



parathink™

Nº 3

# Beyond Green: The Expanding Role of Corporate Sustainability

*Why “corporate sustainability storytelling” is increasingly important to any business*

(A quick-reading ParaThink Briefing for really, really busy people)

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Paragraphs is an award-winning, strategic marketing agency and design firm specializing in branding and corporate communications across all media. Since 1984, we've helped leading companies around the world do one thing exceptionally well: build powerful brands that grow their business.



## Executive Summary

Corporate sustainability has been gaining momentum for a while, but it's become increasingly mainstream in the last five years. Many successful organizations now consider corporate responsibility as a daily part of “business as usual” that affects the bottom line—in a positive way.

While some of the changes are the result of cultural shifts, the business case for green practices is a more significant driver. Simply put, corporate sustainability has proven not only to be good for its own sake, but good for business too. At the same time, the landscape of corporate sustainability is changing. The most successful players in the near future will be those who master the art of “sustainable storytelling” while keeping pace with the evolving expectations of what defines corporate responsibility within a business.

*In this parathink briefing, we'll give you a quick overview of:*

- A strategic and tactical process you can implement today to start getting the most out of your own corporate sustainability story.
- Why corporate sustainability is now an integral part of how successful companies are doing business every day.
- How the definition of corporate social responsibility is expanding, and what that means in today's business world.



## The unexpected win: corporate sustainability meets the bottom line

A major shift in how business in America thinks about its corporate social responsibility have been underway for some time, but it's gained considerable ground in the last several years. Sustainability initiatives that were once seen as nothing more than loss leaders or plays for good PR are becoming an integral part of how successful companies do business.

To some extent these changes are driven by grassroots trends. More people are concerned about corporate social responsibility issues than ever before, and it's not just consumers. Some of the largest companies in the world are making corporate sustainability a top priority, including healthcare names like Novo Nordisk, Biogen Idec, Agilent Technologies, Life Technologies, Eisai, Coloplast, Ramsay Health Care, Cie Generale d'Optique Essilor, AstraZeneca; plus CPG corporations such as Intel, Cisco Systems, Alcatel-Lucent, Siemens, Clorox, General Electric, Royal Dutch Shell, Motorola, Prudential, UCB, Unilever, Nestlé, and even the Campbell's Soup Company.<sup>1</sup>

It's not surprising that all of these companies are multi-national corporations with significant European operations. While the US is making great strides in the green universe, it's still several kilometers behind when compared to its EU counterparts when it comes to sustainability processes and business practices.



What would have seemed remarkable just a few decades ago is that most of these companies aren't acting in response to regulation. They're doing it on their own initiative because there's a growing realization that corporate sustainability can be *profitable* in a big way.

This insight, however, is creating a trickier challenge for many organizations. A key part of reaping the benefits of responsible business is finding the right way to tell your "corporate sustainability story."

### *Responsible business is becoming big business*

The business case for corporate social responsibility was slow to come to light because consumers typically aren't the primary driver, especially if responsible products come with a higher price tag. According to a recent survey by McKinsey, more than 70 percent of consumers surveyed are willing to pay about five percent more for "green" products, but that number drops quickly as the premium rises, with less than 10 percent willing to pay an extra 25 percent or more.<sup>2</sup>

<sup>1</sup> All of the companies named here appeared in the 2013 Global 100 List of the world's most sustainable corporations.

<http://global100.org/2013-global-100-list/>

<sup>2</sup> [http://www.mckinsey.com/insights/manufacturing/how\\_much\\_will\\_consumers\\_pay\\_to\\_go\\_green](http://www.mckinsey.com/insights/manufacturing/how_much_will_consumers_pay_to_go_green)

Look at the bigger picture, however, and sustainability initiatives have a lot to offer the bottom line of any organization, including:

- Reduced energy costs
- More efficient supply chains
- Reduced waste throughout the product life cycle
- Improved employee health, productivity, and motivation
- Greater opportunities with governments and organizations that value sustainability
- Tax incentives
- Better-educated customers (with more money to spend)
- Consumer goodwill and preference
- Preferential treatment from major retailers
- Financial support from funds that invest exclusively in green companies

Many organizations still considered these benefits hypothetical as recently as a few years ago. Today they're recognized as competitive advantages that have earned their keep on the balance sheets of world-class companies. As a result, sustainability initiatives made the transition from fad to trend some time ago. A further shift from trend to best practice is already underway, and likely to evolve further in the next few years.

Along the way, the definition of what makes a business socially responsible has broadened and matured. Standards of corporate social reporting (CSR reporting) are still evolving and gaining support, but they're a great place to start looking for the key elements of the story your company needs to tell the world. Here's what's considered the "green standard" today:

## Three faces of corporate social responsibility

As business interest in sustainability has grown, three major components have become an integral part of many corporate sustainability stories. Inspired by guidelines first established in 2000 by the nonprofit Global Reporting Initiative (GRI), a sustainability initiative plan should address environmental, economic, and social elements.

### 1. Environmental

There's no question that the environment was the first issue to put the "green" into green business, but even this category is evolving as the trend goes mainstream. Reducing pollution was the original driver, and it remains an important component. Today, however, many companies that produce little or no pollution to begin with have an interest in doing as much as they can for the environment. In recent years, this has led to a greater interest in conservation.

Many companies, for example, are now finding ways for their facilities to recycle water, provide alternative power generation for heating and cooling facilities, making greater use of natural light, and to utilize many other resource-saving strategies. A great deal of work is also being done to optimize the efficiency of supply and logistics chains, and to learn more about how products affect the environment throughout



3 Short for Leadership in Energy & Environmental Design. Learn more at <http://www.usgbc.org/leed>

every stage of their life cycle from design to disposal. In addition, an entire system of sustainable building practices, known as LEED<sup>3</sup>, is now used as a baseline standard for new construction by many large corporations, schools, and government agencies.

The short- and long-term benefits go beyond cost savings. Some powerful companies that wield considerable market influence like Proctor & Gamble and Wal-Mart are more likely to do business with companies that employ sustainability initiatives. If your business relies on relationships with players like these, the primary audience for your corporate sustainability story may not be the general public. There are also a growing number of Wall Street funds that only invest in companies that meet certain benchmarks for corporate sustainability.

## 2. Economic

How a business impacts the local economy is a topic that's generating a lot more scrutiny and awareness. Watchdog organizations are asking questions that go beyond environmental impact. How will a community benefit if you drill, fish, or mine in the area? Will it damage an existing economy, create local jobs, or cause other disruptive changes?

At the same time, stories about economic sustainability can be proactive. Your economic contribution to the sustainability landscape can include everything from encouraging employees to volunteer with charitable organizations like Habitat for Humanity to internal communication aimed at getting everyone engaged in your corporate sustainability initiatives.

Some companies, for example, are funding organizations that need help or donating to causes they feel strongly about. Some respond to disasters by providing funding or free products to aid organizations like the Red Cross or Doctors Without Borders. We're also seeing many new sustainability initiatives designed to provide educational opportunities, build infrastructure in developing nations, or help consumers save on energy costs.

Consumer interest in economic initiatives like these is growing rapidly. According to a 2013 Nielsen survey, 50 percent of global consumers are willing to pay more for goods and services from companies that have implemented corporate social responsibility programs to give back to society, an increase of five points from 2011(45%). Willingness to spend more with socially responsible companies increased in 74 percent of the countries Nielsen measured. While many who were willing to pay more were age 30 and under, the percentages were up for both men and women across all age groups surveyed.<sup>4</sup>

## 3. Social

Social sustainability covers a wide range of issues, from respecting the cultural norms of markets you do business in, to customer satisfaction, affordability, reliability, and even innovation. How your company deals with an aging workforce, diversity, and providing competitive salaries and benefits are more important than ever before. Health and wellness are another component for both employees and customers—especially consumers with children. For proof, look no further than your grocery store, where natural macaroni and cheese brands like Annie's Homegrown are gaining shelf space. Meanwhile, consumer complaints are prompting industry giant Kraft to remove artificial dyes from some of its competing varieties.<sup>5</sup> PepsiCo is another high-visibility brand responding to consumer concerns. For several years the company has produced "throwback" versions of Pepsi and Mountain Dew made with sugar instead of high fructose corn syrup, and recently announced plans to remove a controversial ingredient from Gatorade.

Last, but far from least, corporate social responsibility includes issues relating to human rights, diversity and inclusion, consumer safety and consumer privacy.

<sup>4</sup> <http://www.nielsen.com/us/en/press-room/2013/nielsen-50-percent-of-global-consumers-surveyed-willing-to-pay-more-fo.html>

<sup>5</sup> <http://bigstory.ap.org/article/kraft-remove-artificial-dyes-3-products>

### *The sustainability blend*

While this three-pronged view of corporate sustainability isn't new, we've seen a growing number of organizations adopting it in the last 3–5 years. Some companies follow the formal definitions in the GRI standards, while others "reference" these standards or create their own way of telling their corporate sustainability story. In practice, all three of these activity types are closely interconnected, so the lines between them can blur depending on the focus of any given organization and what standard they use to measure progress.

This summary also represents a snapshot in time. The process of defining corporate social responsibility is ongoing, and further changes are certain in the near future. The key takeaway for today's businesses, however, is that all three are now components of the corporate sustainability equation... it's no longer just a question of "are you harming the environment?"

*"Good sustainability reporting is not a glowing review of the company, but a demonstration of progress where you're laying out what's important, what's working well, where you're having successes but also where the challenges lie and what you're doing to try and address those."*

– Mindy Gomes Casseres,  
Senior Consultant for Environmental Resources Management (ERM)

### Emerging trends

For companies on the leading edge of corporate social responsibility, two additional movements in sustainable storytelling are gaining ground:

#### *The bigger story: thinking outside the "checkbox"*

In the past it was enough for companies to focus primarily on facilities they owned and operated. Today, however, the conversation is expanding to include your entire value chain...and what you're doing to try and influence it.

Leaders in corporate sustainability have been doing this for some time, but in 2013 these practices were incorporated into version G4 of the GRI guidelines. According to Mindy Gomes Casseres, a Senior Consultant for Environmental Resources Management (ERM), the idea behind the change is to try to move companies away from a "check the box" mentality.

"The evolution in corporate sustainability is moving from 'what you do' to your entire value chain," Gomes Casseres says. "I think the changes are making companies think a little bit harder about how to curate, measure, and report on their performance. It's raising the bar to make them think more holistically about the entire value chain. Upstream, they have to consider how they're sourcing things. Downstream it's how customers and consumers are using and disposing of products. So you can get into some end-of-life or cradle-to-cradle issues."

#### *The full story: Integrated Reporting*

As a growing number of corporations work to integrate corporate sustainability in their businesses models, a movement has emerged to combine financial and sustainability reporting in annual corporate reports. "The idea is that corporate sustainability issues should be included in your annual report because they could sway the decisions of investors," Gomes Casseres says.

Integrated Reporting (IR) is the "bleeding edge" of corporate social responsibility. It's been discussed for several years, but a pilot program for the first set of guidelines was announced in December of 2013. The driving force behind the IR movement is the International Integrated Reporting Council (IIRC), a global coalition of regulators, investors, companies, standard setters, accounting profession professionals, and NGOs ([www.theiirc.org](http://www.theiirc.org)).

## Chasing the green goalposts

While corporate social responsibility is delivering ever-increasing benefits to savvy corporations, the trend poses challenges even for its strongest supporters. Here are some of the most common, along with the strategies successful companies are using to overcome them.

### *Return on investment*

Sustainability initiatives often increase short-term costs in exchange for long-term savings, which can make it more difficult for small- and medium-size companies to implement big changes. This is especially true in the case of alternative energy. Despite ongoing improvements, today's solar and wind installations still offer their most compelling cost benefits at the utility scale.

The easiest solution to this problem is to not do too much at once. Experience has shown that gradual transitions may be more effective in the long run than extreme green makeovers. Conservation and recycling, for example, cost comparatively little. If you can't make major changes right away, look for ways to make regular upgrades. Infrastructure improvements can be budgeted over time as resources permit.

Inefficiencies in your internal processes or supply chains are another good place to start. Even small changes can make a big difference. Are you trucking components halfway across the country that you can get from sources closer to your facilities? Can you modify packaging to use fewer raw materials? Are you generating a waste product that could be recycled or used for something else? Encourage suggestions from your employees to get the ball rolling.

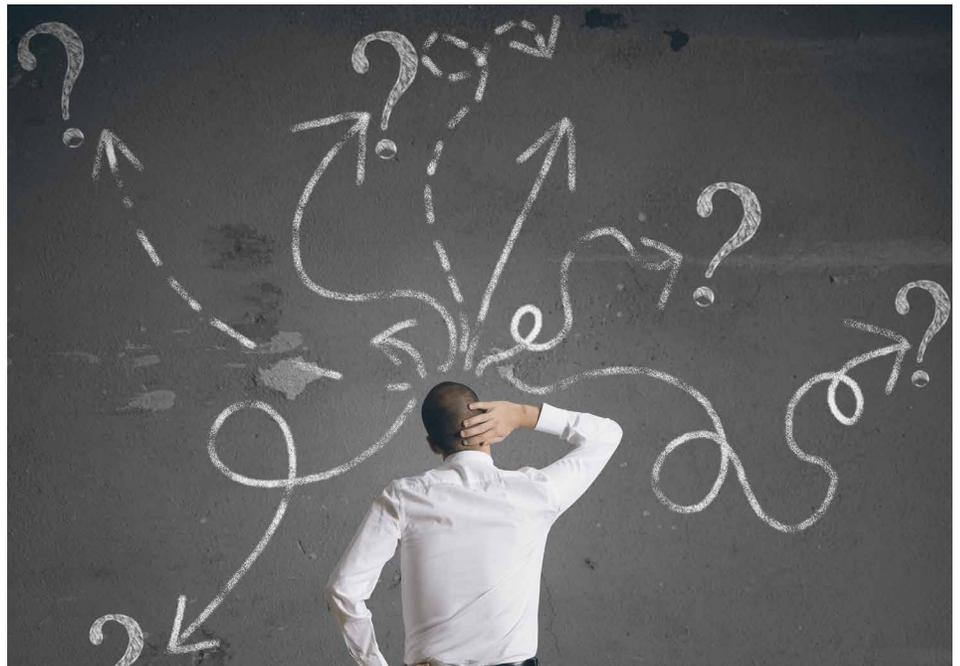
Another advantage enjoyed by today's corporate world is the growing maturity of the green movement, which has recognized and adapted to more business realities. Many sustainable products and services are now structured to deliver immediate savings or to

pay for themselves in 3–5 years. Others with longer payback times are creating competitive financing deals. Several solar energy companies, for example, now have leasing programs that offer immediate savings on your energy bill even with the costs of installation, maintenance, and a monthly fee factored in.

### *The moving target*

What was "green enough" yesterday is a good first step today, but may be the price of admission tomorrow.

Part of this is by design. Organizations like the Global Reporting Initiative, the Green Building Council, and other advocacy groups regularly review and increase their standards. Their unconcealed intention is to raise the floor every time they raise the bar—and to some extent it's already working.



In construction, for example, accessibility for wheelchair-bound visitors is now a standard part of many building codes. Advocates of green building practices are now working to bring about similar changes. While not every business can afford to build to the LEED Platinum standard, the economic benefits of showcase projects have encouraged imitation and incentives. At the same time, the less stringent LEED Silver classification is becoming standard for many government and public buildings.

These changes aren't being implemented without resistance, and there is occasional backtracking, but architects and contractors who adopt them not only have a stronger story to tell, they're beginning to enjoy some advantages over competitors who do not. In addition, green building practices are becoming more common even in projects that don't seek official certification.

Depending on your industry, you may or may not have a choice about whether you need to address sustainability initiatives right now. But even if you don't see a pressing need today, our advice to any business is to take a proactive approach now. Staying ahead of the curve is always less expensive than playing catch-up, and can have the added advantage of positioning you as a leader and trend-setter in your respective market space.

### *Consumer reluctance, brand loyalty, and skepticism*

While the number of consumers who claim to be willing to spend more with socially- and environmentally-responsible companies is growing, the number who actually do so is progressing at a slower pace. In the Nielsen study quoted earlier, 50 percent of respondents in Slovakia claimed they would be willing to spend more, but just 22 percent said they had actually done so. Similar spreads were found in Bulgaria, Peru, and Hong Kong.<sup>6</sup> Many other countries had lower percentages willing to pay more in the first place, especially in Europe, which averaged around 36 percent.

Brand loyalty plays a role in these results. Just as with generic medications, many consumers are unwilling to switch from trusted brands, even if there's a greener alternative with a similar cost. "Green fatigue" is also on the rise—some consumers have had bad experiences

with green brands, have been turned off by past false starts, or are simply tired of hearing too many cookie-cutter, undifferentiated claims.

This challenge is often best confronted by positioning corporate sustainability as one benefit among many. Don't ever assume that it's enough to be socially responsible and eco-friendly. Your brand will require the same strategic planning and tactical positioning as any other product or service. If possible, try to win customer loyalty by demonstrating that your offering is the best possible choice on the basis of its other merits, with sustainability as an extra benefit to tip the scales against less-responsible competition.

If your sustainable solution has a higher cost, be wary of trying to compete on price. Instead, look for ways your corporate sustainability story can shift the conversation to an arena you can own—a benefit that makes you more than just a "green clone" of an established brand.



<sup>6</sup> <http://www.nielsen.com/us/en/press-room/2013/nielsen-50-percent-of-global-consumers-surveyed-willing-to-pay-more-fo.html>

## Communicating your corporate sustainability story

Whether you choose to pursue a formal sustainability reporting strategy like those developed by GRI or the IIRC, or merely model your efforts on their example, the process for developing your sustainability story can be summarized in three major steps:

1. Identify the issues of concern for your business
2. Identify the areas where your business goals interact with any relevant stakeholders
3. Develop your corporate sustainability initiatives and communication strategies to address

### 1. Issues of concern

Identifying the most relevant issues for your business is the starting point for any sustainability initiative. In GRI reporting, this initial phase is called a “materiality assessment.”

Gomes Casseres explains it this way: “It’s a bit different from ‘materiality’ as you would think about it for a financial analysis, but the premise is the same. You need to define what’s most important for your company to be focusing on based upon stakeholder input, not just what you want to talk about. You can’t get away with talking about just the good things your company is doing. You really have to identify and address issues of concern.”

For example, for a company that produces paper, the most material issues might be sustainable forestry, water usage, and waste management. A power company would need to address the environmental impact of energy generation, the reliability and cost-effectiveness of service, and the safety of employees.

A food company’s material focus might include issues as broad as sustainable agriculture, supply chain management, human rights, nutrition, and obesity risks.

“You want to make sure that you’re communicating what’s important and relevant so that you’re not criticized later because you haven’t focused on the real story,” Gomes Casseres advises.

### 2. Stakeholders

In terms of sustainability initiatives, stakeholders are a broad group of individuals and organizations that care about your company’s activities—whether or not they support your goals. These might include your shareholders, your employees, the socially responsible investing community, activists, local communities surrounding your facilities, your vendors and suppliers—in short, anyone with a vested stake in your company.

It’s worth your while to know your stakeholders at least as well as you know your customers. Some of them will be both, but even the

*“When you develop your sustainability platform or program, it first and foremost needs to focus on the issues most material to your company and stakeholders. It also has to reflect the company culture and brand. Packaging and marketing it in a way that resonates with employees, customers and other stakeholders is key. Because if it’s not seen as credible and authentic, they will call you on the carpet.”*

– Mindy Gomes Casseres,  
Senior Consultant for Environmental Resources Management (ERM)

ones who don't buy from you need to be factored into your sustainability initiative. You need to know what's important to them, especially the aspects of your business that affect their environmental, economic, and social environment.

### *3. Developing your sustainability initiative*

By this point you'll probably start to see clear lines of intersection between your company's goals and the major issues of concern for your industry and your stakeholders. Where they meet, or are likely to meet as you grow, are the areas that are most important for your company to be focusing on.

Use the issues that are most important to your company and your stakeholders to outline your

corporate sustainability story. Ideally, you want to highlight the issues that are most important based on your materiality assessment or other stakeholder research. From there, develop the themes you'll use to tell your story—both to your insiders and the world. These in turn will point the way to the content, data, and case studies you'll need to back up your claims and establish the credibility of your corporate sustainability story.

## What's working now

In addition to the strategies detailed above, we've identified several best practices that are delivering consistently successful results for sustainable brands.

### *Internal engagement*

One of the biggest changes we've seen in the last few years is that corporations are doing a much better job involving their employees in all of the corporate social responsibility aspects of their business. Many businesses now consider it essential to enroll and engage their own people, encouraging them to take personal ownership of the company's sustainable values.

Today the message is no longer "you should be proud of the company for what we're doing." It's "we need you to help with this every day so that we become the responsible company we want to be." Some of these messages eventually form the basis for external campaigns as well, but their first goal is to encourage internal staff and corporate partners to live the ideals the organization wants to present to the outside world.

### *Choose achievable & quantifiable objectives*

Corporations, regulators, and consumers are all looking for more "teeth" when it comes to sustainability reporting progress. "Greenwashing" isn't good enough—everyone wants results that mean something.

Whether it's reducing your carbon footprint, reducing emissions by X percent or increasing recycling by Y, choose concrete goals that are within your grasp. Be realistic—you don't want to reach so far that your goal is unreachable, or worse, incomprehensible. Make your objectives as specific as possible and



be clear about the benefits they'll provide in both your internal and external communication.

### *Ac-cen-tu-ate the positive*

Corporate sustainability deals with serious issues that can seem overwhelming, but nobody wants to buy fear. There's a true art to motivating people for positive change: you need to convey the severity and urgency of the challenge you're taking on, without making your message too depressing or morose.

The best corporate sustainability storytelling encourages people to think, "this is important and I need to care about this," promoting sustainable buying behavior (with you) without over-reaching on what you can accomplish by yourself. You can't whitewash or greenwash reality, but you'll still need to be positive enough to prevent your audience from forming the impression that your challenge is such a big problem there's nothing they can do to change the outcome.

### *Wrap your sustainable efforts in transparency*

Early in the corporate sustainability movement, companies worried that public disclosure would bring unwanted scrutiny. In fact, the reverse has turned out to be true. The more effectively you tell your sustainability story, the more credible you'll be, and the more your bottom line is likely to benefit.

Corporate strategy in this arena is seeing dramatic shifts. Smart

companies are no longer content to be compliant with regulations and consumer expectations. They're going above and beyond what's required to position themselves as sustainable leaders, innovators, and trend-setters. To be sure, there's still competition, but with a twist. There are very few trade secrets when it comes to corporate social responsibility businesses practices—more often you'll see competition to educate other companies by highlighting their own initiatives.

Transparency is great PR, but it also imposes greater responsibility, especially in the harsh light of the Internet. Late in 2010, for example, ConAgra made a big deal about removing high fructose corn syrup from Hunt's Ketchup. When the move failed to increase sales, the company very quietly re-introduced HFCS to its product, provoking outrage on consumer websites. To reap the benefits of transparency, you'll need to keep your promises and walk the walk.

### *Corporate sustainability strategy you can use...today!*

Want to polish your own corporate sustainability story? We'd like to give you a free insider look at the process we use to create clear, compelling stories:

### *Get our corporate sustainability storytelling worksheet—Free*

Get a copy of our free corporate sustainability storytelling worksheet, featuring thought-provoking strategies to help you position your organization as a responsible company without coming across as self-aggrandizing. Just visit our website to [download the worksheet](#). There's no obligation whatsoever. Consider it our way of saying "thanks" for taking the time to read this briefing.

Want to review your own corporate sustainability strategy—or anything else that's on your mind? Set up a complimentary 30-minute strategy session with us by calling [312.828.0200](tel:312.828.0200) *Ask for Robin*



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