective and efficient projects that fulfil sustainability criteria are examples of the wide range of possible measures combining sustainability with a market orientation.

With regard to sustainability issues both social and environmental issues are of significance, particularly occupational health and safety, energy consumption, training/development and workplace/employment. Furthermore, most countries have in common that biodiversity is given little weight by stakeholders and corporate management. However, by engaging in less popular issues companies may gain a competitive advantage and contribute to sustainable development in neglected areas. Recent reports, initiatives and handbooks on biodiversity (e.g. Earthwatch Institute et al. 2002; Biodiversity Network Japan 2007; Schaltegger & Beständig 2010; Bishop 2012) open up business opportunities such as participating in bio-carbon offset efforts, reinforcing the supply chain or securing the license to operate.

Info box: "United Nations Decade on Biodiversity"

The United Nations has declared the "UN Decade on Biodiversity 2011-2020". The goal of this initiative is to protect global biodiversity as defined at the "Conference of the Parties" (COP; www.cbd.int/cop) in Japan in 2010. Moreover, the goal of the UN decade is to implement the "Strategic Plan for Biodiversity", which covers areas such as agricultural, island and inland waters biodiversity. Current actions on the national level are presented on www.cbd.int/2011-2020.

The results reveal that most companies primarily manage issues that are specifically required by stakeholders. In addition, it can be seen that companies tend to rate their sustainability management efforts for all issues with higher values than the respective stakeholder demands. This provides indication that companies not only respond to external requirements but also manage sustainability issues proactively. Strong engagement might be driven by an intrinsic motivation such as the goal to increase a company's sustainability performance. With respect to resource consumption, companies might expect a cost reduction potential or with respect to training companies might want skilled staff able to deal with the wide range of corporate environmental, social and economic issues. Yet, for instance, while managing material and water consumption at least to a certain degree most companies still seem to have improvement potential when it comes to generating competitive advantage through a more efficient use of resources.

More generally speaking, companies are recommended to identify not only current sustainability issues for which stakeholders require engagement but also issues which may become important for the company's performance in the future. Managers may take international differences into account as public and political awareness of issues can cross national boundaries, creating business risks and opportunities influencing the company's competitive advantage. Collaboration and dialogues with stakeholders might help to identify and prioritise issues. Once relevant issues have been determined a company should develop action plans on how to manage these issues on a national and/or global level. Following international guidelines and principles (e.g. the Equator Principles;

www.equator-principles.com) or participating in roundtables (e.g. the Asia Pacific Roundtable for Sustainable Consumption and Production; www.aprscp.net) may support the effective management of sustainability issues. Last but not least, as corporate sustainability is continuously developing, a professional sustainability management requires the redesign of management systems and the measurement of progress (see Section 3.3).

3.2 Integration: To what extent do companies embed sustainability in their core business and in their organisation?

To develop a sustainable organisation, a company should link environmental and social improvements to economic success and integrate its engagement in sustainability into the core business. Such integration requires the involvement of all organisational units in corporate sustainability and enables the creation of business cases for sustainability.

Key findings

- The majority of the companies surveyed in all countries claim to link sustainability to most or all segments of their core business.
- Almost all organisational units are promoting or at least neutral towards a company's sustainability engagement, although to different degrees.
- On international average the drivers of a business case for sustainability tend to be internally-oriented or society-oriented whereas market-oriented drivers are less frequently addressed.

3.2.1 Background

Around the world, companies are challenged to meet both business and societal requirements such as achieving long-term financial success while avoiding negative environmental and social impacts. To meet these requirements, it is argued that corporate sustainability should not be treated as a peripheral concern but instead needs to be an integral part of a company's core business (Schaltegger & Burritt 2005; Porter & Kramer 2006; Schaltegger et al. 2012a). This integration challenge means that corporate activity has to be linked to sustainability measures. There are numerous examples ranging from ensuring occupational health and safety to the development of more energy efficient production processes or innovative products.

Such integration can be achieved by managers and employees in various corporate functions, like purchasing, manufacturing, research & development (R&D), sales or marketing. In a nutshell, all steps of value creation and all organisational units should be included in sustainability management in order for it to become effective (Porter 1985; Carter & Rogers 2008; Singh et al. 2008; Schaltegger et al. 2011). Involving all organisational units is essential to create comprehensive sustainability solutions and to prevent sustainability problems from being partially or superficially addressed.

Though efforts in environmental and social engagement – like routine managerial activities, too – could be a source of costs, they can also – if managed well – increase corporate success and create business cases for sustainability. A "business case for sustainability is [...] characterized by creating economic success through (and not only along with) a certain environmental or social activity"

(Schaltegger & Lüdeke-Freund 2012, p. II). The starting point is an activity to solve a social or environmental problem and the challenge is to integrate it into the core business in a way that increases competitiveness. In doing so, a company can gain competitive advantage by being a sustainability leader or innovator in a mass market. Commonly, corporate sustainability engagement is divided into efforts linked to societal or market-relevant drivers, such as reputation and revenue, or more internally-oriented drivers, such as efficiency and employee motivation. The characterisation of drivers of business cases for sustainability presented in Table 3 is based on sustainability management literature (e.g. WBCSD 2002; Steger 2004; Schaltegger & Lüdeke-Freund 2012; Schaltegger et al. 2012a).

Driver of business cases for sustainability	Sustainability measure
Costs	Environmental and socially-oriented cost management
Efficiency	Producing with more efficient use of resources
Employee motivation	Promoting employee motivation
Innovation	Developing new business segments related to sustainability
Reputation	External communication of environmental and social activities
Revenue	Developing new customer segments
Risk management	Environmental and socially-oriented risk management

Table 3: Drivers of business cases for sustainability

3.2.2 Findings of the International Corporate Sustainability Barometer

Overall, the integration of sustainability into the core business is similar in all countries since the majority of the companies (54% to 83%) claim to link sustainability to most or all segments of their core business (Figure 8). Only a small minority of companies in all countries state they link sustainability to only a few or no segments of their core business. Core business integration is most pronounced in Spanish, Belgian and UK companies, whereas Australian companies rank lowest. What is striking is that Spanish and French companies most often state they *consistently* integrate sustainability into their core business (43% and 40% respectively).

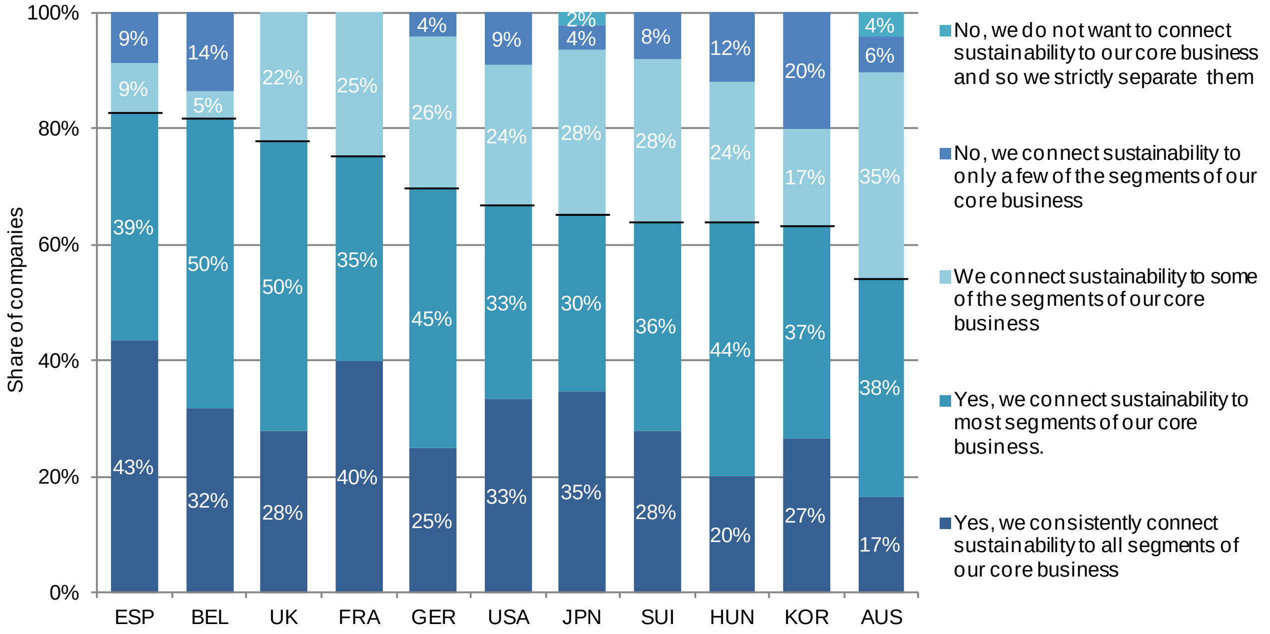

Figure 8: Linking sustainability with the core business, n = 457

Additionally, the companies were asked to provide examples of how they link their sustainability engagement with their core business. Examples mentioned by the companies in the four sectors (see also Figure 3) are:

- *Industry, capital goods, building*: e.g. reduction of environmental impact of construction projects, using renewable energy;
- *Consumer goods, trade, logistics*: e.g. energy efficiency in stores or warehouses, transport emissions control;
- *Finance & services*: e.g. green IT or financial products, ethical bonds;
- *Commodities, auxiliary materials, energy, chemical & pharmaceutical industry*: e.g. usage of renewable resources, clean energy.

Another quite consistent aspect of integration is related to *organisational units*, since the findings show that almost all of them are promoting or at least neutral towards a company's sustainability engagement (Figure 9). On international average, the CSR/sustainability department, top management and PR/corporate communications are evaluated as promoting engagement most strongly, whereas logistics/distribution, finance and accounting are assessed as rather neutral and, thus, less involved.

Contrasting the country-specific results shows that the responses for CSR/sustainability and PR/corporate communication are quite similar whereas the evaluation of manufacturing, logistics/distribution and accounting differs between countries. Japanese companies, for instance, which assess almost all organisational units as (strongly) promoting engagement, also evaluate manufacturing and logistics above average. In contrast, Australian companies evaluate these organisational units more neutrally. Australia, France, Belgium and Switzerland generally assess the surveyed organisational units as promoting sustainability management less strongly. In line with this finding, Figure 9 illustrates some further outliers: the French responses score lowest for investor relations, employee council and accounting whereas the Belgian and Australian responses are lowest for manufacturing.

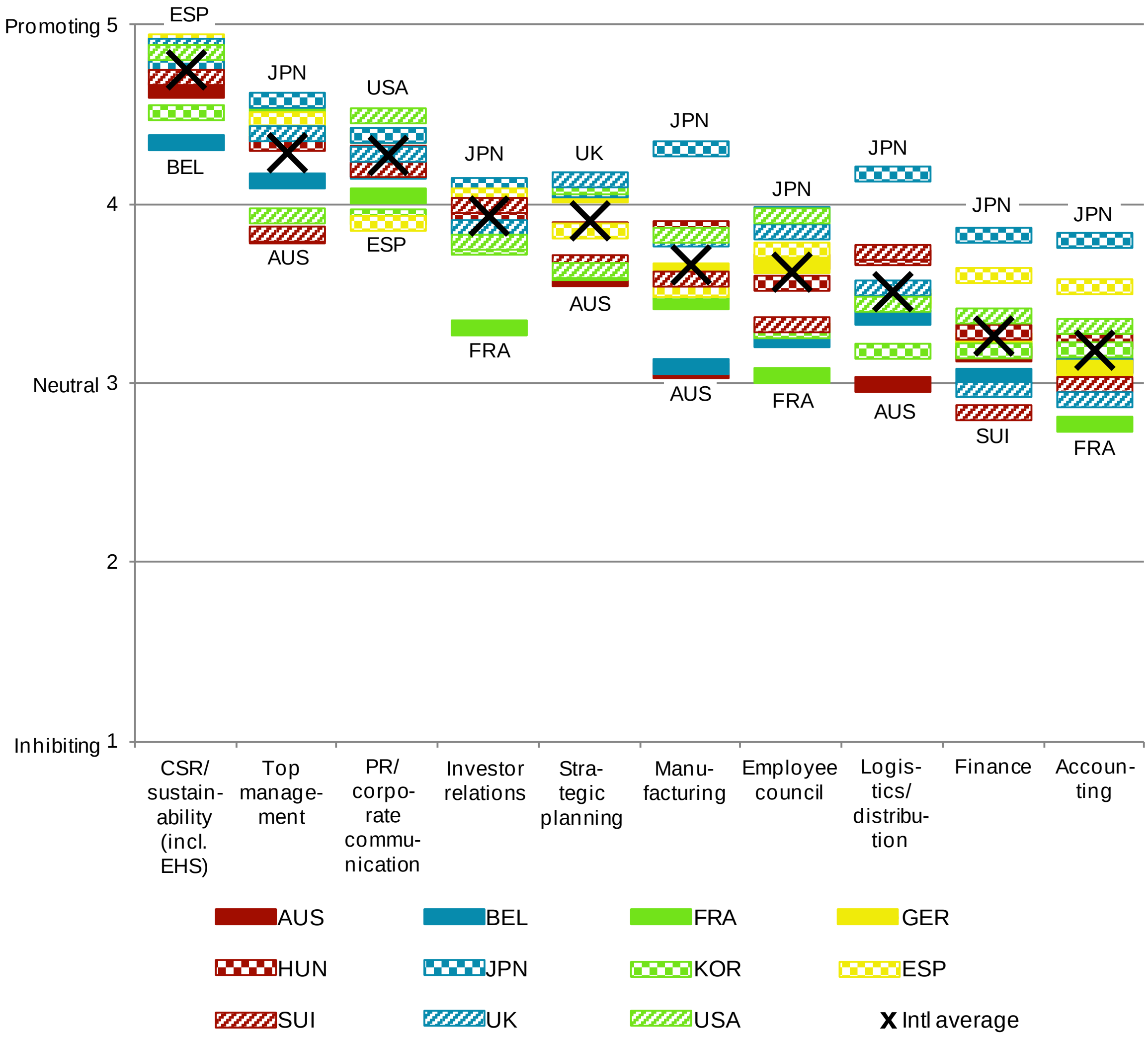

Figure 9: Impact of organisational units on corporate sustainability, n ranging from 325 to 460 (Figure including all items is displayed in the Annex)

Next to linking sustainability with the core business and the involvement of organisational units, the third aspect analysed with regard to integration is the creation of business cases for sustainability. Overall, Figure 10 shows that society-oriented (located to the left in Figure 10), market-oriented (in the middle) and internally-oriented drivers (to the right) of such a business case are addressed with related measures to very different degrees. The most common measures addressing business case drivers on international average are internally-oriented (producing with more efficient use of resources, promoting employee motivation) and society-oriented (environmental and socially-oriented risk management, external communication of environmental/social activities). Market-oriented measures (environmental and socially-oriented cost management, developing new customer segments) are less frequently undertaken (see also Table 3).

For some drivers the country-specific responses differ notably, particularly for costs, reputation, risk management and innovation. Whereas the top values for all drivers are observed in Japanese companies, the drivers are addressed least often in Australia or Belgium or, in the case of innovation, in the USA.

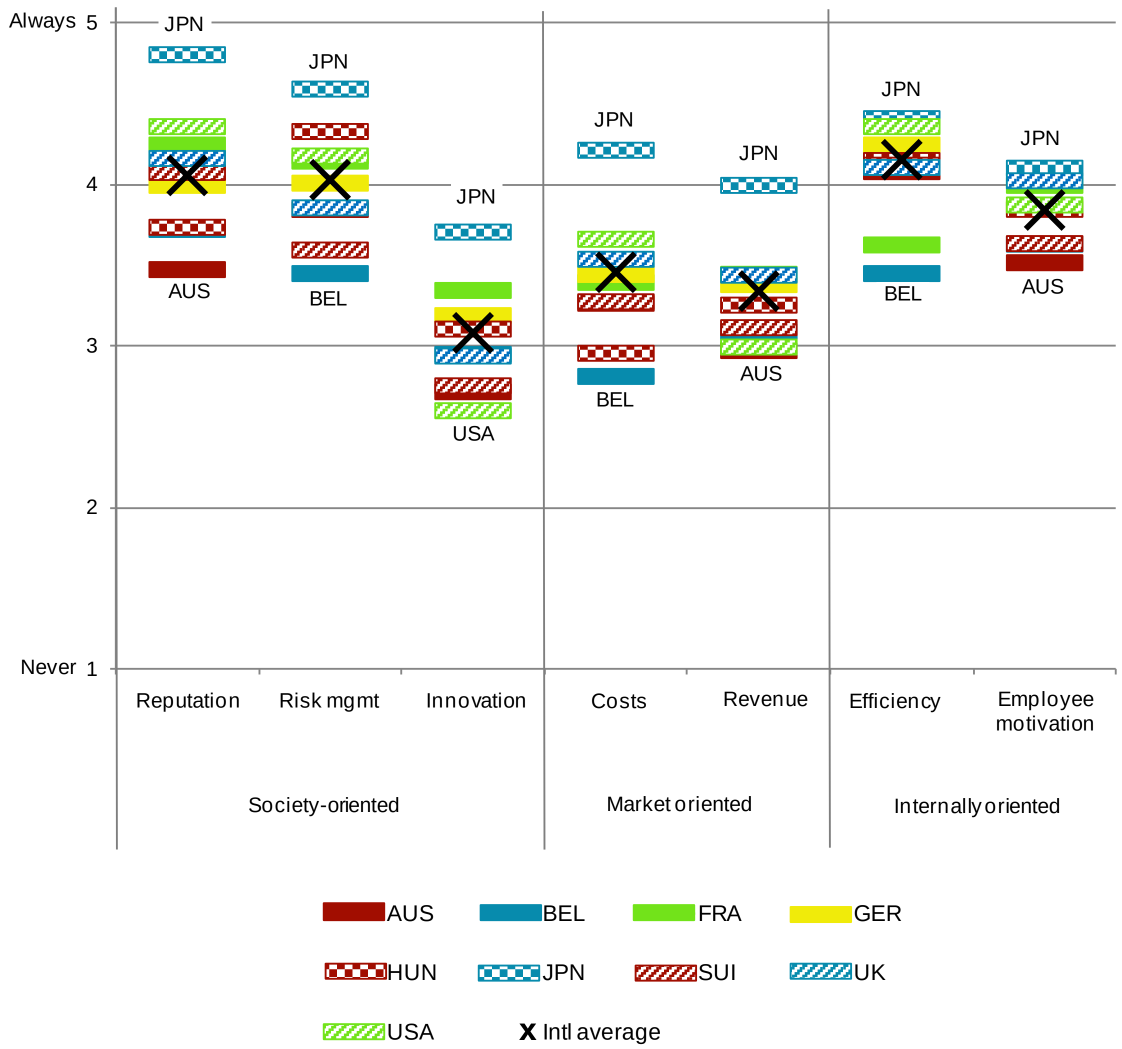

Figure 10: Drivers of business cases for sustainability, n ranging from 397 to 405
(South Korea and Spain: no data available)

3.2.3 Interpretation and Implications

Linking sustainability engagement to the core business and the involvement of all corporate organisational units are needed to systematically integrate environmental and social issues into the company's conventional management and into its value-creating activities. The majority of companies in all countries claim to link their sustainability activities with their core business and give examples of this linking, even though country-specific differences exist. Noticeably, Belgian companies are among the most progressive ones concerning the integration of sustainability into the core business, although for other topics discussed in this report Belgium often ranks low. This can partly be explained by the fact that the Belgian companies in the survey are comparably small. Therefore, with regard to the relatively low Belgian scores both for the management of sustainability issues and the impact of external stakeholders, it is possible that Belgian companies do not possess the means to tackle all sustainability-related issues and are not as exposed to stakeholder demands. Still, the results suggest that there is a high awareness of sustainability among the Belgian companies, which frequently results in the integration of sustainability topics into the companies' core business.

On the whole, the quite high percentage of companies claiming to link sustainability to their core business may serve as a foundation for future efforts to make business activities more sustainable. A similar result is shown in a recent study with a focus on sustainable energy by Accenture and the United Nations Global Compact (2012) in which the majority of 70 companies from 19 industries state they link their core business with a more sustainable use of energy (that is, energy efficiency, energy access and renewable energy).

When companies evaluate sustainability as an integral part of strategic and operational planning, there is new room for altered business opportunities and changes in processes as well as in products and services offered (e.g. Schaltegger & Wagner 2011). Yet, such a development takes time and further stages of development are not predictable. Companies could, for example, start with a pilot project to gain experience and to learn about possible positive and negative impacts on the company's business and the company's environment. The case study of Electrolux in Sweden (McAloone & Andreasen 2004) exemplifies how testing product service systems in a piloting phase together with consumers served to identify business opportunities and challenges. Such a pilot project, in turn, can be a starting point for rolling out similar sustainability measures in the entire company.

A company striving to integrate sustainability into its core business is called upon to actually include it in its daily business activities in all parts of the organisation and every organisational unit (e.g. Shrivastava & Hart 1995; Schaltegger et al. 2011). On the one hand, R&D, manufacturing, quality control and marketing as well as supply chain-related departments such as purchasing and logistics have to be involved to design, produce and promote sustainable products and services (Carter & Dresner 2001; Darnall et al. 2008; Seuring & Müller 2008). On the other hand, the commitment of top management and the involvement of supporting functions such as CSR/sustainability, strategic planning, PR, investor relations, the legal department/compliance, finance, accounting as well as the personnel department/HR are required to transform key business processes. The involvement of all organisational units and internal stakeholders can promote internal support and appropriate strategic goal setting, can ensure the embedding of sustainability management in the corporate strategy, can foster the provision of adequate information and strengthen employee motivation (Porter 1985; Shrivastava & Hart 1995; Schaltegger & Burritt 2005). In sum, all corporate functions are challenged to contribute to corporate sustainability, no matter whether they engage in company-internal activities or in externally visible measures (Schaltegger et al. 2011).

Within the companies however differences in the impact of organisational units are observable. Explicitly sustainability-related as well as externally-oriented departments such as CSR and PR/communications promote engagement most strongly, whereas internal, performance-oriented units like finance and accounting appear to be left out. These findings reveal a gap between the status quo in practice and the demands formulated in academia to handle corporate sustainability as a cross-functional task.

Furthermore, the results on organisational units indicate that the companies surveyed are largely concerned with securing their reputation and legitimacy through sustainability management – rather than with their actual sustainability performance. However, bearing in mind that accounting designs and manages the core information system for managers and plays a gatekeeper role between top management and other departments, a stronger involvement of these organisational units that have been so far left out is highly recommended in order to link sustainability with financial information (Schaltegger et al. 2011). The country-specific findings also indicate that the organisational units of Japanese companies are more involved in the implementation of corporate sustainability than is the case in the other countries surveyed.

Info box: the "business case for sustainability"

The key issue behind the business case for sustainability is how environmental and social performance can increase a company's competitiveness and business success (Schaltegger et al. 2012a). Therefore, companies are challenged to examine their current and potential future core business activities to identify how drivers of business cases for sustainability can be positively influenced.

The involvement of all organisational units in corporate sustainability and linking sustainability with the company's core business may support the creation of business cases for sustainability. Business cases can be created by addressing individual business case drivers (Table 3). When analysing the international findings, it is striking that the drivers risk management and reputation are – in general and in particular for Japanese companies – addressed most frequently. As with external stakeholders, this indicates that the companies mostly act in a risk-averse fashion to gain and secure organisational legitimacy.

In addition to these external drivers, internal drivers such as efficiency and employee motivation are also important on international average. This is interesting in so far as it can also be seen that organisational units such as accounting appear to be less involved in corporate sustainability although one of their central tasks is to provide data in order to increase efficiency in a company. This contradiction emphasizes the desirability of cross-functional collaboration between the different organisational units. Since employee motivation is also an important business case driver for sustainability, the CSR/sustainability department and HR are called upon to jointly work on suitable measures to ensure occupational health and safety, to establish sustainability-oriented incentive systems or, for instance, to offer training programmes tailored to meeting sustainability challenges.

In sum, the results on the drivers of business cases for sustainability indicate that, next to internally-oriented ones, society-oriented measures are more common than market-oriented measures. Market-oriented drivers such as innovation and revenue, however, bear the potential to develop new markets, business models and product/service designs not only for a niche but also for the mass market.

3.3 Implementation: How is corporate sustainability operationalized?

The focus of this Section is on the implementation of corporate sustainability, including the management of stakeholder relationships, the awareness and application of sustainability management tools and the measurement of corporate sustainability impacts and success.

Key findings

- To manage their stakeholder relationships, companies in all countries surveyed frequently inform and, to a lesser extent, observe their stakeholders. More intensive forms of stakeholder management are less common.
- Companies primarily apply sustainability management tools which address employee issues, serve to communicate sustainability or help to gain a broad overview of sustainability activities.
- About half or less of the companies analyse the impact of their sustainability management on their business success or competitive advantage.

3.3.1 Background

Stakeholders are defined as groups or individuals who can affect the achievement of corporate goals or, vice versa, who are themselves affected by a company's activities (Freeman 1984). Stakeholders can support a company with resources but they can also express their critical and, ideally, constructive opinion on a corporation's sustainability engagement, which can help a company to receive an external view on its sustainability performance. Moreover, a company and its stakeholders can share ideas and discuss future challenges and trends on environmental, social and economic topics to help the company act and innovate more sustainably and competitively (Ruppel & Harrington 2000; Harting et al. 2006; Troshani & Doolin 2007). Stakeholder relationships can be managed in different ways depending on how strongly the stakeholders are involved into corporate sustainability endeavours. The forms of stakeholder relationship management range from more passive to more participative engagement (modified from Krick et al. 2005):

- Observing stakeholders;
- Informing stakeholders;
- Dialogue with stakeholders/seeking advice;
- Involvement, consideration in decision-making process;
- Cooperating, networking to develop joint solutions;
- Empowerment;
- Delegating decision-making authority.

Management tools supporting interaction with stakeholders include, for instance, stakeholder dialogues, community advisory panels or corporate volunteering (e.g. Schaltegger et al. 2002; Tencati et al. 2004; European Commission 2004). In addition, companies can make use of several sustainability management tools addressing the broad range of sustainability topics. Sustainability management tools serve, for instance, to communicate and market the company's sustainability efforts (e.g. a sustainability report or labels), to develop and plan sustainability-oriented measures, products and services (e.g. risk analysis, sustainable design) or to manage and monitor corporate sustainability (e.g. environmental management systems). The International Corporate Sustainability Barometer analyses 79 tools as well as 12 standards and norms (such as ISO norm 14001 or the OECD Guidelines) and asks which of these are known and applied in the companies surveyed. The awareness and application of such tools is essential for a systematic and effective implementation of corporate sustainability.

In a last step, the International Corporate Sustainability Barometer sheds light on the expected impact of corporate sustainability and identifies which sustainability issues are measured. Only if companies measure their impacts and the success of their sustainability efforts continuous improvements can be achieved.

3.3.2 Findings of the International Corporate Sustainability Barometer

On the whole, the results on stakeholder relationships demonstrate that numerous companies use the full spectrum of stakeholder management approaches – ranging from the observation of stakeholders to the delegation of decision-making – at least on a case-specific basis (Figure 11). A closer look reveals that less participative measures (located to the left in Figure 11) are more common than more participative measures (located to the right). In all of the countries surveyed 'informing stakeholders' is the most widespread form of stakeholder engagement (ranging from 92% in Hungary to 100% in France, Japan, South Korea, Spain, Switzerland, UK and the USA). In contrast, 'delegating decisions' is the least used method in each country investigated.

Country-specific differences exist, for instance, for 'observing stakeholders', which is used by 100% of the companies surveyed in France, South Korea and the USA. In contrast, only 52% of the companies surveyed in Spain and 71% of the Hungarian companies observe stakeholders. 'Dialogue with stakeholders/seeking advice' belongs to the most often used stakeholder management approaches in Spain (100% of the companies) and in Belgium (95%). Also, the responses for 'delegating decisions' differ considerably: whereas most of the South Korean companies surveyed (63%) state they use this measure at least on a case-specific basis, only few of the Spanish (25%) and Swiss (21%) companies use this measure.

In summary, South Korean and US companies are most participatory in their stakeholder relationship management. In contrast, participative forms of stakeholder engagement are rarely used in Spain, Japan and Switzerland. In general, Hungary uses the methods of engaging with stakeholders less frequently.

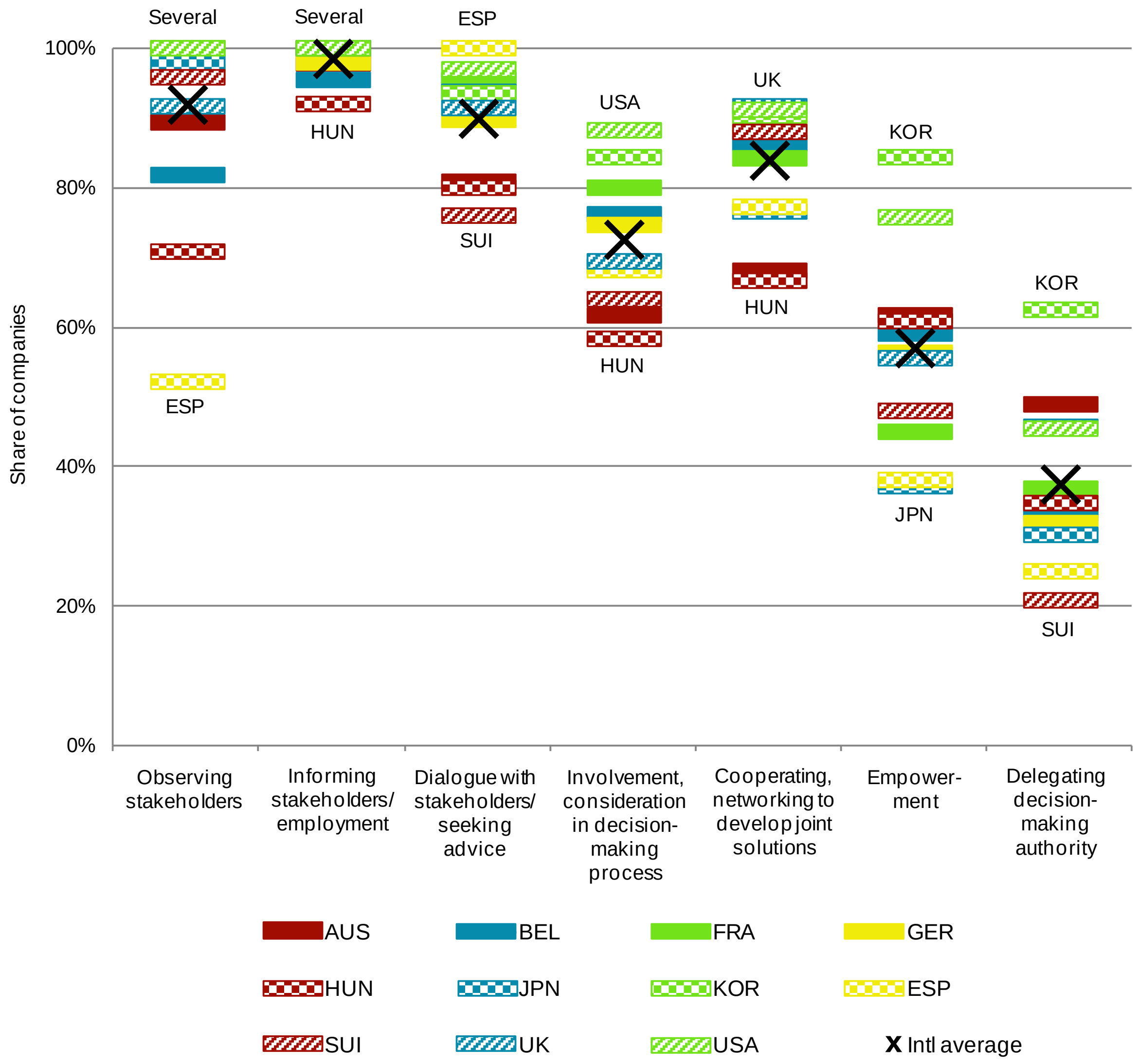

Figure 11: Management of stakeholder relationships, n ranging from 438 to 458
(total of case-specific and general use)

The awareness and especially the application of sustainability management tools are valid indications of whether and how corporate sustainability is implemented on an operational basis. Not only are there many potential sustainability management tools available, but they are being continuously developed. Table 4 (Top 10 *known* tools) and Table 5 (Top 10 *applied* tools) show which tools are currently of relevance in practice. Both tables relate tools (columns) to countries (rows). Blue shaded cells in the matrix highlight values above the international average (bottom row).

The columns in Table 4 show that sustainability management tools ranking among the 10 most *known* sustainability management tools include tools that serve: (i) *employee motivation and involvement* (flexible working time, incentive system, further education and corporate/employee volunteering), (ii) to gain *a broader overview of sustainability activities* (environmental management system, quality management system), (iii) to *communicate corporate sustainability* (sustainability and environmental report and environmental mission statement) and (iv) to *develop and plan* sustainability-oriented measures (risk analysis).

The data in Table 4 reveal that in several countries most of the top 10 known tools are known by a very large number of companies and more than on international average (UK, Spain, Hungary, Switzerland, USA, Germany and Japan). In contrast, this awareness is below average in France, South Korea and Belgium for most or all tools.

Analysing the 10 least known tools shows that most are connected to *measuring and comparing* corporate sustainability performance, such as environmental shareholder value (known in 40% of the companies on international average), sustainability accounting (40%) or eco-compass (31%).

Country	Flexible working time	Envtl mgmt system	Quality mgmt system	Sus-taina-bility report	Risk analy-sis	Incen-tive system	Further edu-cation	Envtl report	Corpo-rate volun-teering	Envtl mission state-ment
UK	100%	97%	92%	97%	92%	97%	94%	89%	97%	86%
ESP	96%	96%	96%	91%	87%	96%	91%	83%	83%	83%
HUN	93%	96%	96%	86%	93%	93%	96%	89%	86%	93%
SUI	92%	84%	96%	96%	96%	88%	96%	88%	80%	80%
USA	94%	94%	79%	97%	79%	88%	91%	94%	88%	91%
GER	94%	88%	97%	87%	87%	89%	95%	82%	70%	80%
JPN	92%	98%	94%	81%	81%	69%	56%	96%	98%	85%
AUS	94%	94%	81%	79%	88%	90%	77%	83%	79%	81%
BEL	77%	86%	82%	68%	86%	77%	73%	68%	68%	73%
KOR	72%	91%	88%	81%	66%	66%	63%	78%	81%	50%
FRA	80%	75%	75%	80%	85%	75%	75%	75%	65%	30%
Intl average	**91%**	**91%**	**91%**	**86%**	**85%**	**85%**	**85%**	**85%**	**80%**	**78%**

Table 4: Top 10 known sustainability management tools, n ranging from 467 to 468
(shaded cells indicate values above international average)

Table 5, illustrating the 10 most *applied* sustainability management tools, shows a similar pattern as for the most known tools. Again, the columns reveal that sustainability management tools which serve (i) to foster *employee motivation and involvement*, (ii) to *receive a broader overview of sustainability activities,* (iii) to *communicate corporate sustainability* and (iv) to *develop and plan* sustainability-oriented measures can be found among the most popular tools. The two most widespread tools are applied by at least 50% of the companies surveyed in each country.

However, the results differ from Table 4 in terms of ranking order. Tools for *employee motivation and involvement* tend to be more often applied than tools which help to communicate corporate sustainability. Moreover, with regard to the application of tools corporate giving replaces the environmental report (see Table 4) in the top 10.

Table 5 reveals that in the UK, the USA and Hungary, followed by Switzerland, numerous tools are more frequently applied than on international average. In Belgium, Spain, Australia, France and South Korea, in contrast, application of most tools is below average. Strikingly, only one of the 10 internationally most applied tools has above average values in Spain although the awareness of tools is above average for nine of the top 10 tools there (Table 4).

An analysis of the 10 least applied tools reveals that these mainly serve to *measure and compare* corporate sustainability such as social cost accounting (applied in 11% of the companies on international average), eco-budgeting (9%) or eco-compass (5%). Only social/fair label (10%) is one of the 10 tools which can be linked to *communication and marketing.*

Country	Flexible working time	Envtl mgmt system	Further education	Quality mgmt system	Risk analysis	Incentive system	Sustainability report	Corporate giving	Corporate volunteering	Envtl mission statement
UK	83%	89%	78%	78%	81%	81%	75%	92%	81%	83%
USA	91%	88%	88%	74%	74%	71%	85%	97%	85%	74%
HUN	82%	79%	89%	93%	79%	86%	46%	79%	54%	64%
SUI	84%	72%	88%	80%	80%	72%	76%	56%	48%	44%
GER	88%	72%	93%	85%	69%	78%	63%	42%	49%	61%
JPN	79%	96%	44%	75%	63%	42%	56%	75%	85%	75%
KOR	50%	84%	50%	78%	44%	50%	63%	59%	69%	38%
FRA	55%	55%	70%	50%	75%	50%	70%	65%	50%	15%
AUS	75%	75%	69%	60%	81%	67%	50%	77%	54%	56%
ESP	74%	74%	74%	65%	70%	65%	74%	48%	43%	35%
BEL	59%	68%	55%	46%	68%	55%	50%	23%	46%	50%
Intl average	**79%**	**78%**	**77%**	**76%**	**70%**	**68%**	**63%**	**61%**	**60%**	**59%**

Table 5: Top 10 applied sustainability management tools, n ranging from 467 to 468
(shaded cells indicate values above international average)

Of the twelve sustainability-relevant standards and norms analysed in this report, only three are applied by more than half of the companies surveyed, i.e. ISO 14001, ISO 9000 and the GRI guidelines of the Global Reporting Initiative. Strikingly, almost all surveyed Japanese companies apply ISO 14001 (98%) and they are also leading with regard to ISO 9000 (79%). The consideration of the GRI guidelines is particularly common in Spain (83% application). Fairly low is the application of these three standards in Belgium and Australia.

Significant differences between the countries also exist concerning the measurement of the company's sustainability impacts (Figure 12). Differences can be found for similar issues as described in Section 3.1.2 with regard to the management of sustainability issues and stakeholder demands. However, the differences identified for measurement are more profound.

On international average, energy consumption, occupational health and safety, workplace/employment, emissions/waste water/waste and training/development are the five most commonly measured aspects (measured in more than 90% on international average). In contrast, only few companies measure their impact on consumer protection (50%), child labour/forced or compulsory labour (45%) and biodiversity (29%).

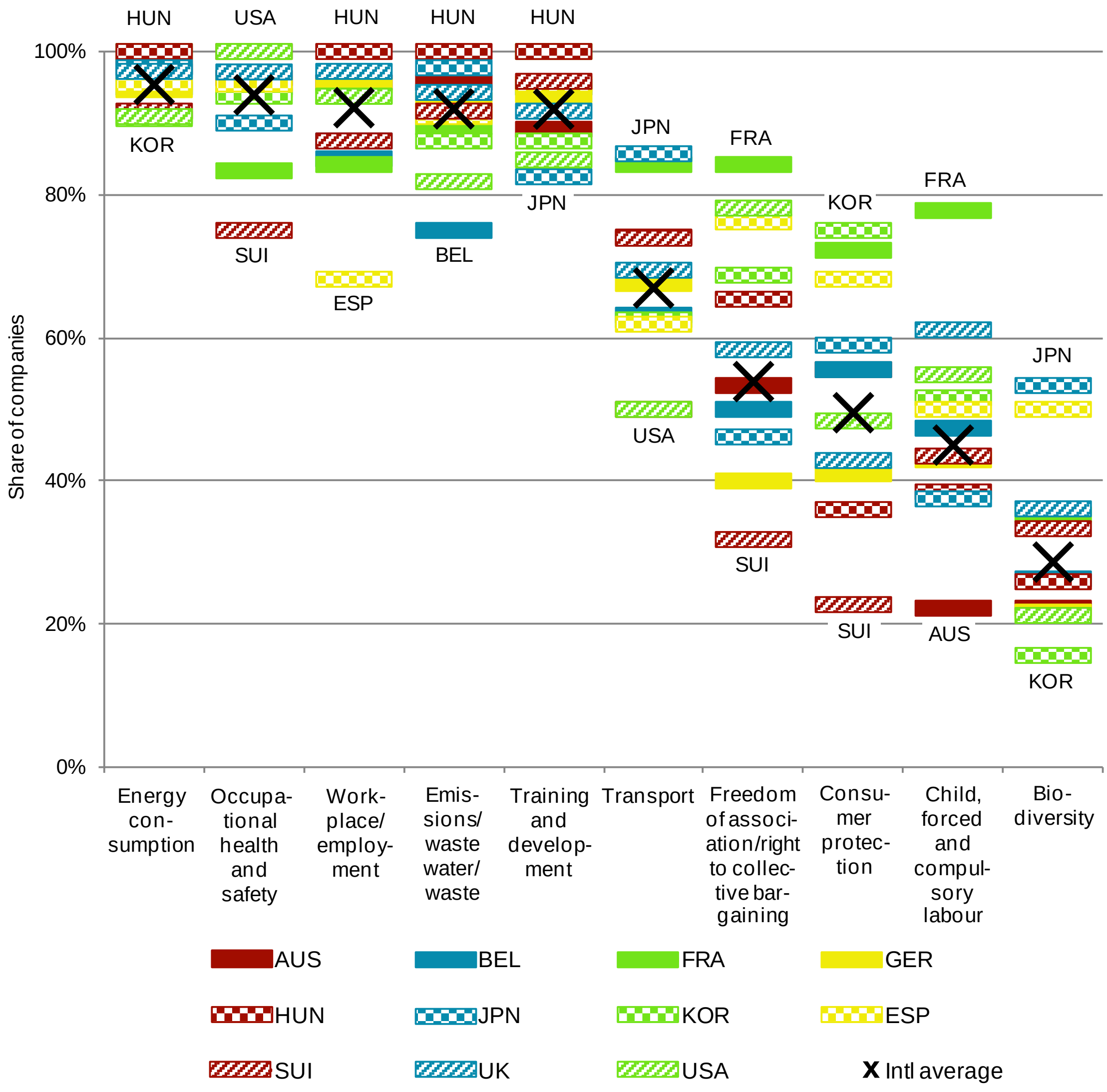

Figure 12: Measured sustainability impacts, n ranging from 425 to 454
(Figure including all items is displayed in the Annex)

On the national level, the results reveal large differences for some of the issues investigated. The largest international difference (56%) exists for child labour/forced or compulsory labour, which is frequently measured in France but only rarely measured in Australia. Similarly, company impact on freedom of association/right to collective bargaining as well as consumer protection, for example, is frequently measured in France, whereas such measurements are made by a minority of companies in Switzerland and Germany. In general, UK companies are above international average for several issues.

The companies surveyed were also asked whether they measure the impact of their sustainability management on corporate success or competitive advantage (Figure 13). On average, about half or less of the companies analyse the effect on the different drivers of business cases for sustainability. In addition, several differences can be found with regard to both drivers and countries. Regarding the drivers, the impact on costs, reputation as well as employee motivation is measured most frequently, whereas the impact on innovations (for products and processes, etc.) and business model innovations is measured least frequently. The effect on these and the remaining drivers is measured very inconsistently in the different countries. Especially, the influence on employee motivation is measured by the companies to very different degrees, ranging from 13% in Belgium to 68% in Spain and Switzerland.

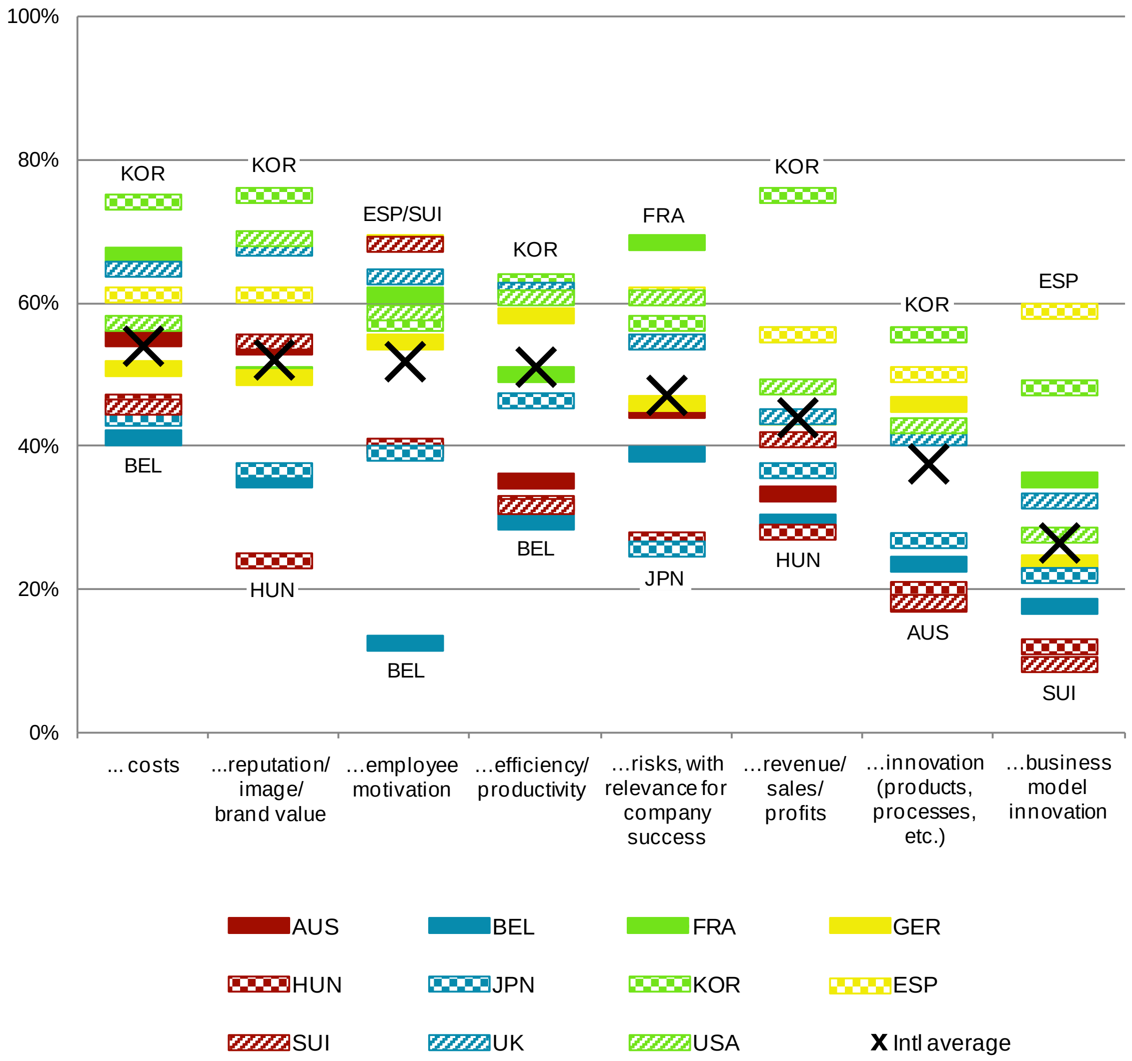

Figure 13: Measured impact on company success or competitive advantage, n ranging from 385 to 395

The country-specific data furthermore show that South Korean and Spanish companies belong to those companies most frequently measuring the impact of their sustainability engagement (between 48% and 75%), whereas especially Belgian and Hungarian companies show lower values (between 12% and 46%).

3.3.3 Interpretation and Implications

If a company is attempting to implement corporate sustainability it is challenged to manage its stakeholder relationships, to choose appropriate sustainability management tools and to measure and assess its sustainability performance and impacts on corporate success.

As companies usually deal with a large number of stakeholders who are able to affect the organisation through their demands and their positive and/or negative criticism, managers are well-advised to incorporate company-internal as well as external views in their management decision-making processes. Certainly not all issues raised by stakeholders are of equal importance, but less important stakeholders and issues could gain attention in the future (for instance suppliers, if unsustainable conditions in the supply chain become apparent). Recently, Deloitte (2012) has characterised stakeholders as ‘scorekeepers’ who are engaged in evaluating companies by their business impact on the environment and society. In a globalised world not only companies but also their stakeholders make use of real-time media to report on a company’s sustainability performance. Knowing that such a fast track option to publish and gain access to information and opinions creates opportunities and risks, a more profound analysis and management of stakeholders and their claims appears appropriate. Deloitte (2012), for instance, suggests a process of managing environmental, social and governance issues by starting to analyse stakeholder perception of the company’s performance on these issues. An international study of the Melbourne University on stakeholder interests (Australian Institute of Company Directors 2007) showed that about 40% of the surveyed Australian company directors rank shareholders highest whereas in the USA shareholders rank higher in about 80% of the cases.

Linking these insights to the findings of the International Corporate Sustainability Barometer on stakeholder management, it appears reasonable for an international company to classify relevant stakeholders and to assess sustainability issues of global relevance raised by stakeholders. The company can then decide which of the stakeholder management approaches are appropriate (see Section 3.3.1). Obviously, this decision also depends on financial and time restrictions.

A stakeholder dialogue is one possible measure to interact with stakeholders. Although it is currently not among the 10 most frequently known or applied tools, a dialogue is valuable to effectively gain an external view on a company’s sustainability performance. Comparable to other tools in the wide spectrum of available sustainability management tools, stakeholder dialogues do not offer a one-size-fits-all solution. Instead, it is recommendable for companies to frequently examine currently applied as well as potential new tools to further develop them according to changing corporate sustainability challenges. As new tools are created (such as recently the water footprint) and/or existing ones are developed further (such as incentive systems) being up to date seems to be essential to effectively implement corporate sustainability. If the benefit from applying such tools is rather uncertain, a company could start with a pilot project to gain experience. Moreover, when testing and evaluating a new tool, a company can profit from joint projects with other companies, NGOs or academic partners, for instance, to share the costs while learning how to apply, customise and further develop tools.

Info box: "water footprint"

A water footprint measures the use of fresh water by consumers or producers. The Water Footprint Network (WFN), for instance, works as a platform to connect organisations and companies interested in the (global) use of water. The network provides information about current developments, shares data and offers methods such as an assessment of water footprints (www.waterfootprint.org). One of the founders of the WFN in 2008 was the UNESCO-IHE Institute for Water Education, which works to improve capacity building, research and education for water, environmental and infrastructural topics (www.unesco-ihe.org).

Finally, the assessment and measurement of corporate sustainability efforts are essential for a company to examine whether the actions taken fulfil business, social and environmental requirements. Measurement is also necessary to be able to manage and achieve company-specific goals. This includes quantitative data (such as amount of waste, the costs for energy and their impact, the number of occupational accident) and qualitative sustainability information (such as the degree of employee motivation, quality of trainings).

Once the data are collected they can be used by the organisational units that gathered it but also by other departments. Sharing the data initiates company-internal discussions which help to raise awareness and increase innovation. Increasing company-specific knowledge on the sustainability performance can foster a cross-functional understanding of challenges, goals and measures that companies face when implementing corporate sustainability.

4 SUMMARY AND OUTLOOK

Countries as well as companies worldwide differ historically, politically and culturally as well as in their legislative, economic, environmental and social conditions. Yet the International Corporate Sustainability Barometer reveals that dealing with sustainability topics is a global challenge and opportunity that large companies all over the world have in common. Building on the threefold structure covering intention, integration and implementation this report aims to reveal similarities and dissimilarities in corporate sustainability management in eleven countries on four continents.

International *similarities* exist, for example, with regard to securing legitimacy, which currently turns out to be the predominant *driver* of sustainability engagement in nearly all of the countries investigated. This outcome is supported by the fact that the companies surveyed from all over the world assess society-oriented stakeholders as promoting sustainability management more strongly than market-oriented stakeholders. A similar picture emerges for the *drivers of a business case for sustainability*, since internally-oriented and society-oriented drivers are more frequently addressed than market-oriented ones. Still, it should be noted that for some drivers the country-specific responses differ widely.

With respect to different organisational units the CSR/sustainability department, top management and PR/corporate communications promote corporate sustainability most strongly. This result again emphasises reputation and legitimacy as driving forces. The less important role of internal optimisation as a motive for corporate sustainability is also reflected by the fact that, on international average, only few companies measure the impact of their sustainability management on business success or competitive advantage.

International *differences*, however, exist for the management of various sustainability *issues* and *stakeholder demands* to manage these issues. For example, both the surveyed Spanish and Japanese companies manage biodiversity more closely. In contrast, companies in some countries manage several sustainability issues less closely, especially in Switzerland, Australia and partly in Belgium. With regard to stakeholder demands for sustainability, the Hungarian, South Korean and UK companies are often above average whereas the Belgian and Swiss responses tend to be below average. Also, the Australian companies seem to face stronger stakeholder demands for the management of several social issues (such as occupational health and safety, diversity and equal opportunity as well as consumer protection) than other countries.

With respect to the integration of corporate sustainability into the core business Spanish, Belgian and UK companies score best, whereas Australian companies link sustainability to their core business the least. The surveyed Japanese companies, furthermore, state that most of their *organisational units* support corporate sustainability. For the management of stakeholder relationships it is internationally most common to inform and observe stakeholders, whereas, for example, decisions are rarely delegated to them. The country-specific analysis, furthermore, reveals large differences between the international average and specific national patterns. For example, Spanish and Hungarian companies observe stakeholders far less frequently than companies elsewhere. Although the delegation of decision-making is comparably rare on international average, a significant majority of South Korean companies use this means of stakeholder involvement on a case-specific basis.

Large differences exist for the most frequently known and applied sustainability management tools. UK, Hungarian, Swiss and US companies know and apply numerous tools whereas the Belgian, French and South Korean companies know and apply less of the queried sustainability management tools. As a special case, the awareness of sustainability management tools is far above average in Spanish companies, but their tool application is below average.

Finally, major dissimilarities can be found for the measurement of corporate sustainability. Firstly, the impact on sustainability issues is measured to different degrees. Whereas energy consumption is measured by a substantial majority of the companies in all countries, large country-specific differences can be observed, e.g. for freedom of association/right to collective bargaining, consumer protection as well as child labour/forced or compulsory labour. Secondly, huge differences exist for the measured impact on company success or competitive advantage. South Korean and Spanish companies measure this impact of sustainability management on company success more frequently than companies from other countries, whereas in Belgium and Hungary the impact is only measured by few companies.

Summarising the results on a country-specific level Table 6 provides an overview of the main findings of the International Corporate Sustainability Barometer.

Country	Characteristics of corporate sustainability
Australia	***Socially-oriented and potential for stronger integration*** Australian companies seem to face strong stakeholder demands to manage social issues. However, besides a generally low integration of organisational units into sustainability management, Australian companies do not assess top management as one of the organisational units promoting corporate sustainability the most. Furthermore, several companies state they connect their sustainability engagement only to some segments of their core business and sustainability measures are not systematically integrated into value creation activities (via drivers of business cases for sustainability). Also, the application of sustainability management tools is not yet very widespread among the companies. Taken together, Australian companies appear rather unlikely to take a strategic approach to sustainability management.
Belgium	***Companies small, but high sustainability awareness and potential for stronger implementation*** For several issues the Belgian values are below international average. This might be partly explained by the relatively small size of the companies in the Belgian sample. Nevertheless, there seems to be a high awareness of sustainability which is indicated by the pronounced integration of sustainability issues into the companies' core business. However, the implementation of corporate sustainability seems to be in an initial phase, which is indicated by the low integration of organisational units and the low awareness and application of tools.
France	***Mid-position with some particularities*** For many of the topics, French companies range around the international average. Yet they often state they consistently link sustainability to their core business, which consists of services and financial services in 70% of the companies in the sample. With regard to the integration of organisational units, however, the French responses score low, particularly for investor relations, employee council and accounting. The application of sustainability management tools is not very widespread among French companies. However, they belong to those companies most frequently measuring the impact of their sustainability management.
Germany	***Close to international average*** The German results are neither significantly above nor below average for most topics. One exception can be detected with regard to the awareness of sustainability management tools, which is more comprehensive in Germany. For single issues such as corporate engagement for freedom of association/right to collective bargaining, German companies have a rather weak performance. The Corporate Sustainability Barometer 2012 discusses the German results in more detail (Schaltegger et al. 2012b).
Hungary	***Environmentally conscious while having the potential for stronger market orientation*** Although the companies in the sample are small, the Hungarian values for stakeholder demands are above average for several environmental issues. However, in Hungary consumers/end users are the stakeholders who promote corporate sustainability the least. In addition, several Hungarian companies indicate they link their sustainability commitment to only a few segments of their core business. Also, the management of stakeholder relationships is less participative than in other countries. However, numerous sustainability management tools are frequently known and applied.

Japan	***Proactive and foresighted*** In many cases the Japanese responses are above international average which indicates that corporate sustainability is of great importance for many companies in the sample, which contains numerous very large but only few service or financial service companies. Especially the integration of organisational units and the integration of sustainability into value creation (via drivers of business cases for sustainability) are strong. Yet while Japanese companies are leading with regard to the application of ISO standards, there is further potential to implement tangible measures, for instance with regard to the increased awareness and application of corporate sustainability tools.
South Korea	***Tackling challenges and opportunities, room for more implementation*** Compared to the international average South Korean companies show very pronounced stakeholder demands as well as the most progressive and intensive forms of managing stakeholder relationships. The South Korean companies in the sample, more than half of which belong to the industry/capital goods/building sector, measure the impact of sustainability management on company success more frequently than companies from most other countries. However, several South Korean companies still show potential to strengthen the linking of their sustainability commitment to their core business, to increase the integration of organisational units and to enhance the awareness and application of sustainability management tools.
Spain	***On the right track with a focus on the environment and employees*** For several issues, Spanish companies are slightly above international average. For example, together with Japan they manage biodiversity most closely. Spanish companies very often link sustainability to their core business. The personnel department/HR replaces PR/corporate communication among the three organisational units that promote engagement most strongly. Spanish companies know numerous of the top 10 sustainability management tools. Yet, the values for the top 10 applied tools are below average.
Switzer-land	***Corporate sustainability enabled by tools, potential for more integration*** Swiss companies rank comparatively low compared to the international average with regard to several sustainability topics. The low integration of stakeholders may be due to the fact that stakeholder demands are less pronounced in Switzerland. Sustainability management seems to be of little strategic relevance, since top management is not very involved. Yet, several sustainability management tools are frequently known and applied in the Swiss companies surveyed, of which a large share belongs to the finance and service sector. Compared to other country samples with a large share of service companies (France, Belgium and Spain), the integration of sustainability into the core business is less pronounced in Switzerland.
United Kingdom	***Several highlights and often above average*** UK companies evaluate the impact competitors and consumer organisations (market-oriented stakeholders) have on companies' activities as highest of all countries and they are among the top three countries linking sustainability commitment to most or all segments of their core business. Also, in the UK the awareness and application of sustainability management tools is relatively high, and UK companies are among those notable for their measurement of sustainability impacts.
United States of America	***Stakeholder-oriented and well-provided with tools to engage (more) in sustainability*** The US sample, which mainly consists of very large companies, shows that the management of stakeholder relationships is more progressive and intensive than in most other countries. Numerous sustainability management tools are frequently known and applied. What is striking, however, is that of all stakeholders and all countries, NGOs are assessed as most strongly promoting engagement by the US companies, whereas top management does not belong to the organisational units promoting sustainability the most. This indicates that sustainability is not necessarily incorporated on a strategic level in the surveyed US companies.

Table 6: Corporate sustainability profile of participating countries

A review of the country-specific findings emphasises that companies in all countries show certain similarities, but that all countries can also be characterised by some individual features. As a consequence, companies are challenged to deal with both their country-specific particularities, such as the national legislation, the economic situation and the given infrastructure, as well as globally relevant opportunities and risks, such as technological developments, poverty or climate change.

Sustainability management can thus not be designed and implemented as a one-size-fits-all solution.

The International Corporate Sustainability Barometer report gives a snap-shot of the current state of corporate sustainability practices in several countries. Future academic studies can build on the results obtained by conducting in-depth analyses on the different aspects of sustainability management such as the drivers of businesses cases for sustainability, the involvement of organisational units or stakeholder management. Prospective work may also compare sustainability management within different sectors in order to analyse whether particular patterns may be influenced by the industry compositions of different countries. Since this report yields some surprising country-specific findings, further research may address these particularities by analysing national characteristics such as people's attitudes, consumer behaviour and legislation. For practitioners worldwide this report provides a useful benchmark. It identifies country-specific strengths and weaknesses which can serve as a basis for developing corporate sustainability management further.

The International Corporate Sustainability Barometer 2012 project finds companies around the world to be in the same boat regarding a variety of corporate sustainability topics. They are all confronted with stakeholder demands as well as global developments of unsustainability and as a result are increasingly challenged to contribute to sustainable development. To conclude, for most sustainability challenges (like global poverty or climate change) to achieve the necessary progress it is essential for companies from various countries to increase their engagement. We are all in the same boat now – and everyone has to row in the same direction if we are to move forward.

In addition to this report, an edited volume including country-specific analyses of the International Corporate Sustainability Barometer will be available soon.

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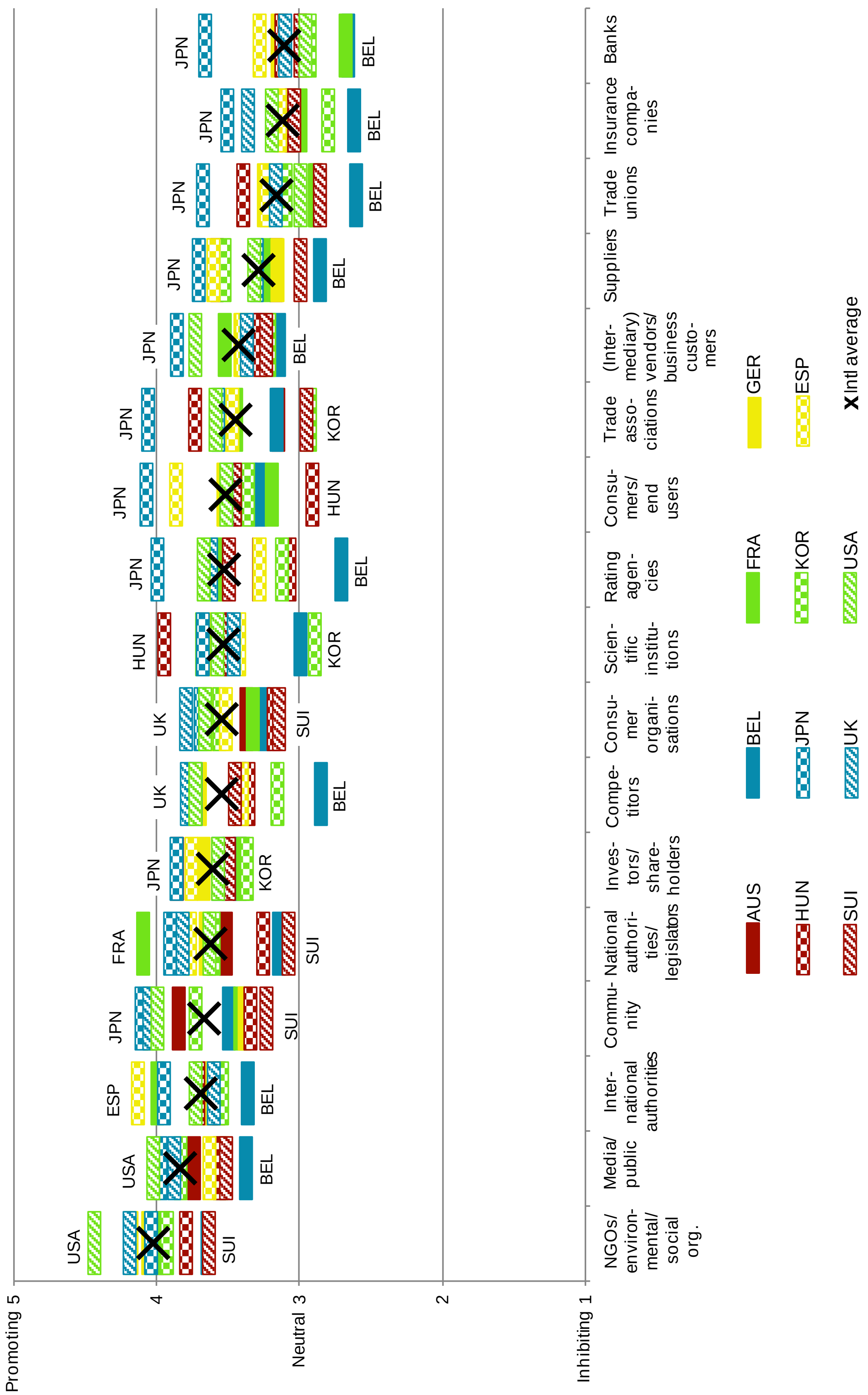
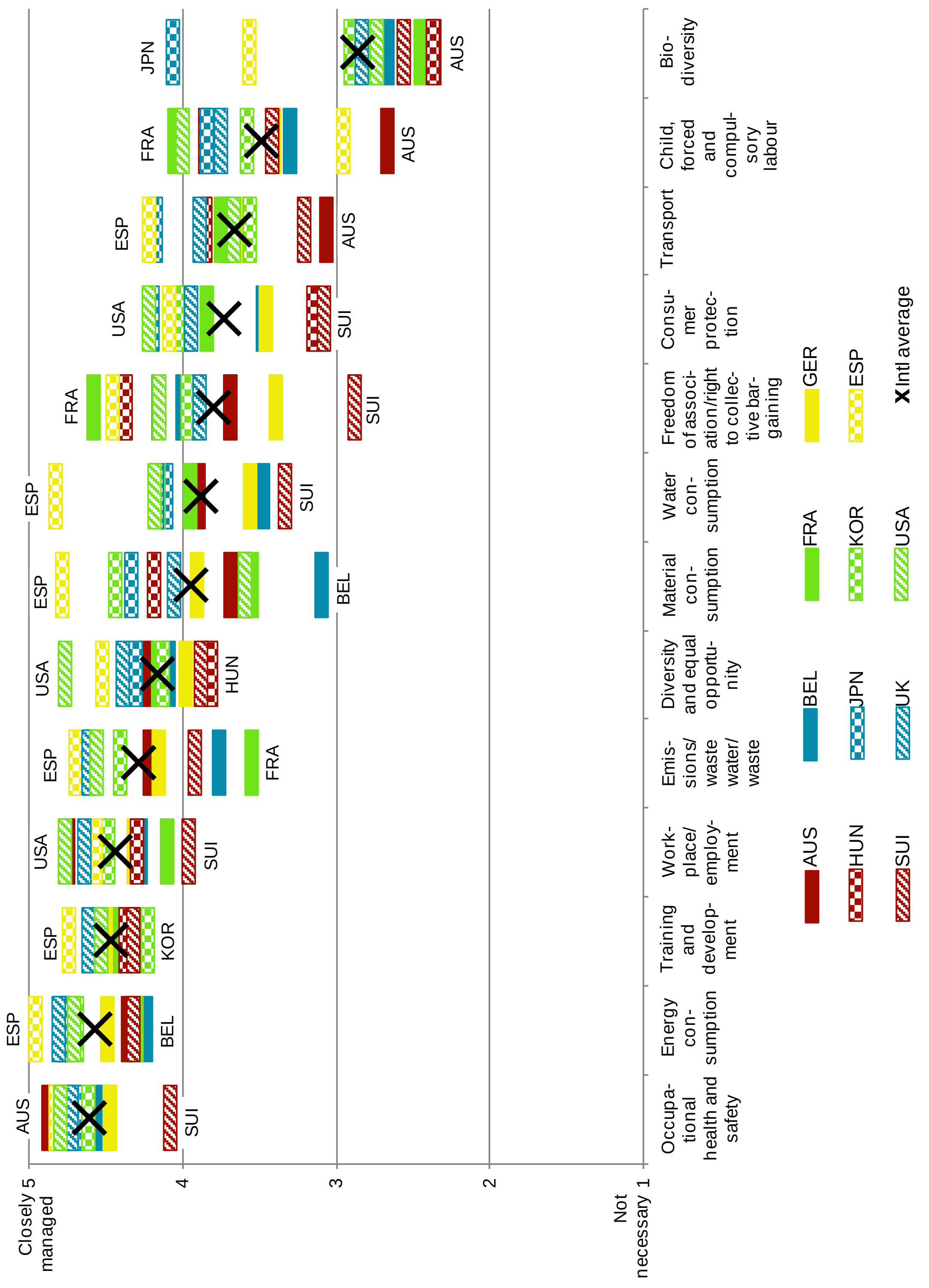
Annex

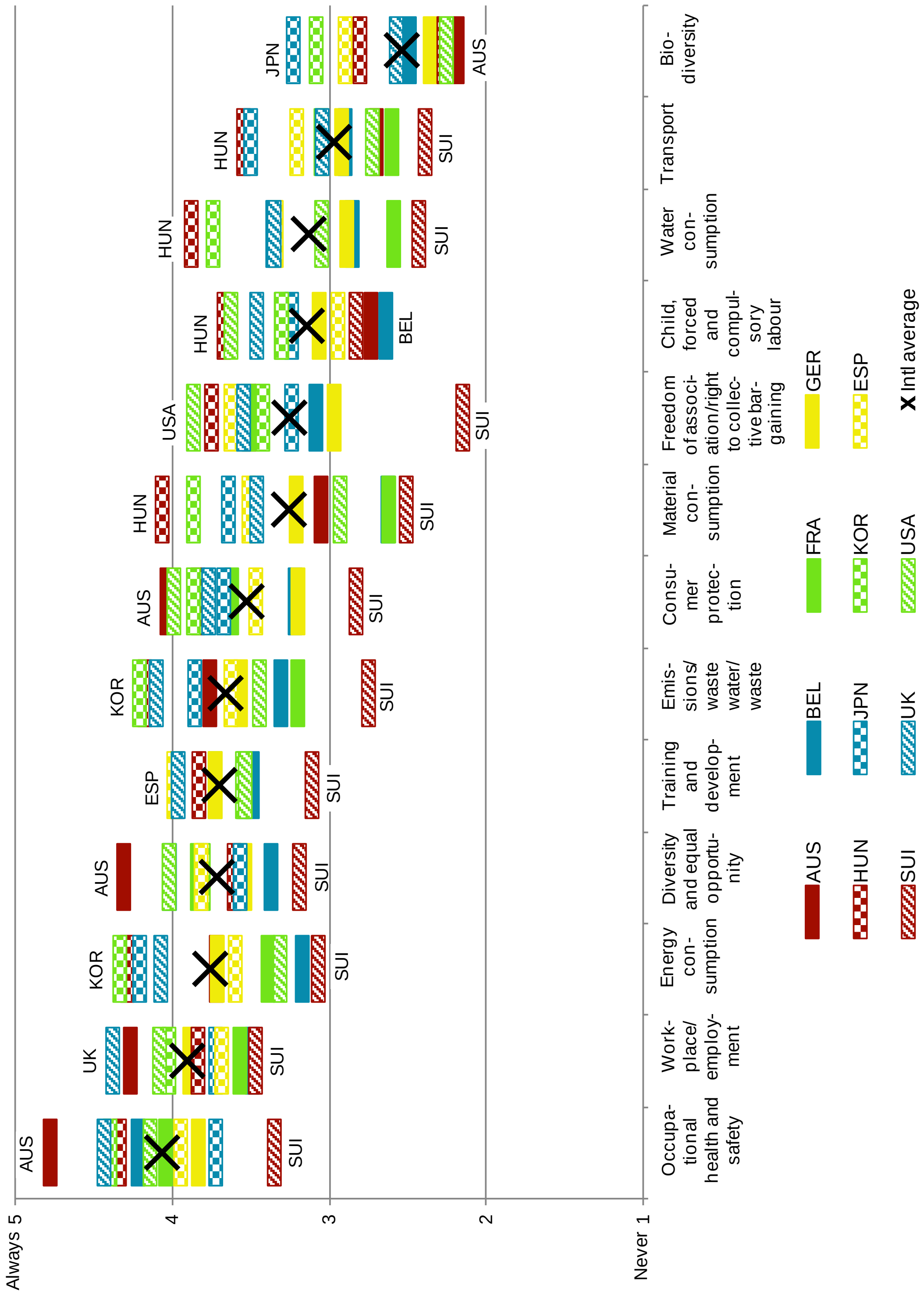
A) Supplement to Figure 5 (impact of external stakeholders on corporate sustainability), all items



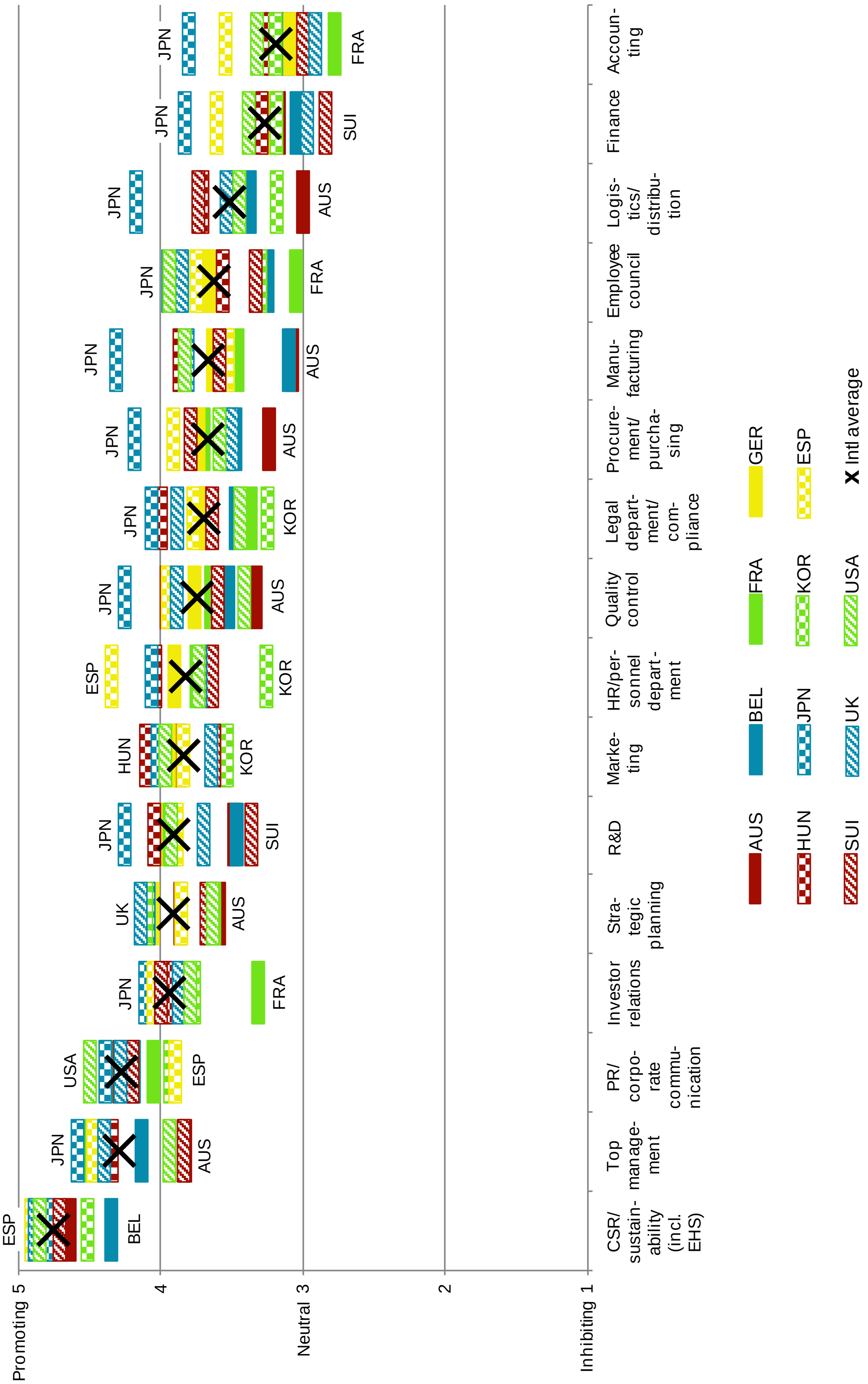
B) Supplement to Figure 6 (managed sustainability issues), all items



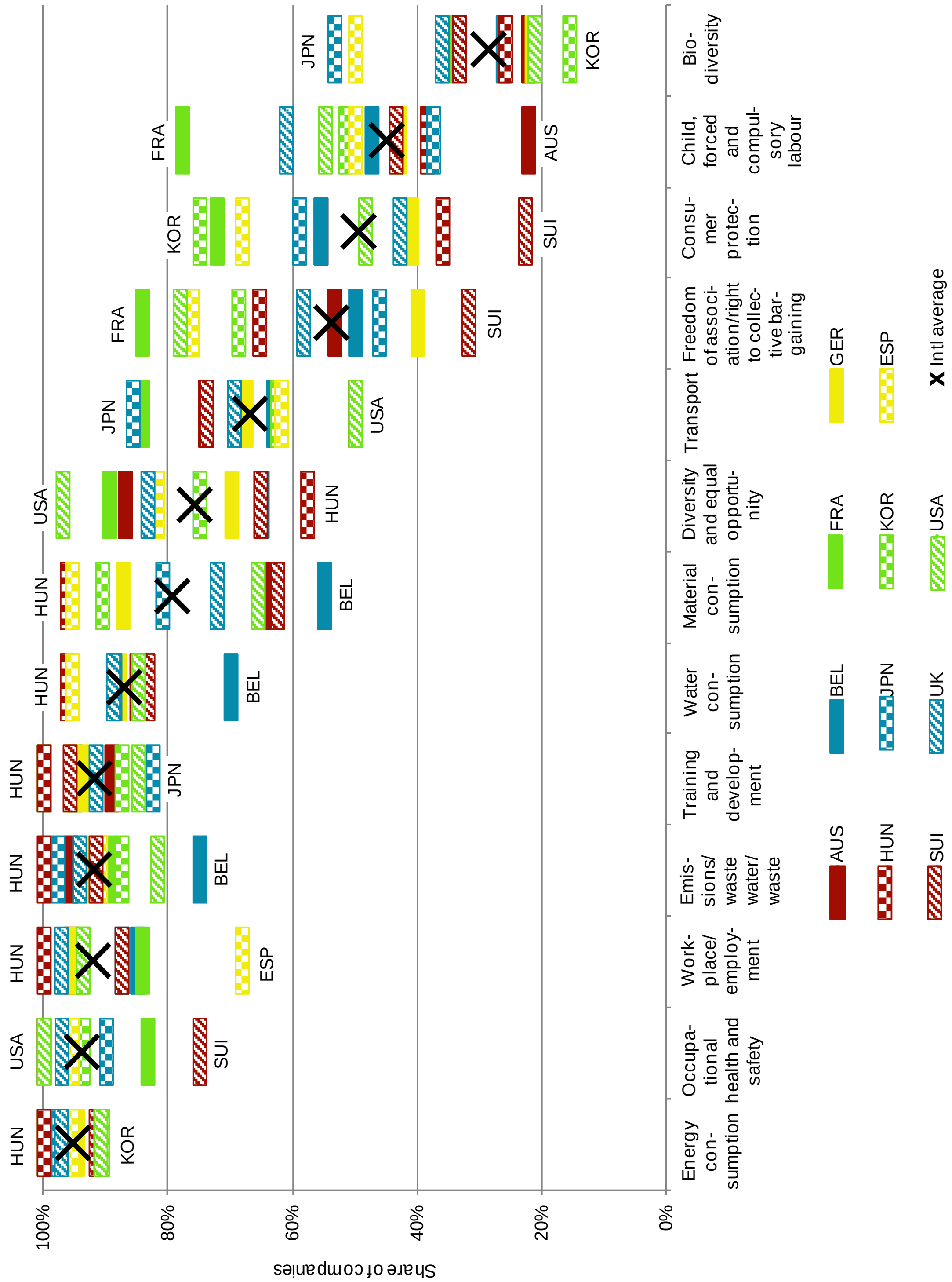
C) Supplement to Figure 7 (stakeholder demands to manage sustainability issues), all items



D) Supplement to Figure 9 (impact of organisational units on corporate sustainability), all items



E) Supplement to Figure 12 (measured sustainability impacts), all items



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Institutions Involved

University of South Australia, Australia
Centre for Accounting, Governance and Sustainability
www.unisa.edu.au/Research/CAGS/

University of Liege, Belgium
Accenture Chair in Sustainable Strategy,
HEC Management School
www.hec.ulg.ac.be/en/chaireaccenture

University Paris Descartes – Paris Sorbonne Cité, France
CERIMES / CEDAG gestion
http://cedag-gestion.asso-web.com

Leuphana University Lüneburg, Germany
Centre for Sustainability Management
www.leuphana.de/csm

Corvinus University of Budapest, Hungary
Sustainability Indicators Research Centre,
Institute of Environmental Sciences
www.uni-corvinus.hu

Kobe University, Japan
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