



**TURUN KAUPPAKORKEAKOULU**  
Turku School of Economics and Business Administration

# Sustainability strategies in companies

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## Again: aims of the course

The students should learn to critically analyse such themes across the different sustainability dimensions, become familiar with some of the sustainability strategies in the corporate sector and learn how to argue in a clear and systematic way for the importance of considering long-term sustainable development in different organizations.



## The project assignment

- Any questions on that?

<http://www.tulevaisuus.fi/keko/FUTUS2a/FUTUS2a.htm>



## Overview of sustainability strategies in companies

- CSR, corporate social responsibility is the viewpoint of companies regarding the sustainable development challenges.
- Sustainability strategies in companies are their:
  - CSR strategies or
  - Stakeholder dialogue strategies



## CSR – what is it?

European Commission's definition:

“[CSR is] a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.”





by Michael E. Porter and Mark R. Kramer

# Strategy & Society

The Link Between Competitive Advantage  
and Corporate Social Responsibility



## Why CSR?

1. Moral obligation
2. Sustainability
3. Licence to operate
4. Reputation

(not in the article, but I think relevant!)

5. Avoidance of risk
6. New business opportunities



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# UN millenium development goals

<http://www.un.org/millenniumgoals/>





## MDGs

### The UN Millennium Development Goals

#### **Goal 1: Eradicate extreme poverty and hunger**

- Reduce by half the proportion of people living on less than a dollar a day
- Reduce by half the proportion of people who suffer from hunger

#### **Goal 2: Achieve universal primary education**

- Ensure that all boys and girls complete a full course of primary education

#### **Goal 3: Promote gender equality and empower women**

- Eliminate gender disparity in primary and secondary education preferably by 2005, and at all levels by 2015

#### **Goal 4: Reduce Child mortality**

- Reduce by two thirds the mortality rate among children under five

#### **Goal 5: Improve maternal health**

- Reduce by three quarters the maternal mortality ratio



## MDGs

### **Goal 6: Combat HIV/AIDS, malaria and other diseases**

- Halt and begin to reverse the spread of HIV/AIDS
- Halt and begin to reverse the incidence of malaria and other major diseases

### **Goal 7: Ensure environmental sustainability**

- Integrate the principles of sustainable development into country policies and programmes; reverse loss of environmental resources
- Reduce by half the proportion of people without sustainable access to safe drinking water
- Achieve significant improvement in lives of at least 100 million slum dwellers by 2020





## MDGs

### **Goal 8: Develop a global partnership for development**

- Develop further an open trading and financial system that is rule-based, predictable and non-discriminatory, includes a commitment to good governance, development and poverty reduction— nationally and internationally
- Address the least developed countries' special needs. This includes tariff- and quota-free access for their exports; enhanced debt relief for heavily indebted poor countries; cancellation of official bilateral debt; and more generous official development assistance for countries committed to poverty reduction
- Address the special needs of landlocked and small island developing States
- Deal comprehensively with developing countries' debt problems through national and international measures to make debt sustainable in the long term
- In cooperation with the developing countries, develop decent and productive work for youth
- In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries
- In cooperation with the private sector, make available the benefits of new technologies— especially information and communications technologies



## Companies are important partners in reaching MDGs

### Benefits for the companies

- Stable business environment
- Risk management
- Part of their CSR activities
- New opportunities



## Companies...

.. need to do their share

- Stakeholder thinking helps the companies in this.
- Also different standards & guidelines & tools help companies.



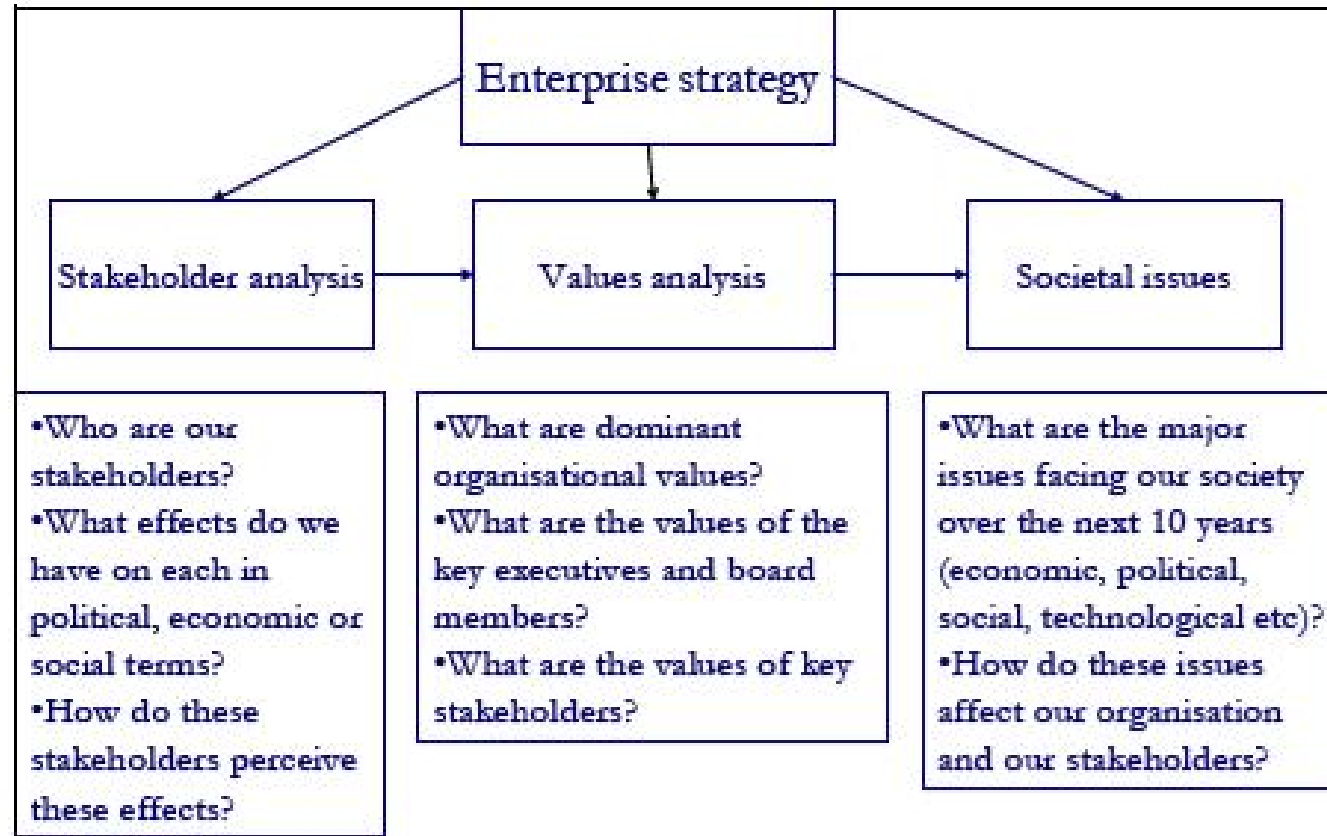
## Stakeholder view of an organisation

Edward Freeman (1984)

- “A **stakeholder** in an organization is...any group or individual who can affect, or is affected by, the achievement of the organization’s objectives.”  
(Freeman 1984:46)



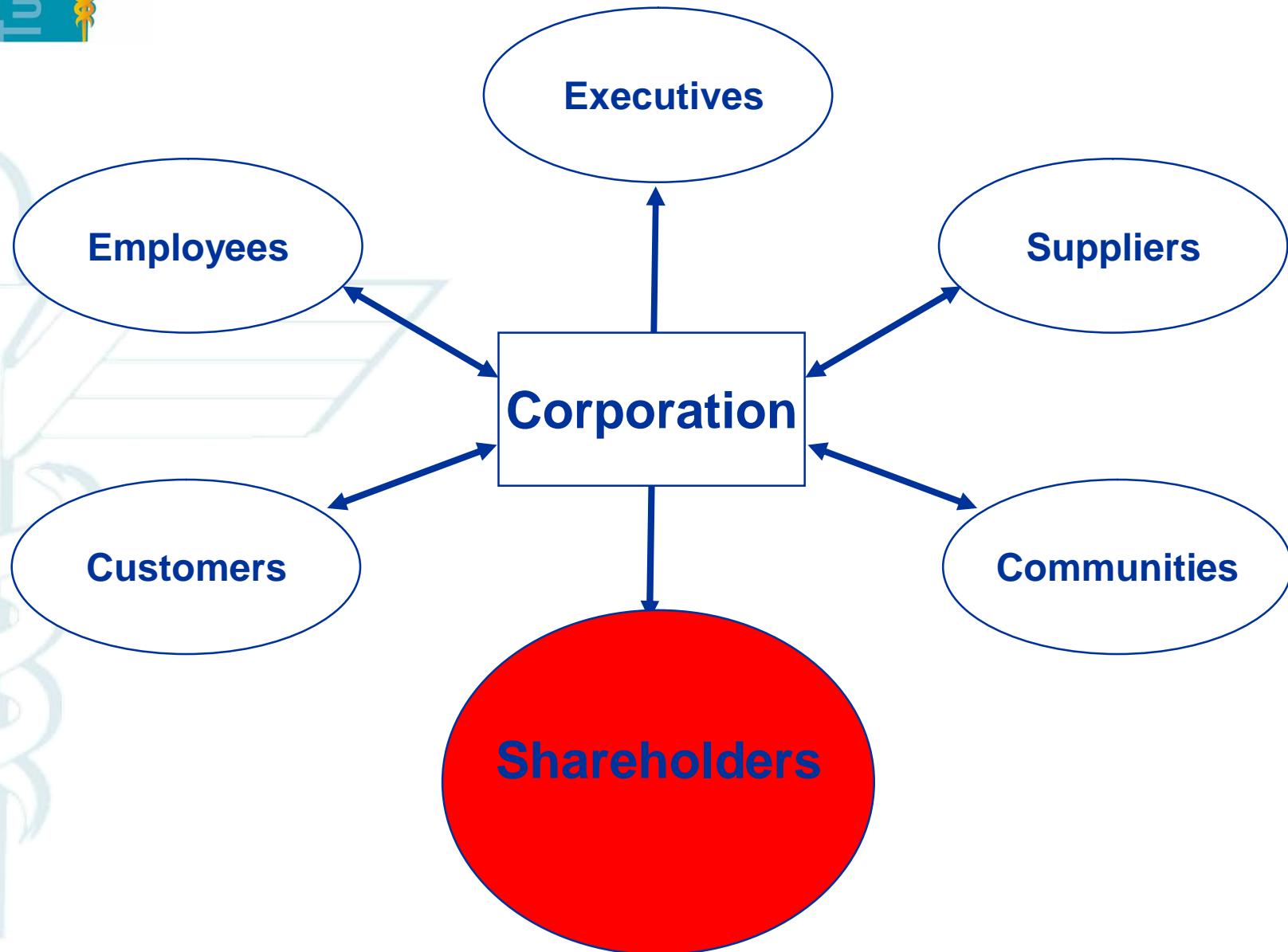
## Stakeholders and strategy processes



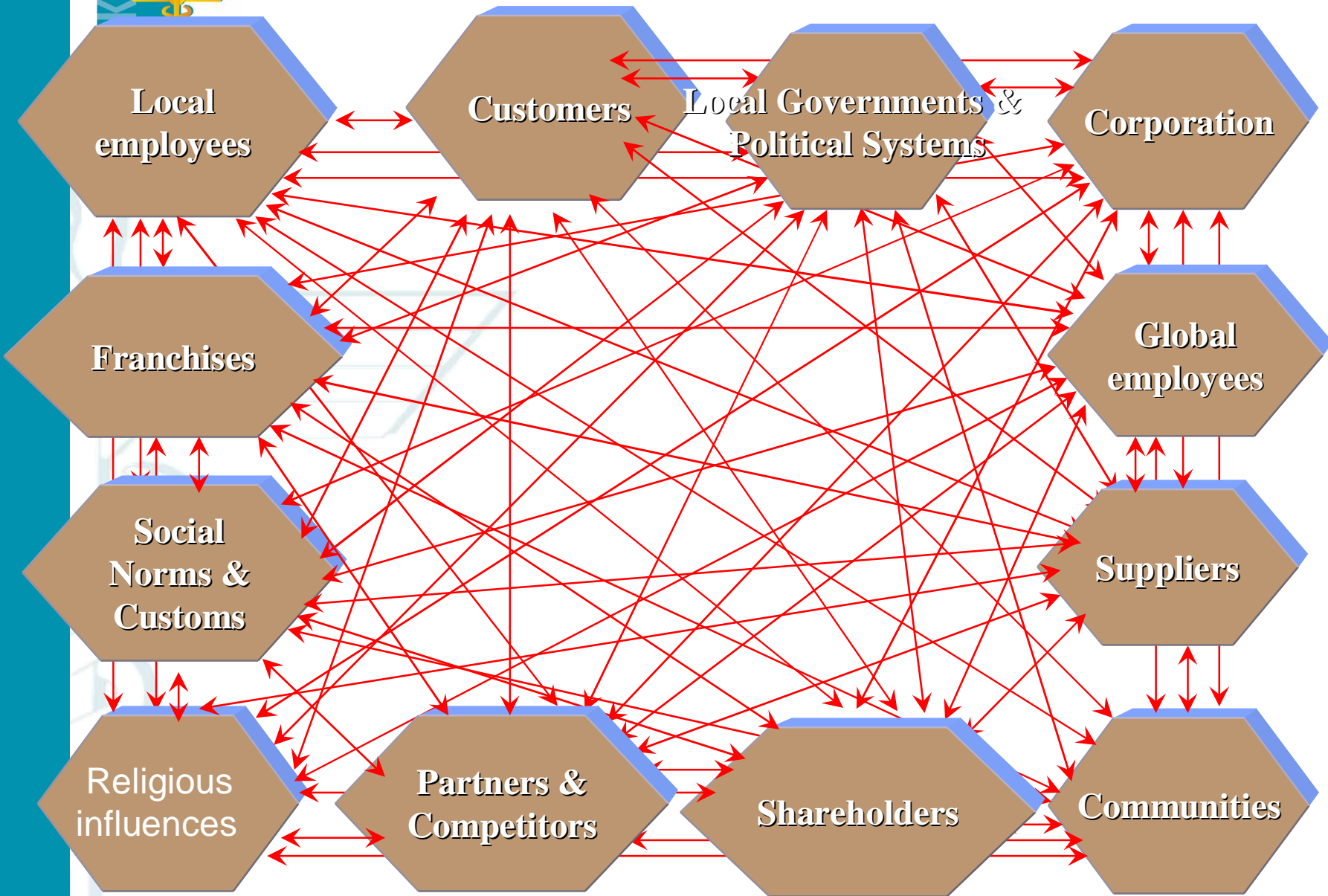
Enterprise level strategy process (Freeman 1984).



## A more traditional stakeholder map



# Stakeholder Networks



Patricia Werhane 2006

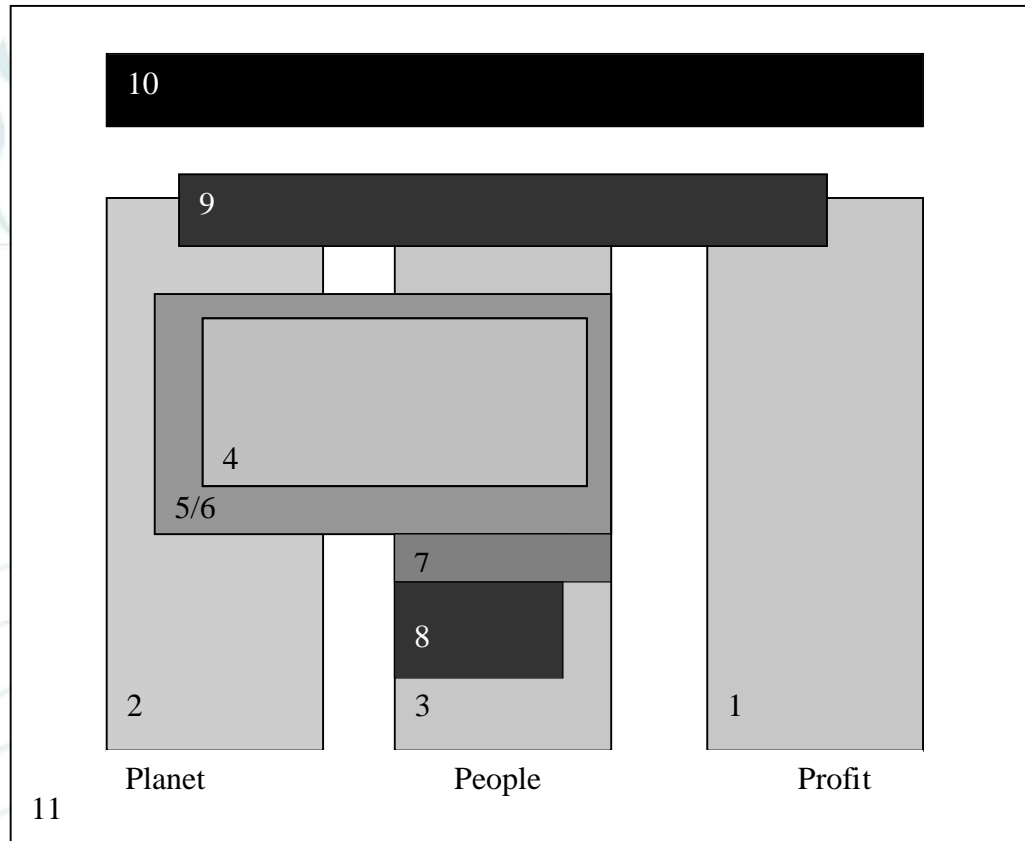


## Tools, standards, guidelines....

- E.g. [www.globalreporting.org](http://www.globalreporting.org)



# Reporting around the world



1. Financial reporting
2. Environmental reporting
3. Social reporting
4. Environmental and social reporting
5. HSE reporting
6. Responsible care report
7. WHSE report
8. Social-ethical report
9. Societal report
10. Vision on sustainability
11. Sustainability report

Source: Tulder & Zwart 2006, 247



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... what do the companies do and why?

...do they benefit from it?

...ethical aspects?



Many people think companies are like this – is it true?

I'm just slipping into  
something more  
ethical



*Referat für Technik-und Wissenschaftsethik  
Fachhochschule Karlsruhe:  
Cartoonist unknown*



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**Real companies & what do  
they do?**



## Case: Nokia

**Why do companies involve themselves in sustainable development activities?**



**Nokia**

**See also:**

[http://www.taloussanomat.fi/page.php?page\\_id=111&news\\_id=20082252&rss=13](http://www.taloussanomat.fi/page.php?page_id=111&news_id=20082252&rss=13)



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**An affirmative corporate social agenda moves from mitigating harm to reinforcing corporate strategy through social progress**

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## B-O-P thinking

*Improving the lives of the billions of people at the bottom of the economic pyramid is a noble endeavor.*

*It can also be a lucrative one.*

*Harvard Business Review September 2002, s.  
48*



# Opportunity and Responsibility

How to help more small businesses to integrate social and environmental issues into what they do



## Key messages

**1. CSR is not a new concept for SMEs.** A large proportion of SMEs have always done things that could today be called “corporate social responsibility”, even if they do not know or use the term themselves. What is new is the growing attention given to CSR by policy-makers, consumers, trade unions and non-governmental organisations. These actors should all give more recognition to what SMEs already do in this field. CSR in SMEs is less formal and more intuitive than in larger enterprises, but that does not make it less valuable. The challenge is to get more SMEs to do more CSR.





**2. CSR can bring advantages to SMEs...** CSR is not a short-cut to business success, but a investment that can pay off in the longer term. It can bring advantages, for example in terms of retention and recruitment, staff development and motivation, customer loyalty and reduced expenses on energy. In the knowledge economy it can increasingly be a source of innovation and it can facilitate access to and sharing of information. By managing CSR in a more strategic and conscious manner enterprises can better reap these advantages. CSR is about continuous improvement and should be seen as part of the modern model of business excellence.

**3. ...but personal and ethical values are important too.** The personal and ethical values of owners, managers and employees are a strong motivation for an enterprise to pay more attention to social and environmental issues. Support for CSR in SMEs should seek to build on and respond to the existing values based motivations, not to replace or ignore them.





**4. CSR is an opportunity to resolve real problems.** CSR needs to be kept practical and result oriented, providing solutions to real problems faced for example by an enterprise, a locality or a sector. Stakeholders should be encouraged to see the opportunities that can arise from engaging SMEs on social and environmental issues. Policy-makers and other actors should not treat CSR in isolation, but rather support for the uptake of CSR more explicitly with policies such as fighting social exclusion, promoting entrepreneurial mindsets or reducing CO2 emissions.

**5. It makes sense to work with SMEs at regional and local level...** SMEs usually identify themselves closely with the region or town where they are located. The social and environmental issues of concern to them will probably be local and regional in nature. It is at the local and regional level that the positive impact of having a greater uptake of CSR can best be felt, whether it be in economic, social or environmental terms.

**6. ...and through industrial clusters and sectors.** SMEs from the same cluster or sector often face common social and environmental issues. Addressing these issues collectively can reduce the costs of action and result in improvements that an individual SME acting alone cannot achieve.





## What term should we use for “CSR” when talking to SMEs?

The British website [smallbusinessjourney.com](http://smallbusinessjourney.com) provides advice to SMEs on how to better integrate CSR into their work, but avoids using the term “CSR” or “corporate social responsibility” altogether. Instead it talks about how to “realise more value by behaving responsibly.” A paper commissioned by the Spanish government on CSR and SMEs suggests using the term “competividad responsable” or “responsible competitiveness”, as a way of describing how SMEs try to “square a pragmatic goal – to gain competitiveness – with an eminently social one.” The European Commission often uses the term “responsible entrepreneurship” when referring to CSR in SMEs.





## CSR-driven innovation

- <http://www.csrinnovation.dk/sw56211.asp>

# CSR-DRIVEN INNOVATION

Combining design and business in a profitable  
and sustainable way



## CSR-DRIVEN INNOVATION Towards the Social Purpose Business

Max Clarkson (1995: 109) suggests the following typology:

- Reactive firms deny responsibility and do less than what stakeholders require
- Defensive firms admit responsibility but fight it by doing the least amount required
- Accommodative firms accept responsibility by doing all that is required
- Proactive firms anticipate responsibility by doing more than is required



## CSR-DRIVEN INNOVATION Towards the Social Purpose Business

- The term ***corporate social innovation*** (CSI) was first introduced by Rosabeth Moss Kanter (1999: 125), who argues that firms should use social issues as a learning laboratory for identifying unmet needs and for developing solutions that create new markets while also addressing passionate concerns in society.
  - BankBoston's effort in setting up the Community Bank Group, a project which eventually evolved into a new market for the bank.
  - Similarly, Bell Atlantic has equipped schools with HDSL computers, and in the process, learned a lot about how to use and market this new technology.
- The term corporate social innovation is increasingly taken up by practitioners.
- Besides user and consumer-driven influences, corporate social innovations use social issues as a source of new opportunities while solving pressing societal needs



## CSR-DRIVEN INNOVATION Towards the Social Purpose Business

- An important sub-theme of CSR-driven innovation is the focus on low-income markets. In this context, Prahalad and Hart (1999) discuss the potential of the bottom or ***base of the pyramid*** (BOP).
- The BOP premise is that by focusing on the unmet needs of low-income populations, firms can create profitable markets while also helping the poor address some of their most urgent needs (Christensen, Craig, & Hart, 2001; Prahalad & Hammond, 2002; Prahalad & Hart, 2002).
- Prahalad's most notable assumption is that BOP markets have to pay a "poverty premium" (Prahalad & Hammond, 2002: 8).



## CSR-DRIVEN INNOVATION Towards the Social Purpose Business

- ***Ecoinnovation*** (also referred to as sustainability innovations, eco-design, eco-preneurship, or clean-technology venturing) has been proposed as a source for "environmentally benign growth" (Dyllick, 1994: 60), as a "breakthrough discipline for innovation" (Fussler, 1996), as a "source of creative destruction" (Hart & Milstein, 1999: 23), as well as the beginning of the "next industrial revolution"



## CSR-DRIVEN INNOVATION Towards the Social Purpose Business

- According to Hockerts, **social entrepreneurship** describes “the discovery and sustainable exploitation of opportunities to create public goods” (Hockerts, 2007: 422).
- This is usually done through the generation of disequilibria in market and non-market environments.
- Social entrepreneurship often leads to the creation of social enterprises.



## CSR-driven innovation project



DURAT®

EKOLÅDAN



LAPPSET®

noir

## CSR-DRIVEN INNOVATION

Combining design and business in a profitable and sustainable way



# Durat







**Think**





# Ekolådan





**Fair Unlimited**





# Lazytown





# Noir







<http://www.interfaceglobal.com/>

Interface, Inc. is the world's largest manufacturer of modular carpet, which it markets under the InterfaceFLOR, FLOR, and Bentley Prince Street brands. Bentley Prince Street also is a leader in the designer-quality broadloom carpet market. Interface is committed to sustainability and to doing business in ways that minimize the impact on the environment.



## Ray Anderson / The Corporation film

<http://www.youtube.com/watch?v=OUG4JXE6K4A>



**the  
Corporation**  
a film by Mark Achbar, Jennifer Abbott & Joel Bakan



**Thank you for your interest!**

