

# Sustainable Management for the Future

Findings of a Study on the Implementation of Sustainable Management  
in German Multinational Companies





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# Preface

Sustainable management is now a common catchword, but what does it actually mean? What chances does sustainable management afford an enterprise beyond its communicative role?

At the heart of what is called sustainable management is the long-term creativity and effectiveness of an investment. The aim is to shape future progress and social development in the medium and long term. Sustainable management means building up and securing viable corporate and economic capabilities. All enterprises seeking to invest at a location in the long term are interested in a stable setting. Local personnel training, the quality of global suppliers, the chances and risks of technology transfer and the political framework are issues that play an important role here.

We only need to glance at economic history to see that successful enterprises have always played a part in establishing lasting facilities in their respective locality. Globalization, however, has added new facets to capacity-building and sustainable management. On the one hand, the action range of an enterprise has expanded, with a growing proliferation of worldwide networks and corporate syndicates. On the other hand, national and international economies have accelerated a lot, as also evidenced by faster market development, shorter product cycles and more rapid target group shifts. The big changes in communication channels such as internet and mobile telephony have also speeded up global information exchange enormously.

In times of change, increasing momentum and the rising pressure to adapt, long-term bearings can easily find themselves relegated. Attention is concentrated on short-term success and seizing 'opportunities'. The assumed need for rapid and adaptable response takes precedence over the rewards of staying power and the opportunities this affords. Sustainability strategies are in danger of atrophying into a costly communication instrument for corporations, instead of being perceived as a critical success factor that gives these enterprises direction in managing risk and the corporate setting.

The relevance of sustainability aspects in overall strategy is generally acknowledged today. However, few enterprises seek to gain the competitive edge afforded by the ability to implement a far-sighted corporate policy efficiently, effectively and at the same time pragmatically at different times and at different places.

Sustainable  
management:  
the long tradition  
with a future

## Sustainable management in praxis

### Can we identify general success factors?



By virtue of its many facets and approaches, sustainable management offers a lot of opportunities for companies, including

- minimizing costs by reducing inputs of raw materials,
- retaining personnel through health care and training,
- quality assurance through qualification of suppliers,
- developing new market potential in developing and newly industrializing countries.

What, though, does sustainable management look like in practice in multinational enterprises? Can we identify general success factors?

In cooperation with Thomas Häusle, Francois Escher and Alois Flatz, the co-founder of the Dow Jones Sustainability Index, GTZ questioned 20 German groups engaged internationally in different sectors at the beginning of 2005. Based on an analysis of motivation, goals, strategy development, implementation and steering in the enterprises questioned, the project team drew up a typology of corporate approaches to sustainable management, which was used as a basis for identifying success factors.

Sustainable management means the daily battle for future opportunities and will exert a growing influence on strategic considerations, particularly in the international context. We see sustainable management as work-in-progress, which is about identifying prospects in dialogue and interaction with the different groups in the context of our own study. To develop the potential for securing their long-term future, many enterprises need to take practical action instead of just relying on their already sophisticated communications.

We would like to express our sincere thanks to the 20 firms that took an active part in this study for the candid and constructive dialogue. As forerunners in the rapidly changing sustainability discussion they will be able to play a dynamic role in shaping the future - worldwide.

Frankfurt, March 2006

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# 1 Summary

## Aims and hypotheses

In January 2005 the Economist weekly magazine devoted a series of critical articles to the topic of sustainability. Their credo was, "By all means, judge companies by their actions". This is also what the present study aims to do, though not by drawing up another sustainability ranking. Rather, the purpose was to identify success criteria for sustainable management so as to pinpoint ways forward for corporate sustainability strategies and management processes. To locate these success criteria, the study analyses the implementation of sustainability strategies in German multinational enterprises.

This analysis is founded on three hypotheses regarding sustainability as a long-term determinant of successful corporate performance:

1. Despite the close attention many enterprises pay to sustainable management, there is a gap between words and deeds, between the challenges faced and the strategy adopted, or between strategy and implementation - **the dissonance hypothesis**.
2. Sustainability affects success to the extent that contents and themes have a direct and binding connection with the management systems - **impact hypothesis**.
3. We can identify criteria that exert a decisive influence on the implementation and impact of sustainable management instruments - **systematization hypothesis**.

Twenty multinational enterprises from Germany were analysed on the basis of qualitative interviews with substantive reference to developing and newly industrializing countries. In the interviews questions were posed on the following five parameters of sustainable management, similar to the classic management process:

- motivation and perception,
- identification of strategic challenges,
- strategy development,
- operational implementation,
- control and monitoring.

Almost all the enterprises questioned are listed on the stock exchange, and most in the Dow Jones Sustainability Index.

In this study, sustainable management comprises all activities which enterprises perform in response to economic, ecological and social challenges on a local and global scale, from climate change to energy costs, with the aim of improving their competitive position and raising their corporate value.

## Findings and outlook

### Compliance

Almost all the enterprises in the survey see sustainable management as an important factor in business success. They regard compliance with laws and regulations, e.g. with environmental or social standards, as a matter of course.

### Isolation of sustainability

Although the enterprises attach great importance to sustainable management, sustainability aspects only play a subordinate role in strategic management. Their assimilation in strategic decisions is usually only informal and highly selective. So a gap persists between sustainability and actual core business. This missing link is also evident in many sustainability projects initiated by enterprises. They are well-meaning, but often take the shape of corporate philanthropy, because companies do not bring their intrinsic competencies, their unique expertise and their creative resources to bear.

### Untapped potential

This isolation is still also a problem in much of operational management. In the environment sector or in social standards, sustainable aspects are largely integrated into management processes and systematically implemented. The situation is different, however, in such areas as research and product development, or marketing and sales. The sustainable management scope for value added is still largely unexploited.

## Corporate typology and success criteria

The gap between theory and practice in sustainable management (dissonance hypothesis) is frequently evident when the decisions pending have only a limited bearing on strategy.

The second hypothesis (impact) is also corroborated by the study findings. There are enterprises that perceive sustainability as more than just taking defensive or reactive measures and seek to harness the economic potential of sustainability issues, for example for new products or markets. These enterprises often integrate sustainable management at a deeper level. In combination with the other findings of the study, we can infer corporate typologies and success criteria for sustainable management (systematization hypothesis). Depending on how far enterprises establish sustainability as part of their overall corporate strategy and harness the potential for value added, the four basic types are designated as driver, operator, calculator or minimalist.

Drivers grasp the meaning and influence of sustainability issues for their core business and mainstream them into business operations. Drivers define their long-term challenges very clearly and gear themselves to the competitiveness at their various international bases. They are also strong enough to operationalize long-term strategies as well.

Operators have a tradition of taking individual sustainability aspects very seriously due to practical exigencies, such as risky production processes. Nevertheless, their commitment does not have a direct bearing on core business: sustainability strategies are devised as parallel strategies. They are implemented consistently, without, however, benefiting overall strategy as fully as they could.

Calculators mainly place the focus of sustainable management on capital market communication. Sustainability activities are closely aligned with ratings and indices, so that coherent corporate challenges are seldom identified. Sustainability is hardly tied in with corporate strategy at all.

Minimalists attach no very great importance to sustainability as an issue. The response usually ends with reactive risk avoidance and meeting outside requirements.

Driver

Operator

Calculator

Minimalist



## Success factors in sustainable management

Some common **ecological** instruments of sustainable management include resource-saving processes, efficiency and cost-reduction programmes and environmental management systems. Among the main **social** tools are social programmes, labour standards, local gender equity programmes, personnel training and health care. However, it is their alignment with the core business, tradition and history of an enterprise, the type of products and services, the market requirements and the respective local, national and international setting that determines the success of sustainable management and hence progress on the way to becoming a driver.

In driver-type enterprises sustainable management is of particular relevance to success and makes a large contribution to value added for the following reasons:

- These enterprises have a well-considered and pragmatic vision of sustainable management in keeping with specific corporate needs.
- They systematically identify strategic challenges and sustainability prospects.
- They establish sustainability as a mandatory component of strategic management and operational decision-making.
- They consistently implement sustainability based on strategic objectives and link it with the management system and processes at all levels.
- They monitor sustainability objectives and their operationalization.

Based on these features and their combination with GTZ's international working practice, we can infer four essential success factors that are dealt with in more detail in the sections:

- Integration instead of separation,
- Active management of the corporate environment,
- Local adaption instead of global blueprints,
- Simplification by setting priorities.

## Sustainable management for the future

The general notion of sustainable business, corporate social responsibility, corporate sustainability, corporate citizenship or corporate development is currently undergoing a dramatic change. Only if sustainable management is upgraded from its status as a necessary and important but secondary issue to that of a value and innovation driver in core business does sustainability have a future, foremost concerns being the long-term positioning of products and services and innovative capacity.

An overall strategy geared to sustainability begins with detecting changes in the external corporate setting. This means that enterprises must be able to spot and gauge ecological, social, geopolitical and long-term economic trends. Long-term challenges include global climate change, growing demands on transparency, demographic changes, poverty, energy shortage, food security or HIV/AIDS, but also in-company organizational and cultural challenges.

It is crucial to grasp the consequences of these changes and trends and take appropriate account of them in developing and implementing future strategy. Companies will then be able to manage them as part of normal business operations and above all take advantage of the opportunities they afford.

## 2 Background

Enterprises with a tradition have firm societal roots. They owe their structural stability to investments in their social, ecological and political environment. This calls for foresight. Far-sighted companies develop productive locations and new markets. So sustainable management presupposes that a business intends to establish itself in its setting in the long run. Key concerns here are securing long-term investment prospects and the enduring ability to create value.

The sustainability debate was given major impetus by the Club of Rome's report "Limits to Growth" and the definition of the notion of sustainability laid down in the final report of the Brundtland Commission in 1972. Up to about 1995, the focus in sustainable management was placed on devising an ethical code for economic interests and activities. From 1995 to 2004, discussion was dominated by a model that catered for economic activities as a whole. The triple bottom line was a proposal made by the London consultancy firm SustainAbility to promote a balance between economy, ecology and social equity and it was adopted as an operational and organizational principle in the general discourse. Since 2004, there has been a discernible trend towards integrating sustainable management strategies into overall corporate strategy.

The figure on following page 10 briefly traces the development of sustainability as an issue over the last two decades.

## Development of sustainability approaches

Ethical approaches	Sustainability	Integrational approaches	
-1995	1995 - 2004	As of 2005	Period
Environment-ethics-values	Triple Bottom Line	Integration	Focus
<ul style="list-style-type: none"> <li>• Prompted by disasters such as Bhopal, Brent Spar, Nike</li> <li>• Risk management as focus</li> <li>• Reactive and passive</li> </ul>	<ul style="list-style-type: none"> <li>• Global Reporting Initiative</li> <li>• UN Global Compact</li> <li>• Focus on public relations and reporting</li> <li>• Active risk management</li> </ul>	<ul style="list-style-type: none"> <li>• Integration into overall corporate strategy</li> <li>• Influence on core business</li> <li>• Focus on business case</li> <li>• Issue and industry focus</li> <li>• Active and geared to value added</li> </ul>	<b>Business</b>
<ul style="list-style-type: none"> <li>• Religious and ethical investment</li> <li>• Negative selection</li> <li>• A few small funds in the USA Domini Social Index</li> </ul>	<ul style="list-style-type: none"> <li>• Positive selection</li> <li>• Dow Jones Sustainability Index</li> <li>• FTSE for Good</li> </ul>	<ul style="list-style-type: none"> <li>• Mainstreaming</li> <li>• Better risk-performance ratios</li> <li>• Service focus, e.g. CG rating brokers</li> <li>• Emerging markets as long-term growth market</li> </ul>	<b>Investment sector</b>
<ul style="list-style-type: none"> <li>• NGOs gain in influence</li> <li>• More aware consumer behaviour</li> </ul>	<ul style="list-style-type: none"> <li>• Anti-globalization activists</li> <li>• UN Summits in Rio, Kyoto Johannesburg</li> <li>• Governance crisis</li> </ul>	<ul style="list-style-type: none"> <li>• Transparency</li> <li>• Global Governance</li> <li>• Investment principles</li> <li>• Mature lobbyists</li> </ul>	<b>Framework</b>

# 3 Design of study

## 3.1 Goals of the study

The present study does not seek to draw up another sustainability ranking. Rather, the aim was to identify success criteria for sustainable management so as to pinpoint ways to develop sustainable strategy and management processes in enterprises. To this end, the study analyses the implementation of sustainability strategies in multinational German enterprises.

## 3.2 Hypotheses

We proceeded from three specific assumptions regarding sustainability as a success factor in long-term corporate performance, the extent to which approaches to integrating sustainability issues in corporate core business can be systematized or put into practice, and the assumption of a discrepancy between strategy and implementation.

1. Despite the close attention many enterprises pay to sustainable management, there is a gap between words and deeds, between the challenges faced and the strategy adopted or between strategy and implementation – **the dissonance hypothesis**.
2. Sustainability affects success to the extent that contents and themes have a direct and binding connection with the management systems – **impact hypothesis**.
3. We can identify criteria that exert a decisive influence on the implementation and impact of sustainable management instruments- **systematization hypothesis**.

### 3.3 Methodology

Qualitative interviews were conducted with executives responsible for sustainability in 20 German multi-nationals.

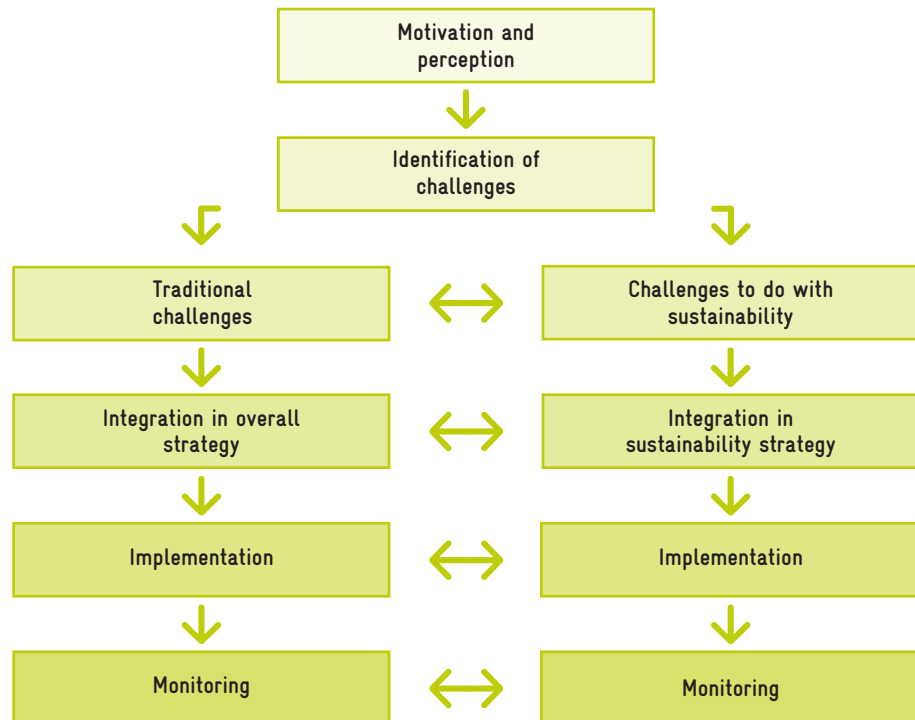
Using this sophisticated interview method instead of the common questionnaire campaigns was essential to ensure the quality and informational validity of the study findings. On the one hand the interviews lasting two to three hours enhanced self-reflection in the answers, and on the other hand they left room for interpretation by the interviewers. In this way, we could cross-check statements, contextualise discourse, and avoid misunderstandings in the interview. We could define terms in discussion and enhance the relevance of some statements by a considerable margin. This technique enabled us to obtain a depth and comparability of response which cannot be achieved in a questionnaire campaign.

Despite the scope afforded by the survey methodology, the answers depend on the experience and know-how of the survey respondents and a 'snapshot' taken on the specific interview date. The interviews were evaluated in two phases:

1. **Analysis of data:**  
In the data analysis, relevant questions were given a quantitative and qualitative evaluation and initial findings were recorded.
2. **Interpretations:**  
On the basis of this data, standardized profiles were drafted to assess the individual enterprises. Based on these in turn, a typology was drawn up. In a final step, success factors for sustainable management were developed from the study findings.

### 3.4 Survey parameters

The step towards an integrative approach to sustainable management means dovetailing sustainability issues with management processes in core business. In keeping with this, the parameters of the study were demarcated along the lines of the following simplified management process:



This comprises the motives and drives for addressing sustainable management. In a second part, we clarify how the enterprises perceive the notion of sustainability and ascertain the specific corporate vision of sustainability as a sector and term.

An integrative approach to sustainability entails focussing on identifying specific company challenges, integrating these into corporate strategy, and developing relevant competencies for implementing the strategy. The scope of the prospective benefit of sustainable management depends directly on identifying the 'relevant' key challenges.

The extent to which the issues and challenges relevant to sustainability can be mainstreamed into overall corporate strategy and hence have an impact are key to catering for and implementing a corporate sustainability agenda. One focus in the survey was therefore the integration of sustainability contents and themes into corporate strategy. At the same time an analysis was made of the discrepancies between the challenges identified and the account taken of them in corporate strategy.

Ultimately, identifying challenges and integrating contents into corporate strategy is the groundwork and precondition for purposive implementation in business practice. This section of the survey is concerned with analysing how consistent and thorough the implementation is.

You cannot achieve objectives and comply with specifications if you do not operationalize the objectives and monitor their attainment. So matters of relevance to sustainability must make up an integrative component of the monitoring and steering system of an enterprise.

Motivation and perception

Identification of challenges

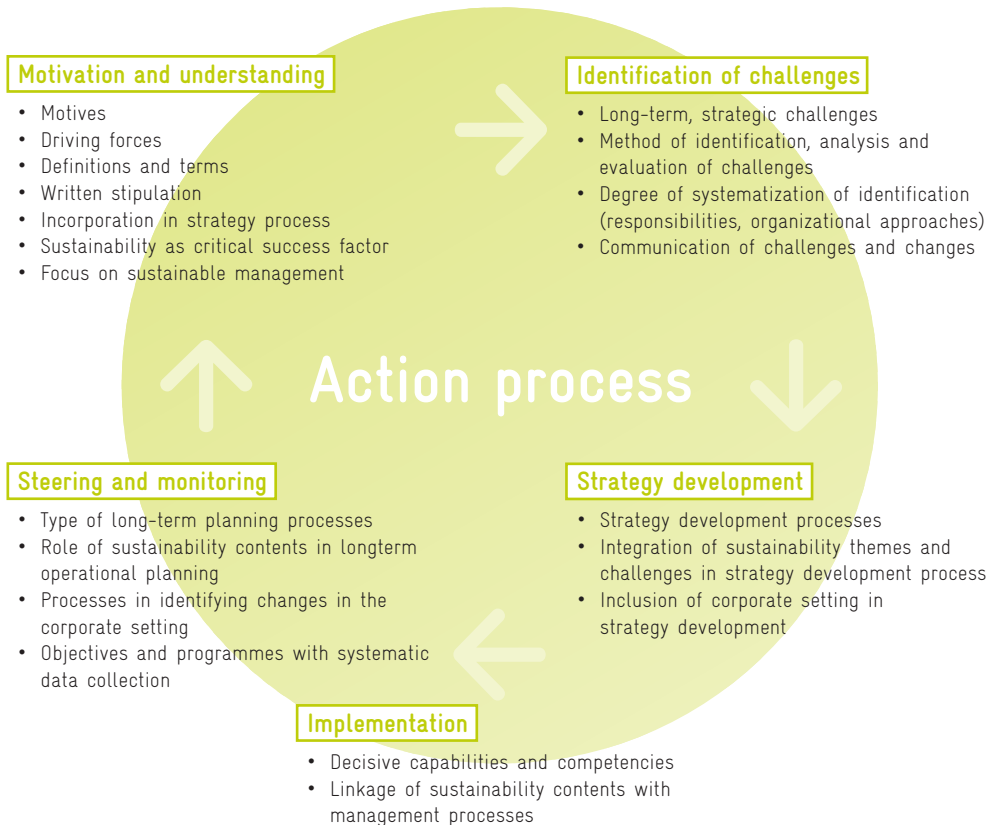
Strategy development

Implementation

Steering and monitoring



Taken together and streamlined, the survey parameters constitute elements of a sustainable action process in the enterprise:



### 3.5 Survey universe

From a basic set of approx. 100, altogether 20 enterprises from different sectors were selected and questioned. The main selection criteria were turnover, degree of internationalisation with special reference to developing and newly industrializing countries, and stock exchange capitalization. Most of the enterprises are members of the Dow Jones Sustainability Index. The following enterprises and industries are represented in the sample:

Companies	Industry
• Adam Opel GmbH	Motor vehicles
• Adidas-Salomon AG	Clothing, lifestyle, sports
• Allianz AG	Financial services
• Axel Springer AG	Media
• BASF AG	Chemicals
• Bayer AG	Chemicals
• Bayerische Hypo- und Vereinsbank AG	Financial services
• BMW AG	Motor vehicles
• DaimlerChrysler AG	Motor vehicles
• Deutsche Bank AG	Financial services
• Deutsche Post AG	Logistics
• Henkel KGaA	Chemicals
• Linde AG	Chemicals, mechanical engineering
• METRO AG	Trade
• Münchener Rück AG	Financial services
• Otto GmbH&Co.KG	Trade
• PUMA AG	Clothing, lifestyle, sports
• Deutsche Telekom AG	Telecommunications
• TUI Deutschland GmbH	Travel
• VOLKSWAGEN AG	Motor vehicles

# 4 Findings

## Motives for sustainable management

### 4.1 Motivation and perception

The analysis of the motives cited for addressing sustainability issues reveals no uniform pattern of statements or significant clusters.

As expected, in enterprises that have been engaged with sustainability for quite a long time motives were mostly prompted by environmental issues and related problems. These companies are mainly manufacturers, particularly from the chemical and pharmaceutical industry.

Late beginners often cite motives connected with social responsibility. Ensuring future viability, image, reputation and maintaining company value are reasons frequently stated.

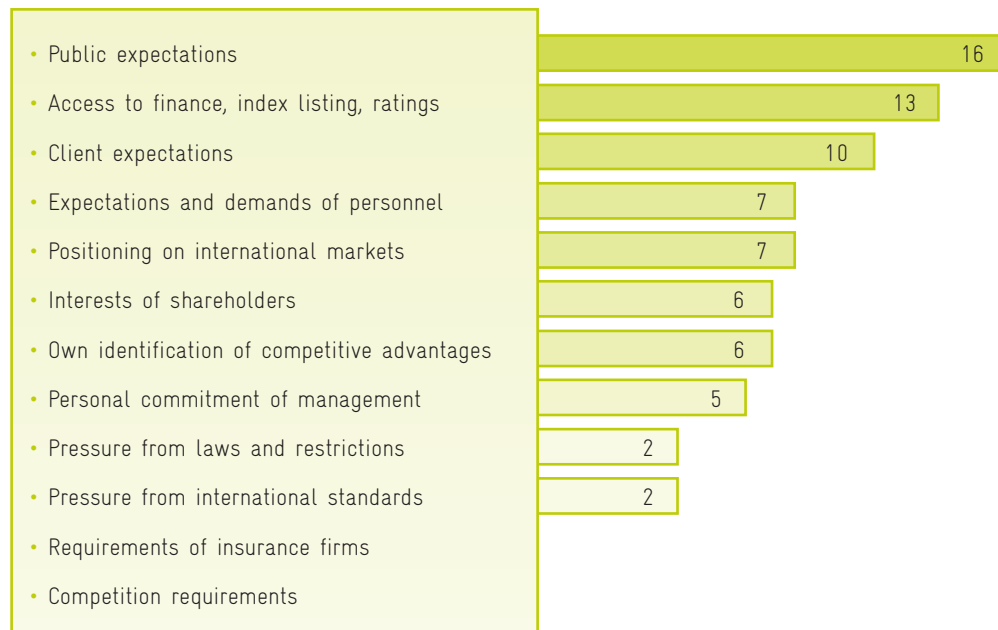
#### **Case study** Integrity code

An integrity code in one of the respondent enterprises provides a binding framework for all employees worldwide. Among other aspects, the code contains provisions on conduct in international commercial transactions, conflicts of interest, equal treatment, the role of in-house monitoring systems, and compliance with legal norms and other in-house and external regulations. Its special importance is its mandatory inclusion in the respective contracts of employment. This makes vision and commitment binding.

## Drives behind commitment

Third-party expectations of the enterprise are decisive for commitment. Public opinion and the financial market are the most powerful drives. Expectations from outside do not mean pressure from laws and standards, however. Compliance plays a subordinate role in the respondent enterprises, with almost 100% of obligations met.

Clients, both business customers and final consumers, are more concerned with sustainability so that they are increasingly seen as driving forces.



### Definition

With 12 citations out of 20, the triple bottom line (TBL) is clearly a dominant definition of sustainability. The Brundtland Commission interpretation (7 citations) frequently serves as a description and definition with a minimum consensus, parallel to TBL. The majority of the enterprises that are engaged very closely with sustainability and see it as relevant to core business have specific corporate and pragmatic approaches to interpretation and definition.

### Terminology

Corporate social responsibility (CSR) is the only term accorded a superordinate function. This development has certainly been heavily influenced by the international political definition of the term (e.g. EU). Furthermore, terminology is usually chosen on the basis of the substantive priority or the approach to the theme (sustainability, 5 citations; no terminology, 4; own terms, 3; corporate responsibility, 2). Only rarely do the enterprises questioned attach particular importance to a stringent definition. Practice often decides on conceptuality.

If at all, the formulation is found in all kinds of in-house and external media, such as codes, guidelines, principles, homepages and the like. All the enterprises questioned are seriously concerned with the definition of sustainability, but less so with specifying terminology concepts and rarely with thoroughgoing in-house communication.

### Written stipulation of terms and definition

In only one respondent enterprise is sustainability seen as an integral component of corporate strategy with implications for decision-making. However, in the large majority of the enterprises (80%) it is not accounted for in corporate strategy at all, or only in a non-committal way. In 10% of the enterprises interviewed there is no deliberate genuine strategic management. Altogether, sustainability rarely affects core business.

### Sustainability as a critical success factor

For 70% of the enterprises sustainability is a critical success factor. Of those interviewed 20% answered this question with no and 10% with yes-and-no. In the course of the interview, however, these statements emerge as provisory, as only very few treat sustainability with the stringency needed to make it a critical success factor.

Maintaining a competitive advantage and risk management is the paramount focus of sustainable management. Personnel and other stakeholders exert considerable influence on the enterprises. Compliance and corporate governance do not play a decisive role in the enterprises questioned; they are taken for granted.

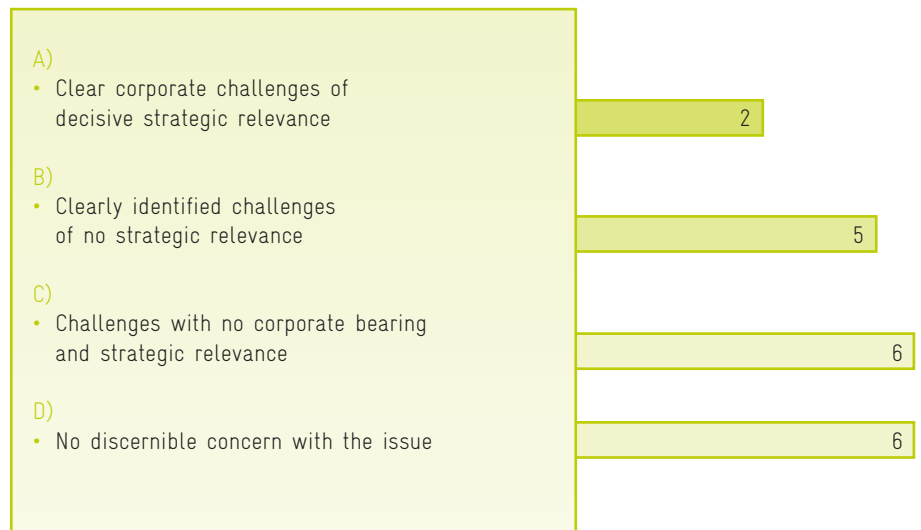


## Focus of sustainable management

Economic globalization is a practical reality in 70% of the companies questioned. Of the 30% that did not affirm this, most are financial service providers that still see their main market in Europe.

## 4.2 Identification of challenges

Here the enterprises range from a very small number that have set up an overall system from trend spotting up to practical response, through those that run very sophisticated monitoring systems without integrating the challenges into strategy, to companies that consider the issue without any specific objectives.



### **Case study**

#### Trend assessment committee

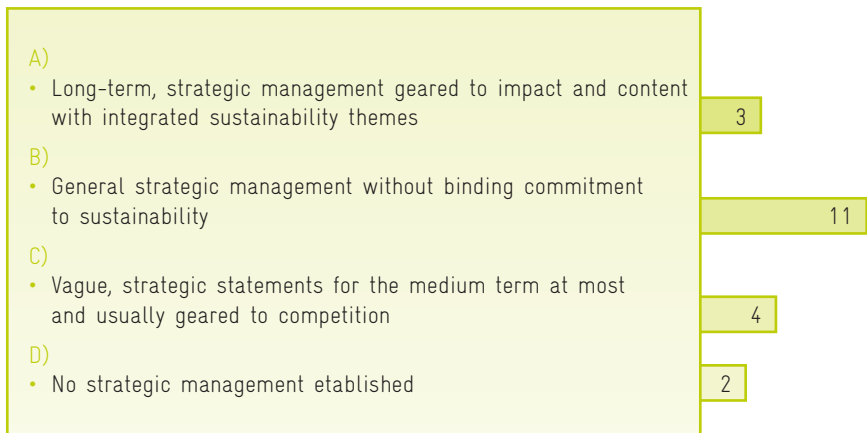
To support its lines of business one respondent enterprise has set up an interdisciplinary trend assessment committee made up of 10 company personnel. At group level, the lines of business are provided with information mainly on economic and technological developments. The trend assessment committee is responsible for identifying issues and for their analysis and interpretation.

## **4.3 Strategy development**

Strategic management is established in 85% of the 20 enterprises surveyed. Of these 55% understand strategic management primarily as a list of aims for short-term to medium-term, competitive and location-specific corporate development. Altogether 15% conduct strategic management without any discernible major effects on business. A further 10% of the samples dispense with this instrument. The enquiry here is based on the assumptions of the specific survey approach and relates solely to the group level.



## Strategy development process



### Case study

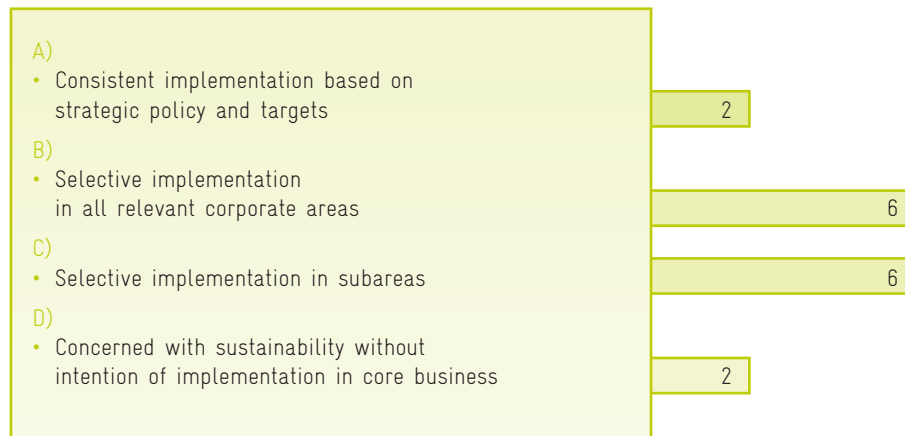
#### Theme mentoring in the strategy development process

External experts are in charge of and guide the identified, decisive topics and challenges throughout the whole strategy development process. A kind of sectoral promoter community has emerged that channels external know-how directly into the in-house strategy development process on the one hand, while guaranteeing a permanent and direct feedback from outside on the other.

Sustainability is regarded as a critical success factor in 70% of the enterprises, but in only 15% are sustainable contents firmly anchored in strategic management. In some, sustainability themes are simply treated as 'secondary conditions'.

## 4.4 Implementation

Sustainability measures are often carried out very consistently to meet practical, functional exigencies in subsectors (e.g. environment-health-safety (EHS), environmental management) but very seldom on a general scale and never completely. The topic of sustainability can be considered very intensively without a traceable intention of implementation.



Degree of implementation of sustainability themes

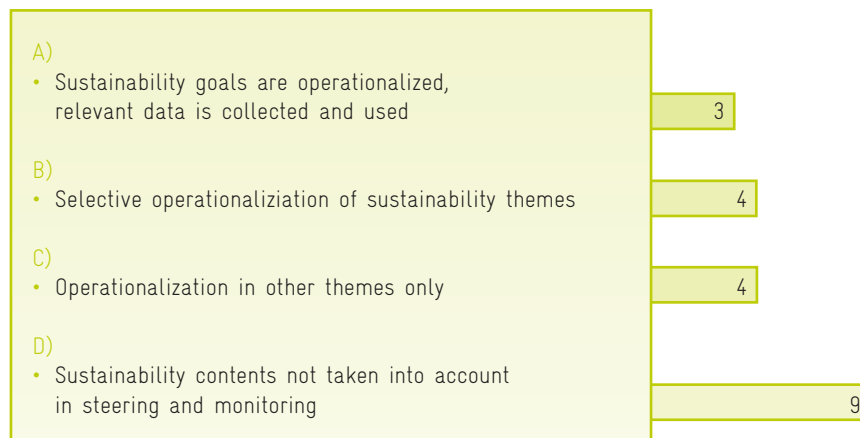
**Case study**

Sustainability as an integrated decision-making factor in the investment process

At present, a respondent enterprise is developing binding quantifiable criteria in sustainable management for in-house investment decisions that will have a crucial influence on corporate investment behaviour. This measure, unique in form and scale, makes sustainability a mandatory consideration in corporate management processes, thus establishing it firmly as a company-wide factor. So sustainability will be a compulsory yardstick in managerial and business decisions.

## 4.5 Steering and monitoring

According to the managers responsible, 45% of the respondent enterprises have no discernible monitoring mechanisms for sustainability. The further one progresses along the management line, the less commitment to sustainability issues is evident. Altogether 55% of the enterprises said they used monitoring instruments for long-term planning to cater for sustainability at certain points.



Long-term planning  
catering for  
sustainability

# 5 Interpretations

The findings of the study that can be derived directly yield quantifiable statements on the priorities of sustainable management in the enterprises surveyed. Not surprisingly, 100% of the enterprises devote close attention to sustainability, and as might also be expected they pursue different objectives and implementation priorities. For example, they see compliance, that is adherence to laws and regulations, as a self-evident obligation.

The surprising findings have to do with how systematically sustainable management takes place in the enterprises, and the role sustainability plays in core business.

If we compare and interpret the statements within the survey universe, a closer analysis permits us to draw direct conclusions on the one hand, and make more in-depth statements on lines of action and behaviour patterns on the other.

## 5.1 Conclusions

In the direct evaluation of the findings we did not go into the background, make any interpretations or attempt to give any explanations. Only through interpretation of the findings, however, can we arrive at statements on success criteria and future prospects for sustainable management. The following statements were inferred from the answers, a comparison between the respondent enterprises, and the experience from the development of corporate sustainable management.

Sustainable management can be a purposive success factor to the extent that sustainability issues and challenges are directly made binding components of company-wide management processes.

How and how far sustainability issues are integrated into strategy are decisively and essentially determined by the purpose of corporate sustainability policy. Frequently, sustainability issues are the reserve of a separate sustainability strategy. They do not find their way into strategic management and hence remain divorced from actual business concerns. Responsible executives in sustainability are very rarely directly involved in strategy development. These executives also seldom exert influence on the treatment and inclusion of sustainability issues and challenges in strategic management.

Relevance to success

Isolation of sustainability

Few enterprises so far have recognized the chances and possibilities afforded by sustainable management, usually concentrating their activities on defensive aspects such as risk management, capital market dominance and eco-communication. They have still not taken the step of adopting a pro-active approach to harnessing the creative and innovative potential of sustainable management. The scope afforded by sustainable management as a value-driver is still largely unexplored.

Only few enterprises have a systematic approach to identifying long-term, strategic challenges. Some do so in an informal, random way, but can at least cite definite challenges. The direct, strategic relevance of the challenges cited differs greatly and is seldom decisive. Even more rarely are representatives from interest groups directly involved in identifying challenges to obtain a complete picture.

Strategy development is treated in most of the enterprises as a 'closed job'. The recurrent reason is that strategy usually comprises short-term business policy goals that are gauged as relevant for competition and not communicated outside the company. So sustainability issues are usually only included in an informal and highly selective way, or are treated merely as secondary conditions.

## 5.2 Typologie

The present study is not primarily concerned with assessing the respondent enterprises, but instead with setting out a typology of behaviour patterns and action paradigms in sustainable management based on the survey parameters applied and success criteria for sustainable management that can be inferred from these.

To develop an action typology, we use a combination of the analyses of the survey parameters on the one hand and a two-dimensional interpretation of the relevance of sustainable management to success on the other. The two benchmarks applied are (1) how far sustainability themes are integrated into strategy, and (2) the use made of the potential sustainability issues afford for raising long-term added value. Finally, four characteristic types of behaviour were identified that have to be understood as models that hardly occur in practice in the abstract form described. Each type corresponds to characteristic features and behavioural criteria, intentions, objectives and practical actions.

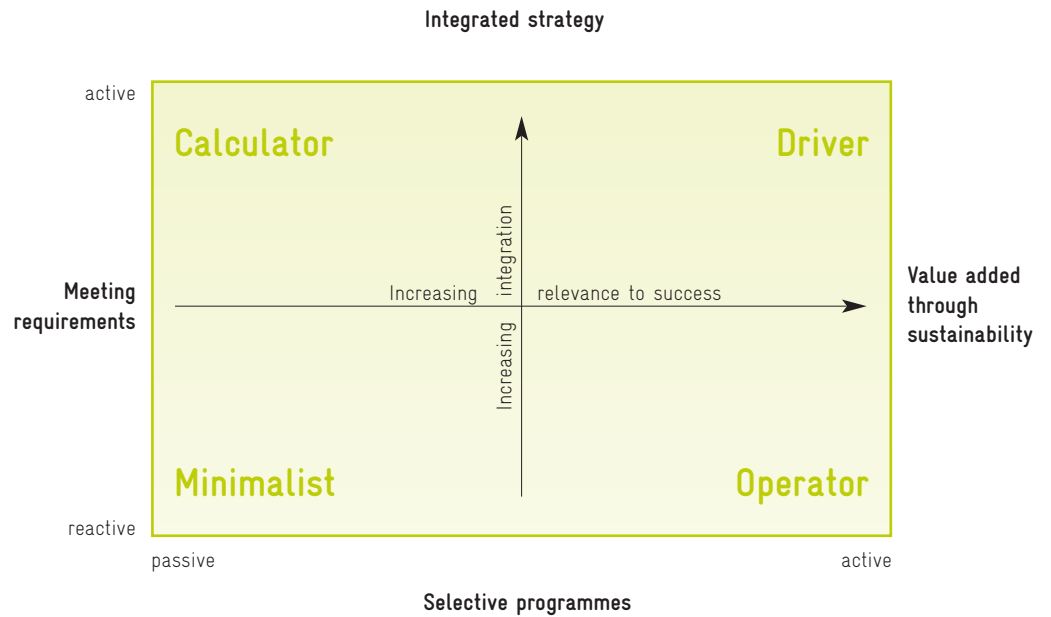
Value added  
potential still  
unexplored

Identifying  
challenges

Strategy  
development as  
a "closed job"

Typology and development parameters

The four basic types are: **driver**, **operator**, **calculator** and **minimalist**.



A number of enterprises have recognized the importance and the possible influence of sustainability themes on their core business. They treat sustainability like other decisive aspects of management. The issues have been recognized and assimilated into business operations. There is no separate sustainability strategy because matters of relevance to sustainability have been fully integrated into overall corporate strategy from the outset. Drivers define their long-term challenges very clearly and gear themselves to competitiveness at their locations worldwide. Furthermore, drivers are also strong enough to put long-term strategies into practice. They make an active contribution to the sustainable development of their own enterprise and their external corporate setting. Accounting for aspects of sustainability is something they take for granted, accept, and execute consistently and with critical reflection. The definitions and terms are aligned with the requirements of the enterprise and are geared to practice.

Characteristic features are:

- High level of commitment usually instilled in corporate identity,
- Systematic integration of the sustainability agenda into strategic and operational decisions and management processes,
- Pragmatic and practical approach to sustainable management,
- Clear definition of long-term, strategic challenges,
- Linkage of long-term challenges with strategy, planning and operational goals,
- Progressive advancement of sustainability to become an economic decision-making criterion leading to specific programmes and measures in core business,
- Intrinsic perception and drive, clear and open communication of strategic objectives for the most part,
- Focus of sustainable management primarily placed on safeguarding long-term competitiveness,
- Active dialogue with interest groups from the external corporate setting.

## Driver



In drivers, integrating sustainability aspects into corporate behaviour culminates in a high level of credibility amongst personnel, shareholders, subcontractors and clients. In dialogue with these different stakeholders from the respective external corporate setting, drivers are particularly successful at gaining the confidence of:

- **Personnel**, who can make their own innovative and creative contribution to a sustainably managed enterprise at all levels,
- **Shareholders** by providing evidence of economies through sustainable products and processes,
- **Subcontractors** by credibly demonstrating that they can also improve their quality and can reduce their risks in the medium to long term by gearing their operations to sustainability,
- **Clients** by customizing products and services and designing them for sustainability as well.

This dialogue with the corporate setting is also a very effective instrument for minimizing risk.

## Operator

Enterprises of this type are convinced of the relevance of sustainability as an issue. They do not integrate it fully, however, or do not treat it as a conscious goal. Mostly, sustainability is traditionally taken very seriously for operational reasons, for example risky processes in the chemicals industry, but is still construed as extraneous to the corporate object and purpose. Sustainability strategies emerge as parallel strategies that are seldom linked to corporate strategy. Those responsible for sustainability are not often involved in the strategic process, and if so merely as providers of information. Sustainability strategies are implemented consistently, but without having an effect on overall strategy.

Characteristic features are:

- High commitment mostly stemming from the history of the enterprise and operational exigencies (safety, protection against accidents, etc.),
- Activities bundled in isolated sustainability strategies,
- Generally little effect on decisions in core business,
- Substantive programmes (environment, health and safety (EHS) programmes, environmental management, risk management, social charter, etc.) as the main components, seldom linked to a strategic vision.

A third group of enterprises place the focus of sustainable management mainly on capital market communication, gear themselves closely to ratings and indices, and rarely develop approaches that find their way into corporate strategy. Communication personnel are usually responsible for sustainability. This communication is often extensive, but vague. Almost all the addressees are outside the enterprise.

Characteristic features are:

- Perception of sustainability, definition and terms mostly adopted from outside (sustainability indices, rating agencies, investors, public, etc.),
- In-company contents and objectives usually non-committal, with sustainability occupying no or very little place in strategy,
- Communication on sustainability programmes as the main implementation component,
- Very extensive communication, but with little intention of having any substantial in-house-impact,
- Programmes and measures in core business seldom prompted by long-term challenges - hardly any effect on decisions in core business,
- Most contents and criteria of relevance to sustainability not integrated into management systems.

Altogether, a fourth group of enterprises attach no particular importance to sustainability as an issue. The response usually ends with reactive risk avoidance and meeting outside requirements.

Characteristic features are:

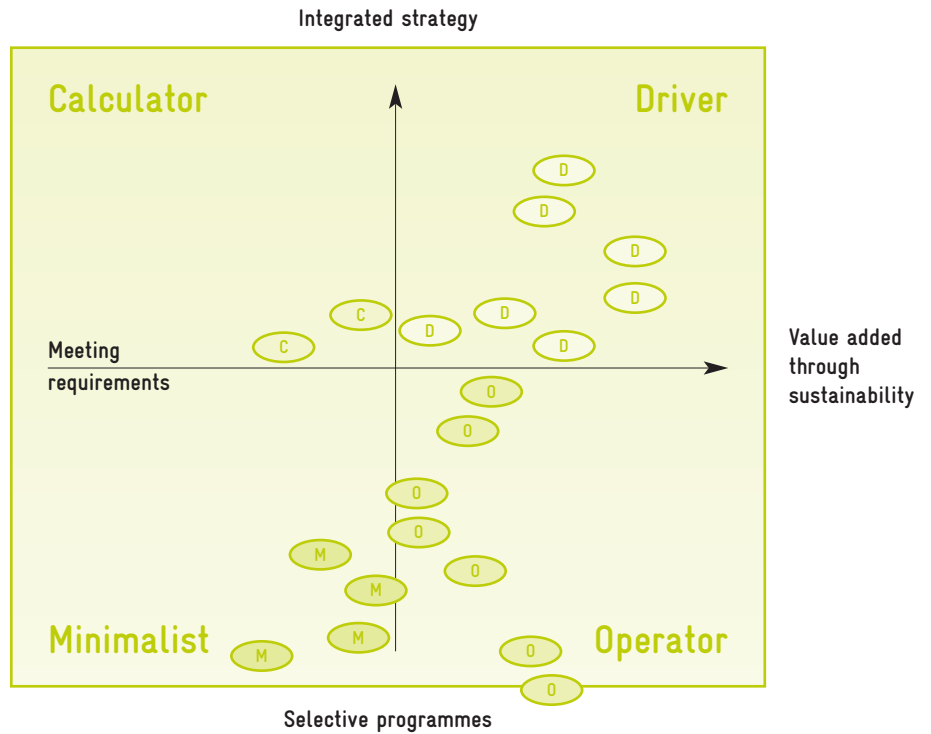
- Focus on reactive avoidance measures,
- Commitment merely superficial,
- Topics of relevance to sustainability not connected with management processes,
- Sustainability deliberately accorded a subordinate status,
- Long-term challenges hardly identified at all.

## Calculator

## Minimalist

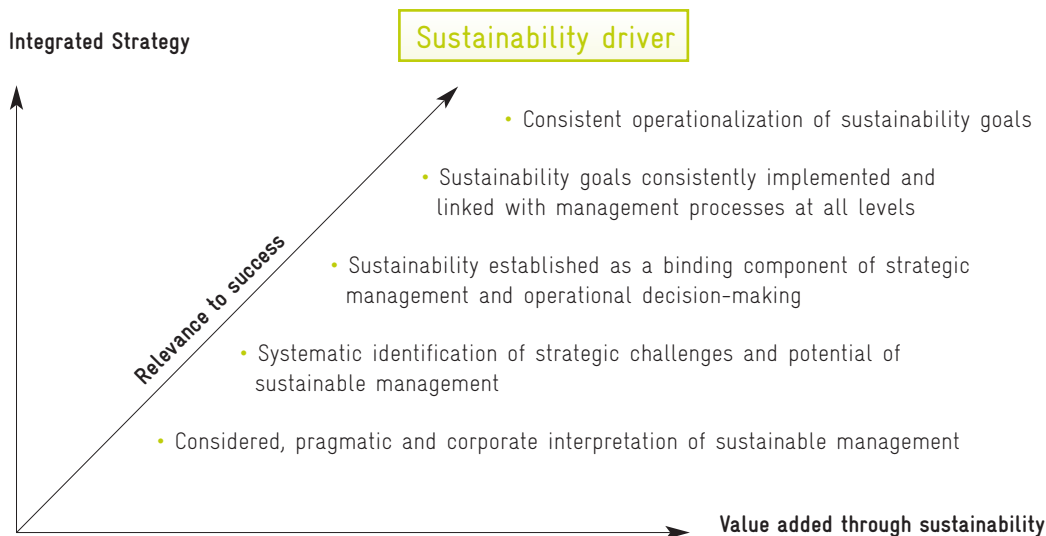
## Profile of typologies

The interviews yielded the following portfolio of typology matrix:



### 5.3 Success factors in sustainable management

Some common ecological instruments of sustainable management include resource-saving processes, efficiency and cost-reduction programmes and environmental management systems. Amongst the main social tools are social programmes, labour standards, local gender equity programmes, personnel training and health care. However, their alignment with the core business, tradition and history of an enterprise, the type of products and services, the market requirements and the respective local, national and international setting are what determine the success of sustainable management and hence progress on the way to becoming a driver. We can infer a number of success criteria from the study that were recurrently discernible in enterprises where sustainable management was well integrated - in the drivers. For these enterprises, sustainability forms an integral part of the corporate purpose, not a 'parallel strategy' divorced from core business. Challenges stemming from sustainability issues are tackled as part of overall corporate strategy. In these enterprises sustainable management makes a large contribution to value added and is relevant to success. The reasons for this can be seen from the following figure:



On the way  
to becoming  
a driver

1.  
Integration instead  
of separation

In addition to these action criteria, four essential success factors for drivers can be inferred from the survey findings and their combination with GTZ's worldwide working practice:

Integrating sustainability as a binding factor in the overall strategy of an enterprise is essential for harnessing the opportunities afforded by sustainable management. Both in strategy development and implementation in the management processes, linking sustainability aspects with long-term business goals is crucial for the success, acceptance and credibility of a commitment to sustainability. The same also applies for the extended management processes of an enterprise, since the integration of economic, social and ecological contents into the whole supply chain plays an important role in securing long-term business success. Involving the subcontractors in the quality discussion (qualification through training, environmental management systems, quality management, technology and know-how transfer), for example, can ensure that the economic potential of the whole supply chain is put to greater effect. Introducing social and ecological standards, for example, ideally performs two functions here: on the one hand as an instrument of quality assurance, and on the other as a contribution to co-shaping the corporate setting. The pace of globalization also necessitates the systematic integration of sustainability aspects into corporate strategy and management processes in order to mitigate global environment risks.

2.  
Active management  
of the corporate  
environment

To secure its long-term competitiveness, an enterprise must be embedded in its respective local, national, regional and international setting. This entails entering into dialogue with different groups in the corporate setting. The clear intention in taking part in stakeholder dialogues, round tables and networks is to play an active role in shaping the corporate setting.

Due to the instabilities in developing and newly industrializing countries in particular, it is necessary to recognize changes in the company's political, economic and social setting. Special external challenges are, for example, global climate change, demographic trends, poverty, shortage of energy and food, or HIV/AIDS. It is crucial to understand these changes and trends and to integrate them into business operations so as to be able to make the most of the opportunities in the respective locations. The only way for an enterprise to gain a cost-effective, long-term position on different markets is by taking an active role in shaping its corporate setting. Discerning medium-term and long-term management of the corporate setting places heavy demands on creativity and innovative capacity but it is manageable in dialogue with actors in and outside the enterprise.

When implementing group-wide strategies the precept is: all business is local. Meeting local requirements is a key success factor. Group-wide strategies provide a guideline for the scope of local management. It is, however, the location-specific strategic adjustment that gives the responsible personnel the necessary leeway to gain direct benefit from sustainable management. The setting plays as large a role in the development and local adjustment of a group-wide strategy for sustainable management as in-house management instruments. Dealing with changes in the corporate setting, such as the spread of HIV/AIDS, is crucial to business success: corporate prevention programmes can be understood as both shouldering social responsibility and long-term personnel policy. This is why they make a simple and understandable case for the link between social responsibility and long-term management processes.

Due to the broad range of sustainability aspects, gearing activities to the core business of the enterprise takes on a very important role. The corporate definition of objectives for securing the setting in the long term makes heavy demands on setting the focus and priorities. An essential success factor is concentration on a few strategically important corporate issues, not addressing as many sustainability themes as possible.

3.  
Local adaption  
instead of  
global blueprints

4.  
Simplification by  
setting priorities

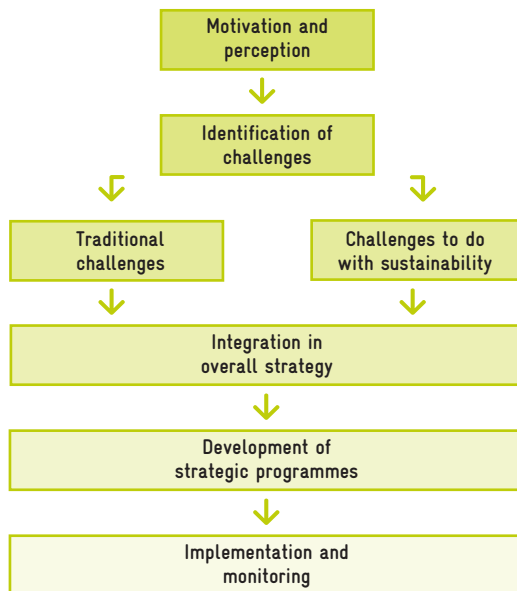
# 6 Outlook

## Sustainable management for the future

The general notion of sustainability in business, corporate social responsibility, sustainable management, corporate sustainability, corporate citizenship or corporate development is undergoing a dramatic change. This development will even relegate the triple bottom line, the dominant rationale for sustainable management, to a much lower status. Sustainability will in future focus even more on the relevance of integrating value-enhancing sustainability contents and challenges into corporate strategy and development, foremost concerns being the long-term positioning of products and services and innovative capacity.

Sustainability as a part of overall corporate strategy starts with recognizing changes in the external corporate setting and grasping the resulting challenges for the company's core business. In the search for answers to these challenges, active elements of sustainable management, such as product and technology development, creativity, innovation or sustainable business models, take on greater relevance. Elements such as reactive risk management and communication will recede in importance. The operationalization of an overall corporate strategy geared to sustainability has an active influence on both the in-house and external corporate setting.

The drivers amongst the respondent enterprises have already come a long way towards a new vision of sustainable management. They have grasped that isolated sustainability strategies end up with isolated measures that serve a purpose and function as operational programmes, but are not capable of harnessing the value added potential of sustainable management. Corporate sustainability then remains either an operational, reactive necessity, or "corporate philanthropy".



Management process tomorrow: integration instead of separation



Only if sustainable management is upgraded from its status as a necessary and important but secondary issue to a value and innovation driver in core business will the commitment have an effect and hence a future.

# The Company

The Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) GmbH is an international cooperation enterprise with worldwide operations. In different ways and with political, private-sector and civil-society partners, GTZ contributes to building capacity in over 130 countries of Asia, Africa, Latin America and Eastern Europe. Its range of activities spans policy advice, economic development and environmental/resource management. In all this, GTZ is committed to sustainable development.

AgenZ bundles GTZ's global competencies and supports multinational enterprises on their way to sustainable management. For more information see: [www.gtz.de](http://www.gtz.de) and [www.agenz.de](http://www.agenz.de).

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