CONCEPTS AND INSTRUMENTS FOR FACING THE CHALLENGES OF CORPORATE SUSTAINABILITY MANAGEMENT

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Introduction

Over the last decade an increasing number of companies have introduced environmental management practices and crossed the threshold from viewing environmental and social issues as a technological problem to seeing them as an economic challenge and opportunity. Since then environmental protection and social management have been established as important management topics in countless business enterprises around the world. Numerous enterprises and industrial associations are coming to grips with the task of operationalising eco-efficiency, corporate sustainable development and corporate sustainability management. The vision of sustainable development embracing three dimensions – economic, ecological and social aspects – has become increasingly important, and at the same time its status has evolved from a theoretical, abstract vision to an increasingly tangible and concrete task. As a consequence many different concepts and instruments of corporate sustainability management have been developed over the last decade. This contribution summarizes a report (BMU & BDI 2002/2003/2005) which structures these tools in order to support managers in creating a sustainable corporation.

Corporate sustainability management can be described in both functional and institutional terms. From a functional point of view it is designed to steer ecological, social and economic impacts of business activities in such a way that an enterprise develops in the direction of sustainability. The aim is not only to ensure systematic management of social and ecological aspects using economic methods, but also their integration into the conventional business management process. From an institutional point of view, corporate sustainability management describes the group of actors and organisational structures within the business enterprise that are concerned with social and ecological aspects and their integration in the conventional process of operational management of business activities.

Apart from that, principal sustainability challenges can be identified that enterprises are faced with in the context of sustainability management. Sustainability management consists of the entrepreneurial task of successfully meeting the following four challenges (see Figure 1 and Schaltegger and Burritt 2005).

Challenges of sustainability management

Ecological challenge: The ecological challenge addresses the burdens that
economic activities place on ecosystems. Ecosystems can only be subjected to burdens up to a certain limit before long-term damage occurs (e.g. decline in biodiversity, anthropogenic greenhouse effects, etc.). The aim is to ensure long-term protection of the natural environment, safeguard its absorption capacity and power of regeneration, and conserve biodiversity. The ecological challenge consists in reducing the absolute environmental burden caused directly and indirectly by businesses, and hence in improving the ecological effectiveness of business activities.

**Social challenge:** The social challenge presents business with the task of improving the sum of its social impacts. Businesses are institutions embedded in society that depend on social acceptance. They have to take account of their social impacts on individuals, interest groups and society as a whole. The aim here is to improve social effectiveness and hence to reduce socially undesirable effects of the business and promote positive social effects. This increases the social acceptance of the business and thereby safeguards its social legitimation.

![Figure 1. Challenges of sustainable management. (Source: BMU & BDI 2002)](image)

**Economic challenge to environmental and social management:** Since profit-orientated businesses operating in a competitive context are established and run primarily for economic purposes, their environmental and social management is constantly confronted with the challenge of increasing the value of the business (shareholder value) and making a contribution to profit or at least minimizing operating costs. The economic challenge to environmental and social management has two components: increasing eco-efficiency and improving social efficiency. Unlike the *absolute* challenges of ecological and social effectiveness, the focus in eco-efficiency and social efficiency is on improving the *ratio* of value added to ecological damage (environmental impact added by resource depletion, emissions, etc.), or of value added to social damage (social impact added by socially undesirable effects, lack of social equity, etc.). Thus, the ecological or social dimension is linked with the economic dimension that is at the centre of economic activity. In both cases it is a matter of optimising the ratio by reducing impact added and/or increasing value added.

**Integration challenge:** Finally, the integration challenge is derived from two different but related objectives leading to sustainability management. On the one hand there is the task of simultaneously fulfilling the first three challenges mentioned above. On the other hand there is a need for the integration of environmental and social management, with their concepts and instruments, in conventional, economically orientated management. At present, from an organisational point of view environmental and social aspects are often dealt with separately from economic management. This may lead to inadequate identification of both common factors and conflicts, and to
partial or total failure to address such issues. In contrast, the aim of sustainability management is an integrated approach to ecological, social and economic aspects.

The four sustainability challenges described above – which result from the vision of sustainable development – present businesses and their divisions, departments or units with a variety of new tasks. Depending on the specific corporate sector, different concepts and instruments are required to perform these tasks effectively and efficiently. In some cases they are adaptations of tried-and-tested management concepts and instruments, and many of them are constantly being brought into line with new developments and requirements. Some concepts and instruments have, however, been developed specifically to meet sustainability challenges. The large number of concepts and instruments existing today make it very difficult to obtain a clear overview – both for practitioners and for experts, thereby presenting a considerable obstacle to choice of the best possible solution for a specific task.

Guide on sustainability management

This lack of a clear overview was the starting point for a synoptic report by the Centre of Sustainability Management published in cooperation with the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU) and the Federation of German Industries (BDI) (BMU & BDI 2002/2003/2005). The report on “Sustainability Management in Business Enterprises” is intended as a source of ideas for the senior management of small and medium enterprises (SMEs) and for people at all management levels in large enterprises who are beginning to tackle the challenges of corporate sustainable development. Specifically, the objectives of this report are to:

- describe the central challenges of sustainable development facing companies today,
- identify the main concepts and instruments that companies and their staff can use to meet the central sustainability challenges, and
- describe the concepts and instruments of sustainability management and outline their strengths and weaknesses.

The report provides, in alphabetical order, a structured overview of the most important concepts and instruments of corporate sustainability management. Some of the 46 concepts and instruments are already widely known and successfully used in practice. Other approaches, less well known to date, possess great potential for dealing with emerging new tasks. For each concept or instrument, an individual “fact sheet” gives a brief explanation of how it works, including a description of its strengths and weaknesses and its potential for meeting the sustainability challenges. The report also assigns the concepts and instruments to principal users and to the challenges confronting businesses in the context of sustainable development, i.e. the tools are systematised on the basis of two categories: the business units or main users and the four sustainability challenges. The principal users, i.e. the individual operating units, divisions or departments (e.g. purchasing, production, control, accounting and finance, marketing, etc.) are the most important addressees for this guide and the concepts and instruments it describes. Readers interested in more information on an individual concept or instrument can find literature on the subject and internet
addresses in the additional information at the end of each fact sheet.

Thai translation

The report was originally published in German and announced in the context of a large conference on "Sustainable Management. Challenges for the Business Development" in Berlin. At the initial launch of the report, more than 200 participants from companies, research institutes, associations, NGOs, etc. attended the conference conducted by the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU) and the Federation of German Industries (BDI). Because of a high demand from companies the report was published in a second edition and translated into English in 2003 to meet the requirements of multinational companies.

Almost three years after that, the report has now been translated into Thai – hence, its relevance to APCEA members. In the context of the “International Symposium on Corporate Sustainability Management” held on 24-25 November 2005 in Bangkok, the Thai report was officially launched by H.E. Mr. Yongyut Tiyapairat, Minister of Natural Resources and Environment, Thailand, and by Prof. Dr. Stefan Schaltegger, Centre for Sustainability Management, University of Lueneburg, Germany. The translation of the report, mainly organized by the Asian Society for Environmental Protection and financially supported by InWEnt - Capacity Building International, Germany, encourages Thai companies to identify and realize the potential of sustainable business development, and enables them to apply various sustainability management tools. With its overview of instruments and concepts that are suitable for the implementation of sustainable development in business enterprises, it creates for the first time a compendium in the Thai language that places all three dimensions of sustainable development in a unified context. The aim in providing this report is to make a tangible contribution to the application and dissemination of practical approaches to sustainable business management in Thailand.

References
