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# Conceptual Framework for Corporate Sustainability Planning

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**Abstract:** The study explores methodological approach to corporate sustainability planning based on system approach to sustainability. It implies issues as a position and critical aspects of corporate sustainability planning and proposed framework on how to effectively develop a corporate sustainability plan. The key challenge of this conceptual framework is to effectively guide and support holistic decision making in institution towards achieving a sustainable development. Finally, assessment criteria for corporate sustainability planning effort are outlined.

**Key words:** Assessment criteria, strategies, decision making, action plan, system approach

## INTRODUCTION

Corporate Sustainability Planning (CSP) can be defined as the process of specific strategies and action plan development to help ensure the long-term goals. In generally, this presents a complex process and task which includes considering the full range of resources and competencies such as financial, political, administrative and managerial. Accordingly, this complex task has to be reduced to a relatively simple one, capable of being analyzed.

When developing specific strategies during a CSP, it has to be respected mainly current reality. It is because that often people try to use yesterday's solutions to cope with today's challenges (Townsend, 2001). Taking into account a strategic management theory by Porter (1996) it is underlined that the essence of strategy is choosing what not to do. What he suggested is that the most difficult decisions in strategy development are not deciding what to do but rather deciding what you are not going to do.

Therefore, a corporate strategy development might be based on understanding of the interdependence and relationship between company's core values, its mission and vision. By focusing on the vision, the first question might be: Where a company is and where it needs to be? Then, a strategy development will be oriented on determining company's objectives, setting goals and determining what specific steps will be necessary to accomplish long term goals. Obviously, a process of Corporate Sustainability Planning consists of other important steps. The scope of this study is present some methodical aspects of CSF with aim to minimize ineffective effort in this process.

**Understanding of sustainability:** Now a days, sustainability as a words matter has become a marketing buzzword for the industry and media. On the other hand, Findings made by the Hartman Group (2007) show that while consumers are actively engaged accommodating sustainability in their day-to-day lives, the average consumer does not use the term sustainability. Sustainability is traditionally conceived in terms of environmental protection activities such as cleaning up rivers, pollution reduction and elimination and reasonable exploitation of the world's resources. To be closer to the essence of this term it is vital to refer also a definition provided by the (WCED) World Commission on Environment and Development (Brundtland, 1987) report. By its definition, sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs. The report underlines how economic, social and ecological processes are all connected and provides the foundation for the three-dimension concept. Accordingly, when sustainability is shown as an abstract concept then many people may have difficulty understanding what it is. Hitchcock and Willard (2008) pointed that this conceptual view on sustainability often results in a paradigm shift for people, creating a whole new way of looking at the world. They also underline that sustainability can also be an emotionally charged topic. It is especially occur when people are confronted with a reality how their lifestyles are damaging the ecology of planet earth. In this sense, it would be expected from schools systems to prepare students for a sustainable future and his longing as a citizen in the global community to see sustainability aspects in each relevant context of their living

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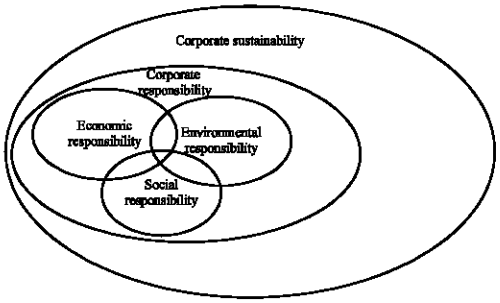


Fig. 1: General model of CS/CR (Linnanen and Panapanaan, 2002)

circumstances (Hricova and Knuth, 2008). The Finish system approach to sustainability can be considered as the most comprehensive and general model of Corporate Sustainability and Corporate Responsibility (CS/CR) (Fig. 1). This model implies three aspects of sustainability (economical, environmental and social) that can be transformed into a CR approach that companies have to concern with.

**Position and critical aspects of corporate sustainability planning:** Sustainability planning has become a very important initiative over the past few years among leading corporations as a tool to achieve strategic dominance within the global marketplace. A sustainability plan, professionally carried out, usually provide direction and rationale for the integration of sustainability principles among suppliers, employees and customers. Having to deal about this term it is necessary to make clear that corporate sustainability planning is only one element of corporate sustainability development (Fig. 2). Sustainable development is a broad, dialectical concept that balances the need for economic growth with environmental protection and social equity. The term was first popularized in 1987 in the book Our Common Future, published by the World Commission for Environment and Development (Brundtland, 1987). Process of sustainability development consists of a prescriptive set of sustainability actions that include a five-step cyclical process.

As sustainability is an ongoing cyclical change process rather than a one-time sequential stage process the model of cyclical change was more or less derived from the Plan-Do-Check-Act cycle also known as Deming or Shewhart Cycle that is one of the most common tools for improvement.

The aim of step 1 in that model is assessing the adequacy of the infrastructure capacity to support an innovation and assessing the attributes of innovation, using the preparedness measures for each sustainability

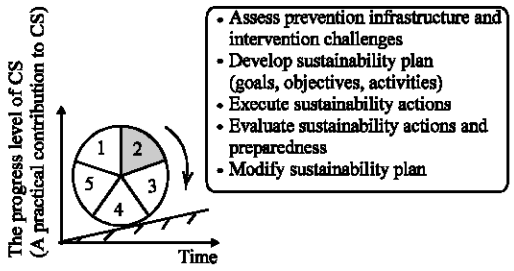


Fig. 2: Sustainability development action steps

factor. There are two objectives for conducting this assessment:

- To determine which sustainability factors need attention in the planning and implementation steps
- To provide baseline data for evaluating the impact of the sustainability actions at step 4

In step 5, the sustainability plan is reassessed based on a review of the pre-post evaluation to determine whether the sustainability actions need to be modified. As additional innovations are adopted and subsequently considered for becoming a viable element of a prevention system, the five-step process is repeated (Johnson *et al*., 2004).

When developing a sustainability plan, then according to The Finance Project (2002), the following components are the most critical and can be helpful in efforts to develop specific sustainability strategies and action plan.

**Sustainability vision:** Having a vision of sustainability means that leaders of sustainable businesses will be able to answer questions like these:

- How the corporate works within the larger social and natural environment and how is the environment enriched or diminished by your products or services?
- What are your major impacts on society and how does your overall business strategy reflect those impacts?
- How do you take into account the needs of society and of future generations?

**Results orientation:** It is the further fundamental element of sustainability which is demonstrating program success through using results to make better decisions. Results orientation is based on proving and improving effectiveness with measurable indicators of success drives both internal management and external support of a sustainable initiative.

**Strategic financing orientation:** It enables to program leaders to identify the resources they need to sustain their activities and then develop strategies to bring these resources together to achieve their goals.

**Adaptability to changing conditions:** It has now become the key factor in identifying and overcoming any external threats that could obstruct program continuance.

**Broad base of community support:** It means to determine who within the community loves an initiative who needs it and who would care if it were gone. Often, when an initiative is able to build a broad base of supporters who care about it and believe it is vital, fiscal and non-fiscal support will follow.

**Key champions:** Rallying leaders from businesses, faith-based institutions, government and other parts of the community who are committed to an initiative's vision and are willing to use their power and prestige to generate support for that program will help to ensure long-term stability.

**Strong internal systems:** Building strong internal systems such as fiscal management, accounting, information, personnel systems and governance structures, enables an initiative to work effectively and efficiently. Establishing these systems also allows initiatives to document their results and demonstrate their soundness to potential founders.

**Sustainability action plan:** It is to be intended to help initiative developers and managers clarify where they want their initiatives to go in the future. They provide benchmarks for determining whether initiatives are successfully reaching their goals. They also help policymakers, opinion leaders and investors decide whether and how to support certain initiatives.

**A framework of the corporate sustainability planning:** In the literature exist quite plenty approaches how to structure or conceptualize a content of corporate sustainability planning. For instance, Sridharan *et al.* (2007) described so called comprehensive strategy planning process. In their study, quantitative and qualitative methods were employed to assess the extent to which the construct of sustainability was incorporated. Blackburn (2007) shown Sustainability Operating System (SOS) standards for examining the business case for sustainability on a topic-by-topic basis from the unique viewpoint of each company.

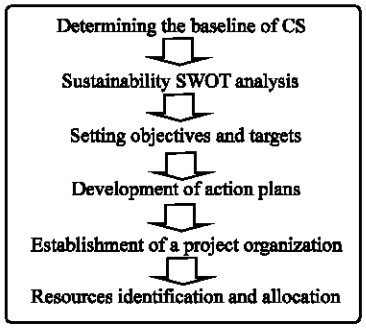


Fig. 3: A framework of the CSP

Considering prior objectives of this study to identify generic and easy applicable concepts of corporate sustainability. Figure 3 shows a step by step planning model for corporate sustainability. Scopes of individual steps of the CSP are described.

**Determining the baseline of corporate sustainability:** Prior to when corporate sustainability objectives and targets can be set, it must first find out where it is starting from. In other words, the following question in this stage is pertinent: where a company's position is on the sustainability level? This means to measure a baseline economic, environmental and social performance based on a set of sustainability indicators.

**Sustainability SWOT analysis:** Based on the results of sustainability indicators detailed sustainability SWOT analysis should be carried out to identify the company's main strengths and weaknesses as well as the specific threats and opportunities. Its use helps the business to focus on key issues, especially relating to company's goal of sustainability. SWOT analysis looks at the internal factors (strengths and weaknesses) and external factors (opportunities and threats) affecting a business. By recognizing and understanding these factors, a company will able to build on its strengths; take advantages of any arising opportunities; to minimize weaknesses and plan to safeguard itself against threats.

**Setting objectives and targets:** Defining specific sustainability strategies require setting objectives and targets so it is clear where the company needs to be and how soon. Targets and objectives should be relevant to the key sustainability issues and indicators identified in the earlier stages. To ensure credibility of the sustainability strategy, the targets should go beyond minimum legislative requirements and current standards in the sector. Benchmarking of the performance of other companies within the sector may help in this respect.

**Development of action plans:** To develop action plans for desired outcomes is a further step in preparation for the practical implementation of the sustainability strategy. These plans should be based on the set objectives and targets, taking into account the identified key sustainability issues and the related business areas as well as the results of the SWOT analysis. The action list should also include the responsibilities and the time-scale for each activity.

**Establishment of a project organization:** During this stage, it is required to identify sustainability team and define responsibilities matrix. Different accountability structures for sustainability can be established in an organization. For example, the board could charge a director with line responsibility for the company's sustainability policy and strategy. The board as a whole would then monitor the implementation of the sustainability action plans.

**Resources identification and allocation:** Substantive interventions require adequate resources. This would mainly be costs related to staff and personnel time contributed in the various stages of corporate sustainability planning. It is important that these costs are identified and budgeted for, so that the implementation of the corporate sustainability project is not hampered by the lack of financial resources.

The key challenge of this conceptual framework is to effectively guide and support holistic decision making in institution towards achieving a sustainable development.

## ASSESSMENT CRITERIA FOR CSP EFFORTS

It is possible to identify many potential global criteria for corporation sustainability such as the Dow Jones Sustainability Indexes, The Ethibel Sustainability Index, Ethical Global Index and others. Many of the indices criteria are related but are addressed to various sustainability issues. In many cases, the various criteria appear vague for organizations to use in developing their corporate sustainability plans (Fisher, 2010). The most vital model for corporation sustainability that is being used by various industries is the criteria for performance excellence from the Baldrige National Quality Award. These criteria not only promote sustainability efforts but also provide a framework to identify and implement sustainability initiatives that can be strategically aligned and used to promote performance excellence throughout an organization. The Baldrige Criteria for Performance Excellence (CPE) consist of a hierarchical set of categories, items and areas to address. The seven categories associated with the 1999 criteria are leadership, strategic planning, customer focus, measurement, analysis and knowledge management, workforce focus, process management and results. These categories are intended to embody results-oriented requirements that characterize an effective performance management system. The conceptual relationships between the various categories that comprise the CPE are shown in Fig. 4. The contents of these categories are shown in Table 1.

Application of CPE in the corporate sustainability planning provides a unique assessment methodology for an organization to measure its CSP efforts which was developed by Fisher (2009). The CS assessment scoring system is based on two evaluation dimensions: process and results. Process dimension is addressed to the item

Table. 1: Criteria for performance excellence framework

| Category title | Category content |
|---|---|
| Leadership | It is examined how organization's leaders guide and sustain your organization. Also, it is examined how an organization fulfills its legal, ethical and societal responsibilities and supports its key communities |
| Strategic planning | The category examines organization's strategy development process including how an organization develops strategic objectives, action plans and related human resource plans. Also examined are how plans are deployed and how performance is tracked |
| Customer focus | The customer focus category examines how your organization determines requirements, expectations and preferences of customers and markets. Also examined is how the organization builds relationships with customers and determines their satisfaction |
| Measurement, analysis and KM | The category examines organization's performance measurement system and how your organization analyzes performance data and information. The aim of implementing a performance measurement system is to improve the performance of organization. For this purpose operational and/or structural properties of business processes might be measured. Especially, analysis and assessment of structural properties of business processes present perspective tools for performance improvement in the organization (Modrak, 2004) |
| Workforce focus | The category examines how organization enables employees to develop and utilize their full potential, aligned with the organization's objectives. Also examined are organization's efforts to build and maintain a work environment and an employee support climate conducive to performance excellence |
| Process management | The category examines the key aspects of organization's process management. Because a modern organization must be adjustable to the major or minor changes, it is practically constantly transformed. Accordingly, organizational structure models might be coincident with enterprise information systems architecture (Modrak, 2007) |
| Results | The category examine organization's performance and improvement in key business areas; product and service performance, financial and marketplace performance, human resource results, supplier and partner results and operational performance |


Fig. 4: Baldrige award criteria framework (Adopted from Baldrige Award criteria framework (NIST, 1998))

requirements in categories 1-6 from the CPE and for evaluation of process issues are analyzed four factors: Approach Deployment Learning Integration (ADLI). Approach refers to:

- Methods used to accomplish the process
- How appropriate the methods are to the item requirements
- The effectiveness of their use
- The degree to which the process is repeatable and is based on reliable data and information

Deployment refers to the extent to which:

- The approach is applied in addressing relevant and important item requirements
- It is applied consistently
- It is used by all appropriate work units

Learning refers to:

- Refining the approach through cycles of evaluation and improvement
- Encouraging breakthrough change to your approach (innovation)
- Sharing refinements and innovations with other relevant work units and processes

Integration refers to the harmonization of plans, processes, results, analyses, learning and actions to support key organization-wide goals. Results dimension present independent review steps and it is addressed to requirements in the category 7 from the CPE. The five factors used to evaluate results are Performance Level, Trends, Comparison, Linkage and Gap (Le-T-C-Li-G). Performance Levels refer to:

- Performance position data
- Rank of data performance
- Current data performance
- Numbers that position results on a meaningful measurement scale

Table 2: Conceptual framework of CSP efforts measurement

| Dimensions | Factors | Score | CPE categories |
|---|---|---|---|
| Process | A-D-L-I | 1-100% | Leadership<br>Strategic planning<br>Customer focus<br>Measurement, analysis and KM<br>Workforce focus<br>Process management |
| Results | Le-T-C-Li-G | | Results |

Trends refer to:

- Numbers that indicate direction and rate of change
- Provide a time sequence of performance

Comparisons refer to:

- Performance relative to appropriate comparisons based on the external benchmarks
- Comparison against exemplary results (best practice)

Linkage refers to:

- Alignment of data important customer product and services, process and action plan requirements
- Complementary measures and results
- Connective measures throughout the organization

Gap refers to:

- An interval in results data
- Missing segments of data

Organization that score 0% have an anecdotal approach to CS and organization that have score 100% reflect very mature approach. Acomprehensive view on this methodology to measure CSP efforts in organization is shown in Table 2.

## CONCLUSION

Approaches to Corporate sustainability determine global survival because product and service supplier networks are internationally interconnected and recognized globally. Accordingly, corporate sustainability challenges can be viewed as a new and evolving corporate management paradigm (Wilson, 2003). Even though, a significant number of companies have made public commitments to environmental protection, further support companies in applying the principles of corporate sustainability is needed. Performed methodological aspects of corporate sustainability planning hopefully will help managers to develop goal, objectives and activities when they will start or improve their corporate sustainability initiatives.

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