Strategic Planning for Sustainable Development

A Guide for Sustainable Entrepreneurs

SUSTAINABLE ENTREPRENEURSHIP PROJECT

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About the Project

The Sustainable Entrepreneurship Project (www.seproject.org) engages in and promotes research, education and training activities relating to entrepreneurial ventures launched with the aspiration to create sustainable enterprises that achieve significant growth in scale and value creation through the development of innovative products or services which form the basis for a successful international business. In furtherance of its mission the Project is involved in the preparation and distribution of Libraries of Resources for Sustainable Entrepreneurs covering Entrepreneurship, Leadership, Management, Organizational Design, Organizational Culture, Strategic Planning, Governance, Corporate Social Responsibility, Compliance and Risk Management, Finance, Human Resources, Product Development and Commercialization, Technology Management, Globalization, and Managing Growth and Change. Each of the Libraries include various Project publications such as handbooks, guides, briefings, articles, checklists, forms, forms, videos and audio works and other resources; management tools such as checklists and questionnaires, forms and training materials; books; chapters or articles in books; articles in journals, newspapers and magazines; theses and dissertations; papers; government and other public domain publications; online articles and databases; blogs; websites; and webinars and podcasts.

About the Author

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Strategic Planning for Sustainable Development

§1 Introduction

The International Institute for Sustainable Development, in a book on business strategy for sustainable development published in the early 1990s in collaboration with Deloitte and the World Business Council for Sustainable Development, offered the following definition of "sustainable development" in the context of business enterprises[1]:

> "For the business enterprise, sustainable development means adopting business strategies and activities that meet the needs of the enterprise and its stakeholders today while protecting, sustaining and enhancing the human and natural resources that will be needed in the future."

The definition not only captures the traditional concerns of business enterprises with respect to preserving and maximizing the value of their financial capital, but also introduces several additional elements that would need to factor into the strategic planning, management information and control and measurement systems for the enterprise: the interests of, and greater accountability to, stakeholders other than shareholders, such as lenders, customers, employees, suppliers and communities impacted by the enterprise's activities; the preservation and enhancement of the human and natural resources that everyone, not just the individual enterprise, will need in the future; and continuous improvement of reporting practices. Embracing sustainable development need not constrain economic activities; however, those activities must be carried out in a manner that not only avoids irreparably degrading or destroying human and natural resources but actually makes them stronger and more sustainable. In other words, it is not sufficient to reduce wasteful uses of natural resources, what is needed are innovative eco-efficient products and processes that actually improve the environment that also open up profitable business opportunities that put more people to work doing things that improve their wellbeing and the lives of those who depend on them and share their communities.

Businesses seeking to incorporate sustainable development into their strategic planning and operations face a number of practical challenges such as the following[2]:

- Sustainable development is a concept that is not amenable to simple and universal definition, rather it is fluid and subject to changes over time in response to increased information and society's evolving priorities. There are so many issues that can reasonably be placed under the umbrellas of environment and social responsibility and the apparent importance of any one of those issues can change almost overnight in light of political events and acts of nature. The challenge for any single business is to select an issue or cause that will resonate over a long period of time, which is one

[1] Business Strategy for Sustainable Development: Leadership and Accountability for the 90s (Winnipeg, CN: International Institute for Sustainable Development, 1992).
[2] Id.

reason why it is frequently recommended that the mission or purpose of a sustainability-focused business be broadly defined, as opposed to a niche.

- While there is a growing consensus that businesses need to be involved in sustainable development in order for the entire movement to have an impact, the precise role of business in contributing to sustainable development remains indefinite. Moreover, the form and size of contribution that a particular business can make will vary depending on the sector in which the organization is operating and the size of the organization. Each business needs to assess its own core competencies and determine how they can best be deployed to make an impact on a sustainable development problem.
- While most business leaders know how to steer a business when profitability is the sole objective, there is no consensus among those leaders as to best balance between narrow self-interest (i.e., increasing shareholder value, regardless of the impact on other stakeholders) and acting in ways that are for the good of society as a whole. Being a sustainable business does not mean abandoning the profit motive, since profits are needed in order for the business itself to survive and provide the goods and job opportunities expected from its customers and workers, but it does mean that the leaders of the business will need to adopt different approaches to financial profitability and accept and measure additional "bottom line" objectives (i.e., the environmental and social dimensions of the so-called "triple bottom line" used to measure sustainability).
- Businesses must confront and overcome difficult tradeoffs as they implement sustainable business practices. For example, an existing business may decide that it wants to invest in manufacturing technologies and processes that will ultimately result in drastic improvements in energy use efficiency and significant reductions in pollution; however, since it may take several years for a new plant using these technologies and processes to be built the question for the company is whether to shut down its existing plant immediately, and risk losing market share and displacing hundreds of workers, or continue to operate the plant using technology and processes that cause substantial harm to the environment.
- One of the advantages of focusing on the financial performance of a business is that there are a wide array of quantitative and objective measures that can be used to determine if the business in the right track; however, when it comes to environmental and social issues business leaders are often confronted with a dizzying and technically ambiguous array of terms that make it difficult to settle on the approach course of action. For example, while "sustainable forest management" sounds like a worthy objective, many critics argue that simply replacing trees that have been used for commerce is not sufficient since it does not make up for the harm to the biodiversity of the forest caused by the original harvesting. Additional research on these issues is necessary and the result will influence how businesses act in the future.
- The path toward become sustainable development is a long one and businesses need to set reasonable expectations for any given point in time along the journey. For example, improving environmental performance is generally a reasonable way to start the process as opposed to ambitious and costly investments to achieve full sustainability development within a short period of time. In order to fend off criticism about the speed of the process, businesses need to be transparent about their

plans and communicate regularly with stakeholders regarding the impact of current initiatives and planning for new projects that will be implemented in the future. Stakeholder engagement of this type is also a good opportunity to proactively explain the tradeoffs that the company is making, such as a decision on the issue described above to keep an older and less eco-efficient plant open to maintain employment in the community while working on the new facility that will be operated with advanced technology that drastically reduces damage to the environment.

§2 Governance and organizational structure

Active involvement and oversight by the board of directors is critical to the success of any sustainable development initiative. The board is ultimately responsible for the actions of the managers of the company and for reviewing and approval the company's overall strategic including its sustainable development policies, objectives and commitments. While all of the members of the board have the same duties in this area, it is common to create a committee of the board, often called the "social responsibility committee", that will include members that will focus their attention on setting corporate policies on sustainable development and for dealing with issues such as health and safety, personnel policies, environmental protection and codes of business conduct. The committee will be the first line of review at the board level for the strategies and implementation plans relating to sustainable development proposed by senior management and, once those strategies and plans are approved by the entire board, the committee must monitor implementation by receiving regular reports from throughout the organization. The committee must also ensure that the strategies and plans are implemented consistently, which is particularly challenging when the operations activities of the company are disbursed over many locations and/or the company is heavily dependent on third parties for activities, products and services.

Operational responsibility for overseeing and tracking the company's progress toward the sustainable development objectives and commitments should be assigned to a specific department or group within the organizational structure. Some companies simply create sustainable development committees within each of the existing business units (e.g., functional, product and/or market) and those committees focus on the plans relevant to their units; however, the preferred approach is establish a specific department or group has been established under the leadership of a senior sustainable development executive (business unit committees can still be used, but they should report to both their unit leaders and the sustainable development executive). The sustainable development executive should either be a full member of the company's "C-suite" or report directly to the CEO and, as necessary, to the board of directors. The department or group should also have specialists in important areas such as stakeholder engagement, monitoring of environmental changes impacting sustainability, including legislation, and reporting.

§3 Stakeholder analysis

Sustainable entrepreneurs should begin their strategic planning process by conducting a "stakeholder analysis", which involves identifying all of the parties that are or will be directly or indirectly affected by the operational activities and engaging with each of them to identify all of the issues, concerns and information needs of those stakeholders with respect to the proposed sustainability activities of the business. The need for stakeholder analysis differentiates sustainable entrepreneurship from traditional entrepreneurship in that it recognizes that the business is not just accountable to its shareholders, but also to a wider range of groups and constituencies that not only includes shareholders but extends outward to creditors, regulators, employees, customers, suppliers, governments, the scientific community and educational institutions, the communities in which the business operates and public interest groups and other members of civil society who are affected, or who consider themselves affected, by the impact that the business activities of the company on the biosphere and social capital.[3]

When identifying and engaging with stakeholders, the sustainable entrepreneur must consider each distinguishable line of business and each community in which the company will be operating. While the shareholders may be the same for every line of business and location, the interests and concerns of local communities will certainly be different from place to place. Dialogue, often referred to as "engagement", is the key to collecting information and forging a relationship with stakeholders and sustainable entrepreneurs need to identify and implement the best ways to communicate. With respect to local communities, for example, establishing a community advisory board is often a good solution. Similar types of "working groups" can be used for discussions regarding the expectations of employees, suppliers and investors.[4]

The byproduct of the initial engagement process with the various stakeholders should be a detailed description of the needs and expectations, both short- and long-term, of each of the groups with respect to sustainability-related outcomes of the activities of the company. The description should provide a foundation for analyzing how the activities of the company impact each of the stakeholder groups, either positively or negatively, and allow the company to create a scorecard for its stakeholder relationships that can provide ideas for specific initiatives and serve as a tracking system for performance.

Sustainable entrepreneurs need to understand that the initial stakeholder analysis is just the first step in a long, continuous and constantly changing relationship with each of the groups and that those relationships will need to be monitored on an ongoing basis. The strategies for collecting information and engagement mentioned above, such as the community advisory boards and other working groups, should be formalized and integrated as permanent pieces of the company's strategy process. In addition, the company's business plans and reports should have separate discussions of stakeholder engagement strategies and outcomes based on the scorecards that have been created for measuring stakeholder relationships.

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[3] Business Strategy for Sustainable Development: Leadership and Accountability for the 90s (Winnipeg, CN: International Institute for Sustainable Development, 1992).

[4] Dialog with investors is important since the implementation of sustainable development necessarily involves tradeoff between pure profit-seeking and environmental/social objectives and the company needs to be sure that investors understand and accept the actions that the company may take with respect to sustainability that might have an adverse impact on traditional return on investment metrics.

Stakeholder analysis is also a valuable tool for identifying and, hopefully, remediating in advance, potential conflicts among the expectations and needs of the different stakeholder groups. For example, consumers and activist groups will generally expect the company to design their products so that they can be built and used in an eco-friendly manner; however, this approach may require manufacturing methods that employees fear may cost them their jobs. Investors may also be worried about the costs associated with eco-design and how their returns on investment will be impacted. Having these potential conflicts surface at an earlier stage allows the sustainable entrepreneur to seek out innovative solutions and explain them to each of the groups involved. In the scenario described above it may well be that consumers would be willing to pay a premium for the properly designed product, thus addressing the concerns of investors, and that the company win over employees to the design changes by offering additional training and emphasizing the psychic benefits of being involved in the development and distribution of products that promote sustainable development.

§4 Sustainable development policies and commitments

Once the sustainable entrepreneur has received and assessed the input from relevant stakeholders and developed a good idea of their concerns and expectations, that knowledge and information should be used to develop and articulate the basic values, mission and goals of the company with respect to sustainable development and lay out the corresponding targets for the performance of the company against those goals. The responsibility for formulating the policy of the company with respect to sustainable development, and selecting the specific objectives or commitments that the company will pursue, lies with directors and senior management, all of whom should be visibly involved in the process beginning with stakeholder engagement and continuing through dissemination of the policy and objectives among the stakeholders.

The policy statement is generally stated fairly broadly and lays out the company's mission with respect to sustainable development based on the expectations and needs of all of its stakeholders. The policy statement should be inspirational and should be designed to influence the behavior of management, employees and other groups such as stakeholders as they go about their day-to-day activities and make decisions about issues relating to the company's overall strategic plan. In other words, the policy statement is an expression of the values upon which the company's business is being conducted and when the policy statement is drafted and adopted by the directors and senior management they are explicitly setting the "tone at the top" of the organization with respect to sustainable development, something that is essential to success of sustainability projects.

As concepts like sustainable development, corporate social responsibility and the "triple bottom line" first began to emerge in management literature in the late 1980s, companies typically focused on environmental responsibility.[5] The policy statement adopted by Dow Chemical Company in the early 1990s was in line with that approach[6]:

[5] At this time larger companies in Europe began assigning responsibility for environmental matters to a member of the board of directors, an indication of the importance that the board placed on the issue;

"The operating units of the Dow Chemical Company are committed to continued excellence, leadership and stewardship in protecting and conserving the environment for future generations. This is a primary management responsibility as well as the responsibility of every employee worldwide. We are sensitive to the concerns of the public and accountable to them for our decisions and actions. We believe in the responsible integration of environmental and economic considerations in all decisions affecting our operations. We are continuously reducing our emissions to protect human health and the environment. Our goal is the elimination of wastes and emissions."

An obvious shortcoming of the Dow policy statement is the failure to mention social issues, such as alleviation of poverty and addressing inequalities in the distribution of income; however, the language does address environmental issues, acknowledge the stewardship of resources for future generations, responsibilities to the public and not just shareholders and the need to integrate both environmental and economic considerations into decision making.

The broad policy statement is just the first step and needs to be followed by a list or statement of the specific objectives, sometimes referred to as "commitments", that the company expects to pursue and achieve with respect to sustainable development. The following list of objectives publicized by Northern Telecom in the 1990s, while also tilted toward environmentalism and lacking commitments on social issues, provides a good example of both scope and level of specificity[7]:

"We will:

- Integrate environmental considerations into our business planning and decision making processes, including product research and development, new manufacturing methods and acquisitions/divestitures;
- Identify, assess and manage environmental risks associated with our operations and products throughout their life cycle, to reduce or eliminate the likelihood of adverse consequences;

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however, the amount of attention that the directors paid to environmental issues still varied depending on the sector in which the company was involved and the country out of which the company operated. Not surprisingly, environmentalism was important for companies in the chemicals and pharmaceutical industries, and utility companies, but less so for financing services companies. Business Strategy for Sustainable Development: Leadership and Accountability for the 90s (Winnipeg, CN: International Institute for Sustainable Development, 1992).

[6] Id.

[7] Id. The specification of objectives was introduced by the following general policy statement: "Recognizing the critical link between a healthy environment and sustained economic growth, we are committed to leading the telecommunications industry in protecting and enhancing the environment. Such stewardship is indispensable to our continued business success. Therefore, wherever we do business, we will take the initiative in developing innovative solutions to those environmental issues that affect our business."

- Comply with all applicable legal and regulatory requirements and, to the extent we determine it appropriate, adopt more stringent standards for the protection of our employees and the communities in which we operate;
- Establish a formal Environmental Protection Program, and set specific, measurable goals;
- Establish assurance programs, including regular audits, to assess the success of the Environmental Protection Program in meeting regulatory requirements, program goals and good practices;
- To the extent that proven technology will allow, eliminate or reduce harmful discharges, hazardous materials and waste;
- Make reduction, reuse and recycling the guiding principles and means by which we achieve our goals;
- Prepare and make public an annual report summarizing our environmental activities;
- Work as advocates with our suppliers, customers and business partners to jointly achieve the highest possible environmental standards;
- Build relationships with other environmental stakeholders – including governments, the scientific community, educational institutions, public interest groups and the general public - to promote the development and communication of innovative solutions to industry environmental problems;
- Provide regular communications to, and training for, employees to heighten awareness of, and pride in, environmental issues."

Several things should be considered when drafting the objectives. First, each of them should be clear and concise—this is not the time for adding the details associated with the strategies that will need to be implemented to attain the objectives. Second, an effort should be made to express them in measurable terms, since the company and the interested stakeholders will need to track performance with respect to each of the objectives. Finally, for larger businesses it will be necessary to determine the appropriate level of aggregation. For example, the initial objective or goal may be to reduce waste at all of the company's locations by a specified percentage; however, the situation at each location will likely be different and the attainable reduction at some locations may be less than the overall goal while other locations will be able to exceed the overall goal.[8]

When drafting and reviewing its objectives and commitments, the company should obviously consider whether or not they are actually attainable and consistent with the company's business strategies and core competencies. In the ideal situation, the objectives will follow naturally from the goals that the company has already established using traditional profit-focused principles and the performance measures for the objectives can simply be added to the existing KPIs. The more likely scenario, however, is that the company will find that existing strategies are not sufficient to achieve the sustainable development objectives and/or in conflict with those objectives. In either

[8] The specific goal for each location will be set out in detailed objectives for that location and a secondary measure of performance, apart from the overall objective for waste reduction company-wide, might be what percentage of the locations achieved their specific goal.

case, the directors and senior management may have to revisit the company's strategies and modify them before releasing a finished list of sustainable development objectives. The most common example of this is the need to adjust return on investment goals to take into account the short-term costs of implementing technologies and processes necessary to achieve the environmental targets.

At the same time that the company is debating and selecting its initial objectives with respect to sustainable development it should also be setting up a monitoring system that assists the directors and members of the senior management team to keep abreast of developments that may impact the content and/or implementation of the objectives. Among other things, the monitoring system should be robust enough to include new and proposed legislation; emergence of, or modifications to, industry practices and standards; strategies and practices of competitors; activities, policies and concerns of community and special interest group policies; where applicable, concerns of trade unions; and development relating to technologies that have, or may have, an impact on the activities of the company and/or those of the company's stakeholders. In the past, monitoring focusing on sustainable development topics has often been delegated to an environmental and/or social issues committee or group that then reports back in to the directors and senior managers; however, if sustainable development is really going to be at the core of the company's overall mission the environmental scanning associated with it should be fully integrated into its strategic management processes.

The external monitoring process should not be viewed as a passive collection of information but rather as an opportunity for the company and its leaders and employees to proactively engage in debates relating to formulation of policies and practices pertaining to sustainable development. Companies can get involved in the activities of industry associations relating to sustainable development and work with legislators and special interest groups on relevant laws and regulations. In fact, while the government has stepped in to set legal guidelines with respect to various sustainability topics, much of the standardization to date has come from the efforts of non-governmental organizations and industry groups that promulgated their own standards with input from the same stakeholders that the company is engaged with on its own objectives.

§5 Implementation planning

As the company goes through the process of identifying, vetting and approving the sustainable development objectives and commitments, attention also needs to be paid to translating the policy and the accompanying objectives into operational terms, a process that requires the development of an implementation plan. The plan will be expansive and will impact the entire organization including corporate culture and employee attitudes; organizational design and structure, particularly the responsibilities and accountability of everyone in the organization with respect to the sustainable development objectives and commitments; information reporting systems; management systems and operational practices. During the planning process the objectives and commitments will necessarily remain fluid since they should not be finalized and announced to the world unless and until the company has a clear and reasonable plan for implementation. As the plan develops consultations with stakeholders will be needed and ideas from stakeholders should be solicited about how best to realize their needs and expectations. While all stakeholders are important, input and participation from employees is essential since they will be the one called upon to implement the plans and will likely feel significant disruption to the ways in which they have worked in the past. The input from stakeholders will likely cause a series of modifications to the plan, as well as to the upper tier goals and objectives. Eventually the plan will be ready for review and approval by the board of directors following presentation by the senior management at the same time that the board signs off on the policy and related objectives and commitments. Given the breadth of the organizational changes that will likely be required, it should be expected that the plan will cover three to five years and provide for milestones that will hopefully be achieved every six to twelve months.

Before an effective and reasonable implementation plan can be prepared, the company needs to know where it stands with respect to how its activities in their current state line up against broadly accepted sustainable development principles and the needs and expectations of its stakeholders. Insights must come from a self-assessment that covers the company's overall strategy and its operational activities, management philosophies and systems, relations with stakeholders and the functionality of the information systems that will be relied upon to generate the data about sustainable development performance that must be reviewed by company leaders and reported to stakeholders. At the self-assessment stage the company can rely on questionnaires that have been prepared by industry groups and outside organizations such as the Global Environmental Management Initiative and Ceres and bring in outside consultants that can help facilitate the process.

The results of the self-assessment need to be put into context by comparing them to the status and performance of comparable organizations as well as industry standards and norms and expectations that have been established by external groups. Comparisons can be made through a review of public disclosures by comparable organizations and data compiled by industry associations and programs that have been formed explicitly to collect and catalogue sustainable development information. Comparison allows the company to identify the gaps between what it is doing and what others are doing and provides a sense of the reasonable targets that the company can establish for improving its sustainable development profile. The senior management of the company should create a set of goals and objectives and a strategy, timetable and milestones for each goal and objective. The strategy should not only be approved by the board of directors, it should also be fully vetted by all of the key players inside the organization to ensure that they have had a chance to contribute to the process and can "buy in" to the strategy because they have participated in its formulation and believe in its objectives.

While the board of directors and senior management will retain ultimately responsibility for the success of the company's sustainable development goals and objectives, responsibility for overseeing and tracking the company's progress toward the sustainable development objectives and commitments should be assigned to a specific group within the organizational structure that is provided with the resources and authority required to discharge its duties. When creating the strategy and the accompany implementation plan, the following steps and issues should be part of the process[9]:

- The job descriptions of everyone in the organization, managers and employees, should be reviewed and revised to integrate specific sustainable development roles, responsibilities and accountability. Everyone needs to know their place in the plan and to whom they are expected to report.
- Changes to the organizational culture will be required, as will retraining of employees to empower them to carry out their new roles and responsibilities. As part of this process, reward systems and incentives will also need to assessed and modified to align with the activities required to achieve the sustainable development objectives and commitments. It is also likely that new skills and experience will need to be added to the workforce and the human resources department will need to understand the needs of the company and set up new recruiting initiatives.
- Changes to the strategic planning processes should already have begun as the sustainable development objectives and commitments were being developed; however, at the implementation stage an investment must be made in the resources and skills necessary to handle stakeholder engagement and external monitoring.
- Each of the sustainable development objectives and commitments will have their own unique set of metrics, most of which will be new to the company, and this means that the company's management information systems will need to be changed in order to ensure that everyone has access to the information they need in order to be sure they are on track with the new metrics and see their progress toward achieving the objectives and commitments.
- The company's marketing research efforts will need to be overhauled to place customer attitudes and expectations regarding sustainability front and center. While customers as a group will be consulted during the stakeholder engagement process, detailed market research, including interviews and tests, will be needed to determine the best way to position the company's sustainable development initiative and the related features in its products and services. The results of this research should be reflected in updated plans with respect to pricing, sales, marketing and promotion. Companies often find that existing markets will need to be redefined and that new markets should be added.
- The engineering and product design groups will need to determine what changes must and can be made to products and processes in order to achieve the sustainable development objectives and commitments and satisfy the needs and expectations of the company's stakeholders. The company should not commit publicly to a specific leap in the energy efficiency of its products until it is satisfied that progress can be made in a manner that does not endanger the company's ability to survive financially or adversely impact another group of stakeholders (e.g., displacing a large number of workers). Specific consideration should be given to regulatory requirements, industry standards and benchmarking.

[9] Business Strategy for Sustainable Development: Leadership and Accountability for the 90s (Winnipeg, CN: International Institute for Sustainable Development, 1992).

- Suppliers are key partners in any company's efforts with respect to sustainable development and other stakeholders, such as customers and human rights activists, will hold companies accountable for the social responsibility (or lack thereof) of their suppliers. This means that everyone involved in the procurement process must be trained in supply chain management and held accountable for the products procured from vendors and the manner in which those products are produced.
- The sustainable development objectives and commitments cannot be realized unless the company remains profitable throughout the process and is able to survive and thrive to the point where the objectives have been achieved. As such, the implementation plan must be supported by comprehensive financial planning that takes into account and addresses all of the capital requirements that must be satisfied in order for the plan to be successful including making sure that capital required for investment in new technologies and other resources will be available at the appropriate times during the three to five year span of the plan. Among the issues to be considered is the impact of the sustainability focus on attracting capital from outside investors and the availability of tax incentives and financing through governmental programs.

The process of creating an implementation plan for sustainable development is extremely challenging and will require a thorough understanding of the tools associated with organizational design. In addition to the issues described above, senior management needs to be acutely aware of potential barrier and sources of resistance to the changes that will be needed in order to implement the plan effectively. The transition toward a stronger focus on sustainable development will inevitably upset people in the organization who prefer that things continue as they have always been and individuals and groups will be reluctant to embrace change and agree to new roles and reporting channels. As such, it is essential that senior management involve everyone in the organization in the planning process and refrain from finalizing the plan until those who will be responsible for executing the plan have had a chance to voice their concerns and ask about the uncertainties that are bothering them.

Changes in organizational culture have been mentioned above and it is important to emphasize that the implementation plan will not be successful unless the organization is able to develop an internal culture that is based on employee participation, continuous learning and improvement. Continuous learning is important because sustainability involves coping with sweeping changes in science and technology, consumer needs and community expectations. Since change can be uncomfortable for many employees, senior management must be sure that everyone signs on to the sustainability initiative and the additional investment of time in retraining and education. One thing that will help to bring employees on board is emphasizing their ability to participate in the process and offer ideas on how best to implement the sustainable development objectives and commitments. Research indicates that employees, as well as customers and other stakeholders, enjoy being a part of the planning and implementation process and that integrating them into the process increases enthusiasm and encourages innovation through the ideas that employees provide. In addition, as noted above, upgrades in information systems are needed so that employees can track their progress and clearly see how their actions are impacting the success of the program and their ability to claim the rewards and incentives that management has put in place with respect to sustainability.

Changing the organizational culture will not be easy. For example, shifting from focusing almost exclusively to enhancing shareholder value to balancing the economic, environmental and social outcomes of the company's activities is difficult, as well seeking out and accommodating the needs and expectations of multiple stakeholders. The board of directors and members of the senior management team will need to continuously reinforce the company's sustainable development mission and policy in their internal and external communications. Finally, senior managers, like everyone else in the organization, should be held accountable for the pursuit of sustainable development objectives and commitments and the company's reward and promotion systems should clearly include helping the company to achieve those objectives and commitments, either directly or through support of others, as an important criterion.

§6 Measures and standards of performance

Internal management control, as well as the ability to create and disseminate external reports, depends on developing appropriate means for measuring performance and assessing the resulting metrics against internal and external performance standards. Accordingly, implementation of the sustainable development program will require upgrade to the company's information systems to ensure that they are capable to supporting the creation of the reports needed by management and external stakeholders. The information that is required, and the type of performance that will be measured and reported, will vary depending on the specific sustainable development objectives and commitments. Governmental and public agencies, as well as other participants in the industry in which the company is operating, play an important role in establishing standards and identifying the expected performance targets. For example, it is commonplace for companies to track and report emission levels and/or working hours that are lost due to illness or accident and the measuring procedures of the company should be set up in a way that tracks those metrics accurately and facilitates comparisons to internal targets and the performance of comparable companies. External standards, measures and reporting systems often take a significant time to develop and gain acceptance and companies often need to make their own decisions about the best way to measure performance for their specific sustainable development objectives and commitments. In those situations, the goal should be a cost-effective solution that simultaneously meets the needs of managers and the applicable external stakeholders.

§8 Reporting and auditing

As discussed above, the company's information systems needs to be set up in a way that allows for creating the metrics necessary to track the performance measures that are most appropriate for each of the sustainable development objectives and commitments. In order for this process to be effective, the company must be able to use the information to generate clear and meaningful reports for both managers and the company's stakeholders in order to allow them to make their own assessment of how well the company is doing in pursuing and achieving its objectives and commitments. Sustainable development reporting actually has several dimensions, each of which will require a different form of report, albeit based on essentially the same pool of information:

- Internal reports need to be created for members of the board of directors and the senior executives of the company so that they are able to monitor the implementation of the company's sustainable development objectives and commitments using appropriate performance metrics and make decision about the strategies and methods that are being used for implementation. Portions of these reports will also be distributed throughout the organization so that managers responsible for specific activities have good information about how their teams are performing and contributing and can make appropriate adjustments at their levels in the organizational hierarchy. Internal reporting includes not only data from information systems but also qualitative reports from line managers regarding their assessment of how their team is doing with respect to achieving sustainability targets and period oral and written reports from senior executives to the directors on overall progress or problems associated with sustainable development.
- External reports have been required for shareholders of companies subject to the reporting requirements imposed by federal regulators (i.e., the Securities and Exchange Commission) and securities exchanges; however, those reports have typically been limited to information on financial performance and governance structures. External reporting relating to sustainable development performance requires sufficient information to allow all of the company's stakeholders—not just shareholders, but also creditors, employees, customers and the general public—to hold the company and its directors and senior executives accountable for the company's stated financial, environmental and social objectives and commitments. External reporting also provides a basis for ongoing discussions with stakeholder as part of the company's stakeholder engagement process.
- Regulatory reports, beyond those that may be required by federal securities regulators and securities exchanges, may be required by various governmental agencies at all levels. In general, these reports are required in order to track the company's compliance with specific regulations pertaining to environmental and social issues. In addition, if the company is formed and organized as a social benefit corporation, it will need to comply with applicable state law reporting requirements that call for information regarding the success of the company's efforts to pursue and achieve the specific public benefits set out in its charter documents.

As sustainable development has emerged as an important issue and consideration for businesses, particularly larger companies used to preparing detailed financial reports for their shareholders, attention has turned to finding ways to integrate the "results" of sustainability initiatives into traditional methods of reporting on economic activity. For example, a company that does not invest in technologies and other measures designed to reduce the adverse impact of its operations on the environment can be expected to report higher net profits due to its decision not to incur the costs associated with mitigating environmental harm. On the other hand, a company that does make those investments will likely have lower net profits than the first company, at least at the beginning of the investment cycle, and its economic performance vis-à-vis the first company will be poorer. In order to incentivize the second company, and others, to make the investments associated with a sustainable development objective or commitment to reduce environmental harm, there needs to be an accepted reporting method that allows for companies to disclose and explain the financial impact of their sustainability initiatives so that shareholders and other stakeholders can make their own assessment about the company and, hopefully, reward the company for its efforts in spite of the impact on profitability measures.[10]

The strategy and formatting for external reporting varies among companies. In some cases, several different special reports were be prepared by the specific stakeholder audiences such as employees. Other companies include separate sections on environmental and social benefit activities in the same annual reports in which they present their financial results. Regardless of how sustainable development reporting is integrated with financial reporting, companies should consider publishing, no less frequently than annually, a free-stand report on their sustainable development activities in order to highlight once again their policies, objectives and commitments and explain in details their implementation plans and the measurable progress that has been achieved.

The need to prepare reports relating to sustainable development activities creates another important process for companies: internal audits to ensure that the information included in the reports is accurate and complete. Auditing has long been a feature of financial reporting and companies reporting on sustainable development also need to engage in systematic, documented, periodic and objective evaluation of how well the organization is doing with respect to implementing its sustainable development objectives and commitments and complying with relevant policies and procedures. Internal auditing for sustainable development requires a multi-disciplinary team that includes engineers, scientists, auditors and attorneys with the necessary experience in both the substantive issues and the art and science of the testing and sampling associated with audit practice. Auditing is not only data-driven, but also includes insights from interviews, inspections and simple observations of employees engaged in their day-to-day duties. Interactions with external stakeholders will be needed during the audit process to confirm their impressions of company activities. Some companies draw on outside audit specialists to serve as consultants to facilitate the audit process.

§9 Small businesses

While a good deal of the commentary regarding corporate sustainable development and social responsibility has focused on larger companies, sustainable development is also relevant to smaller businesses, either businesses that have been in existence for a long period of time and are looking to transition toward more sustainability or entirely new businesses launched by sustainable entrepreneurs looking to integrate profitability and

[10] The issue of valuating contributions to environmental and social wellbeing also appears in the use of aggregate measures such as "gross domestic product", which has traditionally been based solely on output and does not take into account the present value of conserving natural resources for use in some future period.

environmental and social responsibility into the business models in a balanced manner from the very beginning.

Smaller businesses, particular those that are in their early stages, face a variety of challenges when trying to establish a sustainable development framework that includes all or most of the elements suggested for larger organizations. For example, small businesses lack the financial and other resources generally required for many sustainable development initiatives, operate with less formal management structures and do not have in-house expertise for important activities such as reporting and external monitoring. However, small businesses can create partnerships with other companies and tap into the resources available from outside groups offering advice on standards, monitoring and relevant technologies. In addition, size and informality can actually make it easier for the sustainable entrepreneur to secure the support of everyone in the organization and monitor how the initial sustainability objectives are progressing.

References and Resources

The Sustainable Entrepreneurship Project's Library of Resources for Sustainable Entrepreneurs relating to Strategic Planning is available at https://seproject.org/strategic-planning/ and includes materials relating to the subject matters of this Guide including various Project publications such as handbooks, guides, briefings, articles, checklists, forms, forms, videos and audio works and other resources; management tools such as checklists and questionnaires, forms and training materials; books; chapters or articles in books; articles in journals, newspapers and magazines; theses and dissertations; papers; government and other public domain publications; online articles and databases; blogs; websites; and webinars and podcasts. Changes to the Library are made on a continuous basis and notifications of changes, as well as new versions of this Guide, will be provided to readers that enter their names on the Project mailing list by following the procedures on the Project's website.

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