

# Chapter 1

## International Corporate Sustainability Barometer: Introduction and Structure

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**Abstract** This chapter briefly summarises the development of the debate on corporate sustainability in academia and practice since the 1960s. Building on this synopsis, the edited volume is positioned within the contemporary discussions on sustainability management.

Furthermore, the chapter introduces the conceptual structure of the book chapters, the ‘Triple I’ approach, which is used to present the findings from each country in a consistent manner. The ‘Triple I’ approach constitutes a comprehensive scheme for analysing corporate sustainability, as it focuses on the companies’ intention to pursue sustainability management (i.e. motivation; issues), the integration of sustainability in the organisation (i.e. connecting sustainability to the core business; involving corporate functions; using drivers of business cases for sustainability) and the actual implementation of sustainability management measures (i.e. stakeholder management; sustainability management tools and standards; measurements).

Likewise, the chapter sets up a framework for comparing the international results, which allows positioning each country within the international context.

Lastly, the reader is provided with an overview of the edited volumes chapters and their key contributions.

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## 1.1 Corporate Sustainability Management: An Emerging Field in Business and Academia

In the 1960s and 1970s the predominant goal of business was profit maximisation. Since the late 1990s, however, companies have been increasingly challenged to consider criteria other than economic profitability (Shrivastava 1995; Elkington 1997). Today, companies are expected to make profits and simultaneously act in environmentally and socially responsible ways (Carroll and Buchholtz 2006; Epstein 2008; Munda 2008; Carroll and Shabana 2010).

This edited volume investigates how companies deal with these altered expectations and with these new challenges by depicting the current state and progress of sustainability management in corporate practice. It focuses on three areas of corporate sustainability: its intention, its integration and its implementation. The book builds on the *International Corporate Sustainability Barometer* (ICSB), a survey carried out among *large companies in 11 countries from 4 continents* (see also Schaltegger et al. 2013).

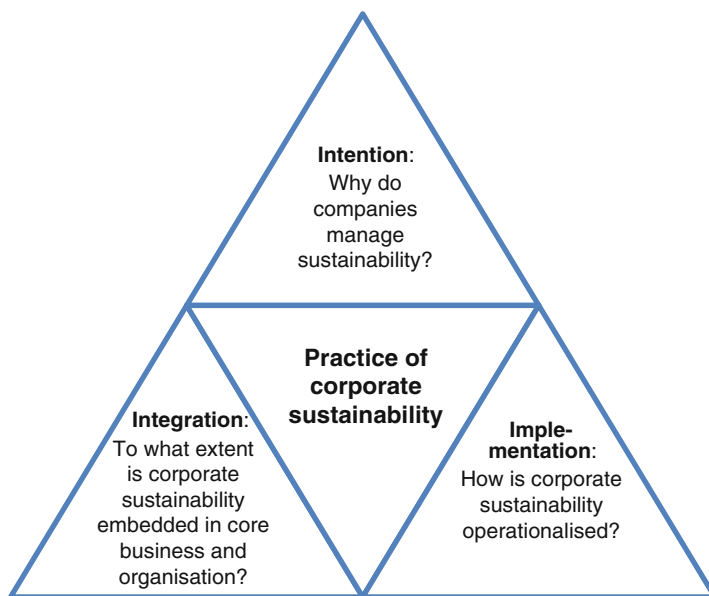
This empirical survey provides valuable insights into what corporate sustainability management comprises on an international scale. The comparative analysis of the status quo of sustainability management practices in various countries allows the identification of global patterns, i.e. cross-national similarities and differences.

In addition to the increasing academic interest in corporate sustainability, in corporate practice several sustainability issues such as energy and water consumption or consumer protection have gained importance over the last decades (e.g. Haanaes et al. 2012; Kiron et al. 2013). Corporate sustainability management, on the one hand, means that companies are challenged to integrate social and environmental issues into their core business. On the other, it requires companies to contribute to a sustainable development of society and the economy (Shrivastava and Hart 1995; Schaltegger et al. 2002; Bansal 2005; Schaltegger and Burritt 2005; Starik and Kanashiro 2013).

In a globalised and networked world economy, it could be expected that managers address sustainability challenges similarly, regardless of country-specific characteristics. Alternatively, it could be argued that the degree of engagement for sustainable development varies according to country-specific historical and cultural backgrounds as well as in the resulting environmental, social and economic conditions. To assess these opposing views, this edited volume investigates the differences as well as the similarities between corporate sustainability management practices in 11 economically developed countries.

## 1.2 Research Framework: The ‘Triple I’ Approach

The ICSB has developed a ‘Triple I’ approach to analyse the three main research areas (see Fig. 1.1) of the practice of corporate sustainability management on an international level.



**Fig. 1.1** ‘Triple I’ approach of the ICSB

The ‘Triple I’ approach offers a structured way to comprehensively analyse the various aspects of corporate sustainability. It covers (1) *intention*, the motivations and objectives of corporate sustainability; (2) *integration*, the company’s embedding of sustainability into its business and organisation; as well as (3) *implementation*, the dissemination of sustainability measures and tools and the measurement of sustainability impacts within the company.

### ***1.2.1 Intention***

There are a number of reasons why corporate actors are motivated to engage in sustainability management. The type of motivation may lead to different activities and often a different degree of engagement. Receiving corporate legitimacy and achieving market success are regarded as complementary corporate motivations to engage with sustainability (Bansal and Roth 2000; Epstein 2008). On the one hand, striving for legitimacy can be considered a reaction to sustainability-related regulations and pressures from societal stakeholders, so-called ‘push factors’ (Black and Härtel 2004). Market success, on the other, is a motivation for corporate sustainability if consumers or investors offer sustainability-related incentives through purchasing and investing in sustainability-oriented products and services, so-called ‘pull factors’ (see for example Dunphy et al. 2007; Babiak and Trendafilova 2011; Ditlev-Simonsen and Midttun 2011; Windolph et al. 2013).

Depending on the influence of different external stakeholders and the company-internal motivation to engage in sustainability management, different environmental and social issues may be put on a company's agenda. The continued attention given by the media, regulators and various societal stakeholders to such topics as resource availability, energy efficiency, climate change or diversity illustrates how sustainability has become a broad societal concern which constitutes a global megatrend. One indicator for the relevance of sustainability for companies is, for example, the growing number of corporate sustainability reports (e.g. GRI 2012).

In sum, the research focus *intention* of the ICSB examines the reasons for companies to engage in sustainability, which stakeholders are perceived to exert influence and what sustainability issues are of main concern to the companies and their stakeholders.

### 1.2.2 Integration

For companies seeking to develop a sustainable organisation, it is not enough to consider environmental and social engagement solely as a cost-intensive optional 'add-on' to their business. Although philanthropic engagement has undoubtedly led to many beneficial projects for society, such activity is not sufficient to achieve sustainable development. As long as a company's core business activities are not themselves sustainable, philanthropic societal engagement will remain superficial and have a kind of 'repair' effect (e.g. Weber 2008). The integration of sustainability into the core business and all organisational units (departments) is therefore crucial for corporate sustainable development. A genuine transformation towards corporate sustainability requires a company to connect its engagement to its economic success and so create business cases for sustainability (see e.g. Schaltegger and Lüdeke-Freund 2012). Innovative answers to the questions how value is created and whether this is done sustainably have a fundamental impact on the economy and society. Creating economic value in a sustainable manner may make the redistribution of (unsustainably) created value redundant.

From a business perspective, moreover, it can be argued that companies which pay little or no attention to the linkages between business, the environment and society are "missing many new sustainable development [...] opportunities that may prevent the threat of an inevitable collapse of society" (Moore and Manring 2009: 276). By gaining competitive advantage through sustainability engagement, companies create so-called business cases for sustainability. These are "characterized by creating economic success *through* (and not only along with) a certain environmental or social activity" (Schaltegger and Lüdeke-Freund 2012: II).

Business cases can be created either through externally-oriented measures (such as increasing corporate reputation) or through internally-oriented measures which contribute to economic benefits (such as increasing efficiency). The existing literature shows there are seven potential drivers of business cases for sustainability

(WBCSD 2002; Epstein and Roy 2003; Steger 2004; Schaltegger and Wagner 2006; Schaltegger 2011; Schaltegger et al. 2012).

To incorporate sustainability as an integral part of a company's core business, the existing literature furthermore argues that all organisational units should be involved in corporate sustainability (Hoffman 2001; Dunphy et al. 2007; Epstein 2008; Luring and Thomsen 2009; Windolph et al. 2013; Schaltegger et al. 2014). A sustainable redesign of value-creation activities and the business model requires the motivation of all corporate actors and coordination between product design, production, logistics, marketing, etc. throughout the whole organisation. The integration of corporate sustainability into routine business operations can and often has to be supported by managers and employees in various corporate functions such as purchasing, manufacturing, research & development (R&D), sales and marketing. Moreover, cross-functional coordination seems to be essential to prevent sustainability issues from being superficially addressed and from being shifted back and forth between functional areas (Shrivastava and Hart 1995; Dunphy et al. 2007; Martin et al. 2007; Epstein 2008). In contrast, cross-functional collaboration may contribute to creating more comprehensive sustainability solutions (Schaltegger et al. 2014).

In sum, the *integration* section of the ICSB addresses the linkage of sustainability with the core business, the integration into organisational units and the drivers of business cases for sustainability.

### ***1.2.3 Implementation***

The ICSB addresses the actual implementation of corporate sustainability by surveying the management of stakeholder relationships, the awareness and application of specific sustainability management tools and standards as well as the measurement of corporate sustainability performance and impacts.

Stakeholder relationship management is a core issue for sustainable development and can be of strategic relevance for a company. Stakeholders are defined as groups or individuals who are able to affect the achievement of corporate goals or, vice versa, are themselves affected by a company (Freeman 1984, 2010). The participation of societal groups, and thus their involvement as stakeholders, is a core goal of sustainable development and has already been addressed extensively in the Rio Declaration (United Nations 1992). The management of stakeholder relationships is not only of importance for governments and political organisations but also for companies. Stakeholder relationship management may furthermore be beneficial for companies, since stakeholders enable corporations to gain an external perspective on their sustainability performance. The feedback provided by stakeholders may help companies to detect societal trends and anticipate or react quickly to external change. If such changes are addressed in time, companies can profit by providing customers with sustainability-oriented innovations (Ruppel and Harrington 2000; Harting et al. 2006; Hansen et al. 2009).

Depending on the degree companies want to involve their stakeholders in sustainability efforts, they can manage their stakeholder relationships in different ways. Stakeholder relationship management can range from more passive forms such as observing and informing stakeholders to more participative forms such as empowering them or delegating decision-making authority (modified from Krick et al. 2005).

To enable companies to implement these forms of stakeholder relationships and to operationalise sustainability strategies, various management tools such as stakeholder dialogues, community advisory panels or corporate volunteering have been developed. Besides these stakeholder-oriented tools, there are many other sustainability management tools which can be applied in different organisational units and which serve different purposes. Sustainability or environmental reports, for instance, assist companies in communicating their sustainability challenges, activities and performance. Sustainable design supports the production as well as the R&D units in developing sustainability-oriented innovations. Environmental or corporate social responsibility (CSR) departments can use environmental management systems to better monitor and manage corporate sustainability activities. To investigate the diffusion of these tools in corporate practice, the ICSB surveys corporate awareness and application of them in detail. The ICSB also examines the dissemination of 12 sustainability-related guidelines and standards (such as ISO 14001, GRI) to analyse their role in sustainability management practice.

Finally, the *implementation* of corporate sustainability is reflected in the measurement of the sustainability effects of the projects and activities undertaken and thus of the (economic) success of corporate sustainability. Therefore, the third aspect of implementation surveyed in the ICSB is the measurement of the environmental, social and economic impacts of a company's sustainability management practices. The measurement of a company's influence on environmental and social issues is necessary if the company is to monitor improvements and setbacks. The measurement of business case drivers, moreover, is needed to identify and realise the economic gains associated with sustainability, which in turn helps to anchor sustainability in core business activities (Schaltegger and Wagner 2006; Epstein 2008).

### 1.3 Analytical Framework

The findings of the ICSB are presented using the 'Triple I' framework. It is applied to the chapter on the international aggregate results, the country-specific chapters, and on the comparative analysis. The idea behind the 'Triple I' approach is to take a comprehensive view of the practice of corporate sustainability management and to identify particular national and international characteristics that affect sustainability.

The framework, first of all, aims at contrasting society-oriented and market-oriented drivers and the *intentions* behind corporate efforts to manage sustainability. Aspects such as relevant stakeholders or expected impacts from implementing

corporate sustainability can be categorised as society-oriented (e.g. NGOs, enhancing and safeguarding corporate reputation) or market-oriented (e.g. customers, revenue increase). This categorisation helps to describe patterns of what drives companies to engage in sustainability management.

Second, the framework examines how companies *integrate* social and environmental issues into their business activities. Here, companies can be clustered into those that are defensive and those that are proactive in their approach to corporate sustainability management. A company's commitment to sustainability is analysed in terms of whether it is connected to the company's core business. The analysis also provides a quantitative and qualitative assessment of which functional units are involved in corporate sustainability.

Finally, the aspect of the *implementation* of corporate sustainability assesses how sustainability management is operationalised by the companies. Here, both perspectives – society vs. market orientation and defensive vs. proactive measures – are combined and extended by evaluating what companies actually do, what kind of sustainability management tools they know of and apply and if they measure the impacts of their sustainability management.

For the interpretation of the results further factors, such as the sectoral structure, of the countries are analysed and the company size in terms of annual revenue and the number of employees is also taken into account.

To compare the country-specific findings, the results are examined using three measures. First, the *spread* of the national averages reveals the extent of differences between different countries with regard to specific aspects of sustainability management. Second, common global *patterns* are identified which are shared by most countries. Third, the general intensity of corporate practices in different countries is compared to identify which countries show outstanding overall results.

## 1.4 Overview of Chapters and Contributions

This edited volume on the practice of corporate sustainability management describes and compares the status quo of sustainability management and CSR on an international level by adopting the 'Triple I' approach.

In Chap. 2 Jacob Hörisch outlines the *Purpose and Approach* of the Barometer survey by identifying the research gap and describing the methodology. In Chap. 3 Jacob Hörisch and Sarah Elena Windolph give an *Overview of the Aggregate Results of the International Corporate Sustainability Barometer*. These average results and the data of all 11 countries participating in the ICSB serve as a reference point and benchmark for the following country-specific chapters of the 2012 ICSB survey.

*Part II* contains the *Country-Specific Findings* that reveal characteristics and particularities of the practice of sustainability management in the countries surveyed from Europe, Asia, Australia and North America. Country-specific insights from distinguished researchers involved in the ICSB project allow for comparison and discussion of the national and international findings. In Chap. 4 Roger Burritt

and Amanda Carter analyse the ICSB results from *Australia*. In Chap. 5, Nathalie Crutzen presents the findings for *Belgium*. Chapter 6, by Amel Ben Rhouma, Claude Francoeur and Guillaume Robin, provides the specific findings for *France*. In Chap. 7 Jacob Hörisch, Sarah Elena Windolph and Stefan Schaltegger describe the *German* results. In Chap. 8 Maria Csutora, Andrea Tabi and Sandor Kerekes add further European insights into the practice of sustainability management in *Hungary*. In Chap. 9, Katsuhiko Kokubu, Hirotugu Kitada and Mohammad Badrul Haider present the results of the ICSB in *Japan*. In Chap. 10, Jong-Dae Kim and Ki-Hoon Lee describe the findings from the *Korean* survey. In Chap. 11 José M. Moneva, Eduardo Ortas and Igor Álvarez analyse country-specific results by exploring sustainability in *Spanish* companies. In Chap. 12, Jörg E.U. Schmidt and Claus-Heinrich Daub examine the state of the art and progress of corporate sustainability in *Switzerland*. In Chap. 13, Biswaraj Ghosh and Christian Herzig discuss further international findings from the *UK*. As the last of 11 country-specific chapters, in Chap. 14 John Morelli and Dorli Harms analyse the case of corporate sustainability in the *United States of America*.

*Part III* of this edited volume reveals *Patterns and Conclusions*. In Chap. 15 Stefan Schaltegger and Dorli Harms discuss both similarities and differences for the countries investigated in this survey and draw conclusions for management and future research.

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