1 Introduction

What Tomorrow’s Business Leaders Need

Today, businesses around the globe are at a critical crossroad. The scope and magnitude of the challenges they face are unprecedented. The resources that were plentiful in the past and that served as business’s growth engine are becoming costlier and scarcer. In addition, supply chains have become more global, less resilient, and pose confounding new reputational risks. The traditional tools in their arsenal are no longer sufficient to provide them the competitive edge required to succeed in today’s marketplace. Any new tool they innovate and deploy is copied and adopted by their competition within a short time. Government policies are uncertain. Customers are less trusting than ever before. All of these elements are changing more rapidly than at any time in history.

Many business leaders see that their companies are entering a long, slow path of decline and dissolution. It doesn’t have to be that way, which is why we wrote this book. This book provides leaders with a way to address these challenges. It delivers a framework for defining and deploying a roadmap to build a formidable and sustainable competitive advantage. Continuing to pursue strategies and tactics that have been adequate in the past is indeed a dead-end road and will put the viability of any business at stake. What’s needed is a complete transformational change in business practices, strategies, and tactics to guarantee lasting competitive advantages. Businesses need help from all those connected to them to weather
this transformation. The headwinds fueled by external challenges are so strong that only the businesses that fully engage and energize all of their stakeholders to bring about change will survive and thrive in the emerging world.

Looking Backward: The Journey

From the onset of the Industrial Revolution, and continuing through the first two-thirds of the twentieth century, businesses pervasively outcompeted each other through mass production and automation. As the Western economies began to significantly mature in the later part of the twentieth century, the benefits of scale and automation slowed down and consumers started to become more discerning. The 1980s saw a trend toward achieving a competitive business advantage through total quality management (TQM). As the new millennium dawned, the prevalent source of competitive advantage shifted to customer relationship management (CRM). However, in today’s marketplace, all of these strategies have been rapidly equalized among competitors; the traditional sources of competitive advantage are becoming mere table stakes and are thus no longer sufficient.

I (Apte) saw this firsthand as a leader at Kimberly-Clark during the 1980s and 1990s when Kimberly-Clark and Procter & Gamble (P&G) fought many competitive design and marketing battles over their branded baby diapers (Huggies and Pampers, respectively). These battles were waged on performance attributes like leakage, dryness, or fit, as well as through marketing positions that sought to provide emotional differentiation and appeal. But none of these strategies were long-lasting, as each competitor was ultimately able to match or exceed the other’s performance or marketing edge. This ultimately leaves price as the choice discriminant, resulting in eroding margins and budget pressures.

External Challenges

In addition to struggling to find effective ways of gaining a competitive advantage, today’s businesses are facing enormous external
challenges to sustainment and growth. Most of these challenges emanate from the evolution of policy, markets, investors, and consumer sentiment. The business landscape is changing more rapidly than ever before and thus presents significant challenges to today’s businesses. The most notable of these challenges include the following:

- The markets in the developed world have reached mature status, as existing product categories are largely fully penetrated, including many household product categories such as diapers, soaps, shampoos, and appliances. Only businesses able to alter their paradigms or fully embrace innovation are still experiencing growth.
- The majority of global business growth is coming from developing and emerging markets. These markets are forcing businesses – for example, cell phone companies, electricity distribution networks, and “smart cities” – to re-examine the established business models and spawning the need for transformative thinking across the value chain.
- Financial institutions and investors are demanding full disclosure regarding the projected impacts of climate change and other social and environmental sustainability issues on business results and operations. Recent examples of such issues that have led to business disruption include (1) poor air quality in New Delhi, India, and Beijing, China, leading to social unrest, (2) recent catastrophic weather events that have caused supply disruptions, and (3) political unrest and action, e.g., the Arab Spring and China’s blocking of Google within its borders. Business disruption could have multiple consequences in terms of direct losses and challenges to business continuity.
- Governments and nongovernmental organizations (NGOs) are demanding that businesses lower their greenhouse gas emissions, as the negative impacts of inaction on human health are becoming more and more evident. This phenomenon led to the Paris summit in December 2015, when a non-binding treaty was approved that set a target of limiting global warming well below 2 degrees Celsius by 2100. On April 22, 2016, Earth Day,
175 countries signed the Paris climate accord, for which every signatory country sets its own timeline and targets. These targets could have an impact on all companies operating in these markets. Congratulating the global leadership members and recognizing this historic event, UN secretary-general Ban Ki-moon was quoted in USA Today as stating, “Today is a day for our children and grandchildren and all generations to come.”

- Sourcing continuity affected by climate change has had a negative impact on many businesses’ bottom lines; for example, the floods in Thailand shut down parts supply and idled auto assembly plants all around the globe. Weather-related insurance claims have skyrocketed for insurance companies around the world. Munich Re, a global insurance group, estimates that over $500 billion in weather-related losses have been incurred in the U.S. market alone between 1980 and 2011.

- The planet’s resources are finite and therefore under increasing stress as more and more emerging market consumers enter the middle class and subsequently begin to demand access to better and more sustainable products. Pope Francis’s letter to Prime Minister David Cameron, chair of G8 meeting in June 2013, sums up well the need for a sustainable global model: “Every economic and political theory or action must set about providing each inhabitant of the planet with the minimum wherewithal to live in dignity and freedom, with the possibility of supporting a family, educating children, praising God and developing one’s own human potential. This is the main thing; in the absence of such a vision, all economic activity is meaningless.”

- Millennial consumers, equipped with ready access to information through social media, are demanding more business transparency and accountability in areas such as material sourcing, fair labor practices, and product life cycle management. According to a 2015 Nielsen global sustainability survey, 66 percent of global respondents are willing to pay more for sustainable products and services; this increased by 11 percent over the last few years. In an analysis of responses by age segment, millennials stand out compared to other age groups, as almost three out of four
respondents are willing to pay extra for sustainable products. Additionally, millennials are willing to check package label details for sustainable data and prefer to work for a sustainable company. The average millennial response for these three questions is two times more favorable than the response from Generation X (ages 35–49) and four times more favorable than that by baby boomers (ages 50–64). This highlights the importance of companies focusing on millennials. Millennials will soon become the majority of workers and consumers.

- There is a growing awareness and a call to action with regard to the global trend of “income inequality.” This issue will have an impact on the future growth potential of many businesses and industries, as income inequality effectively deprives companies of prospective customers who are willing to buy but unable to afford the companies’ products. For example, in the United States, the richest 1 percent earns 20 percent of the country’s income and the wealthiest 160,000 families have as much wealth as the poorest 145 million families.

- According to the 2014 Edelman Trust barometer, companies and CEOs are ranked at the bottom of the list in terms of public trust. Despite the fact that the overall global business trust rating is at 57 percent, over half of the 27 countries surveyed reported lower than a 50 percent trust rating. The low CEO trust rating scores are even more alarming given that CEOs receive ratings below regular employees.

The Key to Lasting Competitive Advantage

All this contributes to the fundamental premise of this book: incremental improvements in business practices will no longer be sufficient to guarantee lasting competitive advantage and long-term business sustainability. Only the businesses that are willing and able to make the required transformative and sustainable changes will stay ahead of the pack and prosper. It is only by adopting a longer-term view that companies will be able to uncover the next great opportunity required to win in today’s increasingly complex market.
There are many definitions of the sustainable competitive advantage, but we believe Kevin P. Coyne conveys it best: “Sustainable competitive advantage is the unique position that an organization develops in relation to competitors that allows it to outperform them consistently.”

What are these transformational changes required for long-term success? What are the avenues left to a business that wants to develop a self-sustaining strategy? In the complex, interrelated, and challenging world in which we now live, the answer is much simpler than many have believed. The next major competency that businesses will need to pursue and fully integrate to gain a sustainable and consistent competitive advantage will be sustainability itself. As our subtitle suggests, businesses that embrace this practice can only effectively drive their top-line growth through bottom-line thinking.

Anurag Behar, chief sustainability officer at Wipro (a large and profitable IT services and consulting firm based in India), reinforced this point in an interview for this book. He stated, “When Newsweek International recognized Wipro as the second most sustainable company in the world, instead of being thrilled and happy, I was in a sense horrified.” He continued, “While I knew that we at Wipro were doing a fair bit on Sustainability, and that we were leaders in many ways, I equally knew how much more needed to be done. And, if this was the state of Wipro, the global leader on Sustainability, then one can only imagine what complete transformation businesses across the world need to go through to adequately deal with the multi-dimensional challenges of Sustainability.”

Jim Hartzfeld – ex-VP of strategy at Interface, Inc., the world’s largest manufacturer of modular carpets – shared a real-life example illustrating the power of transformational changes applied to sustainability. In August 1994, Ray Anderson, the Southern gentleman and intensely competitive industrialist at the head of the company, started a sustainability revolution with just one 20-minute speech delivered to 17 of his employees, a speech he originally didn’t want to make. Finally relenting to Jim’s repeated prodding, Ray challenged his employees to travel to a mystical place called “Sustainability,” which nobody on his team had heard of. To some of the
engineers in the room, the word seemed perhaps to be a new name for perpetual motion. Later in the journey, Ray began to share a powerful metaphor. Every chance he got, Ray would say to his team, “I have a mental image of a mountain to climb. This mountain is taller than Everest, infinitely more difficult to scale, and we are only on the lowest slope but we know the way to the top of the mountain. The name of this mountain is Sustainability.” Over the years, he shared the vision of “Mission Zero,” which was impossible to many and so ambitious for others that most didn’t know where to start. He shared the vision with all his employees in sales and in his plants, his customers and suppliers, one man at a time – 3,000 people in total. Initially some of his leaders thought he had gone insane, or as he used to say, “gone round the bend.” Eventually, the employees bought into Anderson’s vision, internalized it in their own way, and even carried it home and into their communities. Twenty years later, the results are inspiring and the group is on their way to the top of the mountain.  

As of 2015, Interface boasted the following business results and sustainability-related accomplishments.

- Delivered consistent low-single-digit compound growth in sales and profits over the last few years despite the impact a strong dollar had on global sales.
- Is recognized as a global leader in modular carpet made with recyclables and bio-based materials with sales outside of the United States surpassing sales within the country.
- Has expanded to non-office commercial markets, emerging markets, and direct-to-consumer channels to reduce the impact of a maturing office market.
- Established FLOR modular carpet brand for consumers via online, catalog, and in-store offerings.
- Continued to make progress on their “Mission Zero,” further establishing their sustainability leadership position:
  - The greenhouse gas (GHG) emissions per unit of production are down 92 percent since 1996.
  - The energy use from renewable sources makes up the majority, with 84 percent of the total energy consumed.
Recycled and bio-based material composes 50 percent of their total raw materials used.

- The water intake per unit of production is down 87 percent since 1996.
- The waste to landfill was reduced by 26 million pounds since 1996.

Rather than simply the exploitation of leading-edge energy or recycling technologies, Interface’s success was built mostly on Anderson’s ability to inspire and align his people around an audacious vision that “took people’s breath away,” turning carpet making into work that mattered to his engineers, designers, salespeople, accountants, and even forklift drivers. Jim refers to this as “the HumanTech that drives the GreenTech.” From that “one-mind-at-a-time” human connection, technologies were developed, customers were engaged, new products emerged, and an industry was changed.

“Sustainability” is now common parlance in the business world, used to mean operating with an understanding that we live in a connected, resource-constrained world – doing business in a way that does not damage the environment in which it operates and that improves the social and economic fabric of the community in which it operates. This flavor of the word “sustainability” is so common that many business people no longer think about its much simpler original meaning – long-lasting and self-sustaining. Are not “long-lasting and self-sustaining” the very qualities a business looks for in its strategy? Business leaders today turn over every stone, do week-long retreats, and hire expert consultants to formulate the competitive strategy so that their company can achieve long-term success. But they have forgotten to look in the most obvious place – the connection between the simple definition of “sustainable” and the new more complicated one of “sustainability.”

This connection, this simple idea of a long-lasting and self-sustaining strategy, has given rise to all the frameworks and suggestions we make for strategic success. The only path remaining in today’s market to achieve long-term success is to fully embrace sustainability – the practices that put a business in harmony with its
whole ecosystem and environment – with all of its stakeholders in a 360-degree arch of reciprocated engagement and shared success. This is what customers demand, what investors seek, and what savvy leaders realize is the key to leaving a legacy we can be proud of after all our years of hard corporate work.

Advocating and delivering triple-bottom-line outcomes (profit, people, and planet) to the company’s many stakeholders will ensure that the company retains its competitive advantage for years to come. The data that supports our conclusion have gone from fringe activity several years ago to a mountain of evidence in today’s market.

Sustainability Contributes to Business Value

A number of studies and reports support the contention that sustainability can contribute to the value of a business.

In the January 11, 2016, Wall Street Journal, John Streur, president and chief executive of Calvert Investments, Inc., one of the original sustainable-investing firms, wrote, “We can look at 2015 and say this was a transformative year for this investment discipline. We’ve really turned the corner.”¹⁰ The chart in Figure 1.1 from Morning Star, a leading provider of independent investment research of competitive returns, supports John’s statement, as the long-term returns of “sustainable” mutual funds outpaced ones that are not.

Most U.S. investors desire to see statistically significant evidence that climate change is linked to business performance. The S&P 500 Climate Change 2014 report unequivocally delivers this proof. This analysis completed by the Carbon Disclosure Project (CDP) clearly shows that the S&P 500 member companies leading the way in climate change management with higher CDP scores, by and large, deliver superior results versus the ones which are rated laggards, in terms of both profitability (18 percent higher) and stability (50 percent lower volatility). These leaders also utilize the higher profitability to increase dividends to shareholders (21 percent stronger than their lower-scoring peers). The superior profitability, sustainability credentials, and growing dividends make these top-tier companies more attractive to equity investors.¹¹
In a 2012 *Sustainable Investing* report, the Deutsche Bank Advisors found corporate social responsibility (CSR) and environmental, social, and governance (ESG) are becoming synonymous. Among 89 percent of the studies examined, the companies with a high rating for ESG factors outperformed the market. Furthermore, as the market recognizes that these companies have a lower risk profile, they are rewarded financially with lower cost of capital in terms of debt and equity, at least over the medium to long term.¹²

CSRHub, a leading sustainability analysis firm, has done research with leading organizations globally and shows proof of the impact of sustainability on brand strength and other key performance measures, such as reputation risk, digital communications strength, and cost of credit. According to Cynthia Figge, cofounder
and COO of CSRHub, strong sustainability performance is having an increasing impact on operating performance across many domains that drive corporate value. Four specific studies she shared with us prove the point.

- CSRHub matched their ratings of 15,000 companies worldwide with each of the three leading brand agencies – Brand Finance in the United Kingdom and, in the United States, Interbrand and Reputation Institute – and found the overall correlation between sustainability and brand reputation was 22 percent.
- CSRHub’s joint research with RepRisk found a 29 percent correlation between sustainability and reputational risk.
- Research on the correlation between CSR-perceived performance and the strength of digital communications, as measured by Investis IQ, showed digital communications are impacted by 6 of CSRHub’s 12 factors, with a correlation of 39 percent.
- Capstone research published by graduate students at Columbia University found that CSRHub’s 12-variable model for sustainability explained 9.3 percent of the variance in the cost of debt, or an estimated $343 billion in interest expenses for a group of 1,625 companies. Thus, doing well in sustainability translates into a significant market advantage through brand reputation and decreased cost of capital.

Corporate Knights, a media, research, and financial information products company based in Toronto, Canada, is focused on promoting companies that are sustainable around the globe. Ranking companies based on their sustainability performance is a daunting task, so the group first shortlists all companies using a proprietary four-screen process looking at sustainability disclosure, Piotroski F-Score, business classification, and sustainability sanctions. The shortlisted companies are then assessed via 12 key performance indicators (KPIs), including management of resources (such as energy use, emissions, water use, and waste generated), financial sustainability revenue, EBITDA, the ratio of CEO compensation to the average employee’s compensation, employee management practices, fatalities
or lost time, turnover, diversity in leadership, and female representation on the board and in management. Those receiving the highest performance are ranked in the annual Corporate Knights Global 100 Index.

Corporate Knights has been tracking the data since 2005. As Figure 1.2 illustrates, the Global 100 consistently delivered better total returns than the Morgan Stanley Corporate Indexes (MSCI) All Country World Index (ACWI), regardless of market conditions. This is true for the first nine years it was reported, 2005 through 2014. The year 2015 was the first that the ACWI slightly outperformed the Global 100. Does this mean the evidence for sustainability as a financial decision is weakened? No. The main reason for this difference in 2015 is that the U.S. dollar grew stronger compared to other currencies; the Global 100 is only 19 percent U.S. currency businesses, whereas the MSCI ACWI is 50 percent U.S. currency business. In addition, the Global 100 Index is less volatile, which is increasingly important given the current volatility of the global stock markets (e.g., the Shanghai in China, the Dow Jones in the United States). When we take that into account, the ability of sustainably minded companies to produce returns consistently outperforms non-sustainably-minded peers.

Accessing these financial wins and achieving lasting sustainable competitive advantage through sustainability itself requires consistent and persistent efforts on the part of every business and industry, as the market performance bar is constantly being raised. A business’s efforts will need to go far beyond simply changing to more energy-efficient light bulbs and recycling office paper. To embrace sustainability as a competitive advantage, businesses will need to realize a transformative change in their traditional sustainability (triple-bottom-line) approaches and practices. They must embed sustainability into their DNA and corporate culture, and strategically invest in new and innovative processes, practices, and systems. This entails embracing sustainability itself as an overarching strategy embedded into every business operation and relationship.

This may sound like quite a bit of work and quite a bit of change, but it’s not much different than what was required to implement
TQM, mass production, and CRM. We believe the new imperative is the only sustainable (long-lasting and self-sustaining) way forward. Becoming increasingly sustainable is the only way a business can both create a lasting competitive advantage in the market and preserve its own longevity in the face of evolving global challenges. If businesses want to win now, last into the future, and even leave a positive legacy for future generations, then they need to be sustainability-driven at every level and juncture of their operations.

To bring about this transformational change, businesses must effectively and strategically identify, engage, and energize all of their key stakeholders. No single business can hope to begin to be successful in the midst of the societal and environmental issues challenging the twenty-first century and beyond if they hold a narrow view of their company activities that includes only investors, customers, and employees. No single company or government alone can simply accomplish sustainability. The world is too connected and too interdependent for that. The traditional African proverb, “It will take a village to raise a child,” is appropriate here: the village refers to a business
and all of its stakeholders, while the child is analogous to a sustainable world.

The transformational concept or philosophy being recommended can be described as maximizing benefits for all stakeholders as a source of competitive advantage. This is fundamentally different from the concept of maximizing business profit by satisfying customers, which many businesses prescribe to today. Buying into this traditional business philosophy only serves one stakeholder at the expense of all others. Businesses can provide exponentially more value to customers when all stakeholders are engaged; we include several examples throughout this book to illustrate how value is derived by engaging the various stakeholders.

Maximizing benefits for all stakeholders as a source of competitive advantage is also fundamentally different from maximizing shareholder value, which has been a dominant business ideology for decades. This outdated premise makes the erroneous assumption that what is good for an investor is good for the business and also ultimately good for the economy and society. There are many false assumptions embedded in this chain of logic that don’t take into account how the financial markets or real markets, or humans for that matter, actually work. Few statements could be farther from the truth, and we need only look at the financial data. As outlined in the book *Firms of Endearment: How World-Class Companies Profit from Passion and Purpose* (published in 2003), in a study of 30 firms the authors found that the “shareholder versus stakeholder dichotomy” is false – the most profit-oriented companies were usually not the most profitable, whereas the most highly profitable companies were usually not primarily driven by profit motives. The book defines the term “firms of endearment” as companies that people love doing business with, love partnering with, love working for, love investing in. According to the authors, their book “is about gaining ‘share of heart,’ not just share of wallet. It’s about aligning stakeholders’ interests, not just juggling them.” This finding is completely counterintuitive to what we learned in business school, which is why so many resist it, but it is also in lockstep alignment with the realities of today’s
market. Change is happening more quickly in the real world than in most business school classrooms and most boardroom meetings. Today, the best companies are generating *every* form of value that matters: emotional, experiential, social, and financial. And they’re doing it for *all* their stakeholders, not because it’s “politically correct” but because it’s the only path to long-term competitive advantage.

To be successful over the long haul, companies must actively market and promote their hard-earned sustainability credentials and actions and engage all of their important stakeholders. High-level stakeholder engagement is how businesses can successfully drive sustainability at every level. This is what stakeholders want, and this creates results.

**The Sustainability Edge Roadmap**

We’ve titled this path to success “the Sustainability Edge” based upon the logic that sustainability is a clear, proven path to achieve an advantage over the competition in these trying economic times. There is another meaning to “edge.” An edge describes a boundary, a limit to the known world, a frontier of sorts. In this case, we might even call it a precipice or sheer drop-off. Business leaders have the choice to work and thrive at this edge of sustainable engagement, forging a new path forward, or they can ignore the data, the market, and their own inner wisdom at their own peril and fall off the edge as the ground shifts beneath them. Like it or not, the new competitive playing field is emerging right now. To adapt to it and ultimately succeed in this economic landscape, business leaders need to embrace sustainability in a holistic and transformative sense. Leaders need to maintain a balanced, triple-bottom-line approach to sustainability and business while maintaining a constant and consistent focus on engaging and energizing all of their stakeholders in a long-term, focused, and self-sustaining way.

We aim for this book to act as a virtual sustainability roadmap for business leaders. We share examples of how best-in-class, progressive companies work with various key sustainability stakeholder
groups to adopt a triple-bottom-line mindset and achieve sustainable prosperity. We break down their methods and offer action plans for today’s businesses to engage all stakeholders in a transformative and holistic way.

Each stakeholder interacts with or supports a business in a different way. Unfortunately, most businesses only engage a minority of all the potential players/stakeholders that can help bring them business success. The Sustainability Edge is the ideology and process that can help every business stand on a firmer foundation, reach higher, and travel farther in this uncertain world than traditional business thinking will ever take them.

We have identified and focused on nine key sustainability stakeholder groups, which we have organized into three classifications based on the nature of their impact on businesses. Figure 1.3 illustrates these classifications in a framework.

We have classified consumers, customers, and employees as “direct impact” stakeholders because these stakeholders are already present in almost every business model, and their changing needs have already forced many companies to seek new ways to interact with these groups. Energizing and engaging these stakeholders can have an immediate and significant effect on the company’s long-term sustainability and prosperity.

The next classification of stakeholders includes suppliers, investors, and communities, which we have termed “indirect impact” stakeholders. These groups are not as fundamental to driving profit in typical business models, and so true engagement of these groups is less pursued in the business world. This is a mistake. While engaging these groups may take more time than direct impact stakeholders, these groups are no less significant in the long-term prosperity of businesses.

The last classification – NGOs, governments, and media – we have termed “enabler impact” stakeholders. They are enablers because businesses that engage and leverage these stakeholder groups effectively can make their sustainability journey faster and smoother, and thereby see resulting returns sooner.
Figure 1.3. Sustainability stakeholders framework

Sustainability Stakeholders Framework

Each chapter in this book is dedicated to one of the aforementioned key stakeholder groups and addresses the following specific questions in each group.

Chapter 2: Motivating Consumers – What do companies need to offer to the choosers and users of their products and services to leverage market forces and become sustainability leaders? What could the users do to help a company make this a better planet?

Chapter 3: Collaborating with Customers – How can businesses best engage their business-to-business relationships with customers, distributors, and key accounts to increase their competitive advantage and play roles in promoting sustainability choices and driving policy changes?

Chapter 4: Inspiring Employees – How can companies use sustainability to engage and energize their employees, and what can
employees do to help make the company prosper as a sustainability leader?

**Chapter 5: Nurturing Suppliers** – How can companies extend their sustainability agenda up their supply chains for deeper financial and sustainable impact? How can suppliers promote innovative sustainable solutions and technologies to help the company grow?

**Chapter 6: Investing in Communities** – How can companies help their communities prosper, and what can communities do to help the company grow and become more sustainable?

**Chapter 7: Attracting Investors** – How can companies reduce costs and increase revenue through sustainability efforts and thus improve shareholders’ return? How can investors and shareholders ensure that companies manage sustainability-associated risks and focus on long-term sustainable growth?

**Chapter 8: Leveraging Media** – How can companies leverage the current media interest to evangelize sustainability? How can they influence the various forms of media to promote sustainability behavior?

**Chapter 9: Engaging Government** – How can companies promote public-private partnerships to gain an advantage and also address societal issues? How can governments develop and implement policies that foster partnerships?

**Chapter 10: Partnering with NGOs** – How can companies influence markets by engaging NGOs and thought leaders in the development of their sustainability vision and programs? How can NGOs and thought leaders achieve their own goals while supporting a company’s sustainability mission and growth?

When a company effectively engages all of its key stakeholders and influences them to embrace sustainability as fundamental to their joint mission, it creates the most productive and longest-lasting version of sustainability, one that is at once financially, environmentally,
and socially successful. Such a company has succeeded in creating a culture where sustainability is embedded in its DNA and which in turn becomes the driving force behind its business success. That company has a superior and unique competitive advantage that is extremely difficult to replicate.

**Case Study: SCA (Svenska Cellulosa Aktiebolaget)**

SCA, a leading global hygiene and forest products company, has one of the most comprehensive and strategic approaches for stakeholder dialogue. They actively engage with all their stakeholders to ensure that the company’s business priorities and methods are relevant. Kersti Strandqvist, senior vice president of sustainability at SCA, shared their story: “Back in 2010 when we changed our view from ‘Inside Out’ to ‘Outside In’ and put ourselves into the shoes of the stakeholders, our dialogue with the stakeholders became richer and more strategic.”

The company has since evolved a two-step process. First, the team pulls together a heat map of what could be the most relevant topics based upon interaction they have with the stakeholders all year-round. The company then sends a biannual web-based survey to a list of targeted stakeholder types. For example, they might send the survey to 1,000 consumers, 50 investors, 15 NGOs, 1,000 employees, 100 business customers, and so on. Each stakeholder is shown 10–12 topics and asked to rank the five most important ones. The survey requires 2 to 10 minutes to complete, depending on the sustainability literacy of the respondent. The senior management team at SCA completes the survey as well. After the results are tabulated and analyzed by the sustainability team at SCA, senior management discusses the results and then uses them to ensure the company is appropriately addressing the hottest issues and that progress is being properly communicated to each stakeholder group. Table 1.1 illustrates the outcome of the two-step process as communicated in their annual Sustainability Report.15
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<td>Resource efficiency</td>
<td>Conference participation (35)</td>
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<td></td>
<td>Risk management</td>
<td>Inclusion in sustainability indexes and funds (35)</td>
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<td>ESAVE (45)</td>
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<td>Risk analysis (AR 78)</td>
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SCA’s strong business results – realizing 17 percent sales and 31 percent operating profit growth between 2012 and 2014 – supports the contention that their strategic approach to stakeholder engagement is working.

We have taken a page from SCA’s book and compiled our own assessment survey so that we could provide business leaders with an effective tool for benchmarking their sustainability-driven competitive activities. Our self-assessment tool, the Stakeholder Sustainability Audit (SSA), allows readers to score any company’s progress on its current sustainability advocacy practices. The tool is available via a simple and quick web-based survey. Survey participants receive an overall company rating, as well as a breakdown of their individual stakeholder ratings. We highly recommend that this survey is taken by both internal teams (sustainability staff, line management, operations) and external stakeholders to better understand the gap between internal and external perceptions. That gap must be crossed for real strategic engagement (see chapter 11 for more details on the SSA).
We equate the sustainability journey to playing the game of golf, where the intent is not to always get the best score but rather to pursue continuous improvement and, when one makes a great shot, marvel at how far one has progressed. Therefore, we recommend that all relevant internal and external members repeat the survey regularly (we suggest annually) to evaluate the progress the company has made and identify where opportunities for improvement lie.

Taking the survey can act as a first simple step in the journey we advocate in this book. It is a journey that hopefully leads to more and better business profitability, certainly. But even more importantly, it leads to the moment when a business leader can look back on their career and know that they have done their best to ensure prosperity for themselves and those they care about, including their customers, their employees, their children, their grandchildren, and even the entire human race.