



# Business Challenges for Sustainability



Network for  
Business Sustainability  
Canada

Inspiring new research  
and innovating  
new solutions

# business challenges for sustainability

Prepared by Dr. Tima Bansal, Dr. Jason Good, and Dr. Garima Sharma.

Additional resources are available at:  
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# letter from Tima Bansal

This year's report marks its 10th anniversary. It's hard to believe. We started these reports in an effort to seed research. We wanted academics to address business sustainability with rigorous, relevant research. And, we wanted to enable practitioners to be agents of change. After ten years, we need to ask if we've been successful.

On the one hand, we are proud of the distance we've come. Over the last decade, NBS reviewed and researched 22 challenges. We generated high quality research, complemented by practical tools for business, on each of these challenges. Our research process has been replicated in South Africa and Chile. Together with leading minds in business and academia, we amassed a body of work often considered a 'go-to' source for those seeking insights into their most pressing sustainability challenges.

On the other hand, it is evident that the same challenges are starting to appear year after year. We continue to see issues related to collaboration, climate change, public policy, organizational culture, innovation, and respect for Aboriginal communities. Our early years were marked by discovery. More recently, we sense we're hitting a wall.

It is time to ask ourselves again: how should we advance business sustainability?

Traditional academic research is not moving us far enough, fast enough. We need to learn by doing, not just thinking.

*Business Challenges for Sustainability* will be NBS's last report of this kind. The Leadership Council has retired and we owe its members an enormous debt for their years of engagement. This year's challenges are expressed as "innovation design challenges" — challenges with desired outcomes.

In the next years, NBS will form micro-communities of researchers and managers to tackle sustainability challenges like those contained in this report. Creative tension that comes from bringing researchers and practitioners together will help to innovate new practices, processes, and products for sustainability.

I hope as a long-term NBS supporter you will stay with us on this journey.

Sincerely,



Dr. Tima Bansal  
Executive Director, Network for Business Sustainability  
Professor, Ivey Business School

# about this report

Since 2007, NBS has established annual sustainability challenges based on input from our Canadian Leadership Council. This group of select business leaders has helped drive our research projects for the past nine years.

This report provides a synthesis of the top seven sustainability issues facing Canadian business in 2016. This year NBS presents these issues as design challenges. Sustainability design challenges outline persistent problems related to sustainability, outcomes that businesses would like to see, and the innovative structures & processes needed to achieve those solutions.

The report is the result of a six-month iterative process in which NBS worked with businesses to identify design challenges of sustainability issues, and then rank them. We invite you to use this report as the starting point for dialogue within your organization. We hope that you generate dialogue around the problems, their solutions, and the right structures & processes to move from problems to solutions.

We are grateful for the contribution of the following business, NGO, and government leaders:

- Eli Angen, Associate Regional Director for Ontario, The Pembina Institute
- Paula Brand, Director, Sustainable Development Policy Division, Environment and Climate Change Canada
- Richard Chartrand, Executive Director, Electronics & Energy Business Group, 3M Canada
- Karen Clarke-Whistler, Chief Environment Officer, TD Bank Group
- Chris McDonell, Manager, Aboriginal and Environmental Relations, Tembec
- Carles Navarro, Managing Director BASF Group Spain and Portugal and former President of BASF Canada
- Janine Reaburn, Director of Real Estate, LoyaltyOne, Co.
- Barbara Turley-McIntyre, Senior Director, Sustainability & Citizenship, The Co-operators Group Ltd.
- Carmen Turner, Leader, Sustainability, Teck

# Business Challenges for Sustainability

- 1 Public Policy & Climate Change
- 2 Collaborating for Sustainability
- 3 Respecting Aboriginal Rights
- 4 Measuring & Reporting Sustainability Activities
- 5 Sustaining Sustainability Programs
- 6 Educating Consumers for Sustainability
- 7 Creating a Long-term Orientation

## 1 PUBLIC POLICY & CLIMATE CHANGE

### Narrative

Climate change is the most significant challenge of current and future generations. It affects all aspects of our economy, society, and environment. But the current public policy environment deters investment in innovative, long-term solutions that would mitigate greenhouse gas emissions.

Emission regulations and pricing policies are inconsistent across jurisdictions and levels of government (municipal, provincial, and federal). And, jurisdictions embracing a one-size-fits-all approach limit firms' flexibility to adapt to different environments. Uncertainty mounts when governments are unwilling to set long-term signals and when new governments reverse old commitments. In the current public policy environment, actions intended to reduce greenhouse gas emissions end up also reducing firm competitiveness.

### Challenge Statement

Canadian firms need to play a greater role in decarbonizing the economy and building resilience to climate impacts. To do so, they need consistent, flexible, and predictable policies that foster emission reductions without compromising firm competitiveness.

### Desirable Outcomes

- Climate change policy processes that include multiple actors and facilitate collaborative solutions.
- Climate change policy frameworks that:
  - » are outcome-based, consistent, and encourage businesses to create innovative solutions to sustainability challenges, beyond mere compliance;
  - » give businesses the flexibility they need to adjust to their local circumstances;
  - » are consistent across levels of government and changes in government.

“We need effective public policy to address climate change. We need regulations that cut carbon emissions and support business competitiveness. Effective regulations must keep businesses and other stakeholders accountable yet be flexible enough to accommodate the differences in industries and jurisdictions.”

#### Eli Angen

Regional Director, Ontario,  
The Pembina Institute

There is much work to be done on climate change. The NBS Executive Report, *Building Effective Environmental Policy*, can help policy-makers understand the instruments available to them and help practitioners know when and how to constructively feed into the policy process.

### Narrative

Most sustainability issues require systemic change, and systemic change requires collaboration among stakeholders. But collaboration is difficult. First, organizations facing the same issues are often competitors, and collaboration among competitors can undermine firms' competitive advantages. Second, solving some of these issues requires collaborations with disparate partners, such as NGOs and the government.

Although actors may agree on the general goal of sustainable development, they can hold seemingly irreconcilable positions on the meaning of sustainability and how it should be achieved. For effective collaboration, businesses need to know with whom to collaborate (e.g., competitors, business, academia, and government), the right number of collaborators, the duration collaborations should last, and the appropriate processes the collaboration should entail.

### Challenge Statement

Collaboration is critical to sustainability because of the need for systems change. Businesses need to speak with one voice with competitors and affected stakeholders to tackle sustainability challenges.

### Desirable Outcome

- A model for effective, collaborative processes among diverse or competitive stakeholders that generates financially feasible, innovative, and sustainable solutions.

In 2013, NBS produced, *Sustainability through Partnerships*, a research report on the topic of collaborating for sustainability. In 2016, NBS will release a report specifically enabling businesses to more effectively collaborate with competitors.

“Flood insurance was not available to Canadian homeowners until May 2015—a fact that brought grief to many in the Calgary and Toronto 2013 floods. I am proud to say that The Co-operators has recently launched a product that provides flood insurance option for Canadians beginning in Alberta. Additionally, The Co-operators created “Partners for Action”—a collaboration of diverse stakeholders, including competitors, academics, governments, and NGOs, now housed at the University of Waterloo. The mandate of the collaboration is to build flood resilience for Canadians.”

#### **Barbara Turley-McIntyre**

Senior Director, Sustainability & Citizenship,  
The Co-operators Group Ltd.

### 3 RESPECTING ABORIGINAL RIGHTS

#### Narrative

The government is both a protector of Aboriginal rights and a permitting authority for firms conducting business on Aboriginal lands. This dual role creates uncertainty in implementing free, prior and informed consent (FPIC) for project approval. Businesses are responsible for ensuring consent, but often do not understand the full extent of their responsibility.

Aboriginal communities sometimes cannot be as engaged as businesses want. As a result, some businesses treat the requirement to gain consent as a requirement to merely consult. Businesses are beginning to face backlash from Aboriginal communities for not fully seeking their consent on projects. Businesses find themselves in a difficult situation, even if their intentions and ambitions are sound.

#### Challenge Statement

Canadian businesses, NGOs, governments, and society need collaborative processes and institutional structures that ensure that Canada's Aboriginal communities are proactively, freely, and comprehensively engaged in managing natural resources that impact their lands.

#### Desirable Outcome

- A framework, developed with Aboriginal communities, that:
  - » educates businesses on the sustainability practices of Aboriginal communities;
  - » informs companies of their responsibilities and risks before they proceed with projects that involve FPIC;
  - » provides guidance on how to reduce FPIC related uncertainties and address conflicts.

“Aboriginal expectations regarding involvement in natural resources planning are often unmet through regulatory processes. To reconcile interests in a timely manner, we work locally with First Nation communities and Metis organizations in a flexible manner through collaboration agreements. There are often challenges, but solutions need to be locally centred.”

#### **Chris McDonell**

Manager, Aboriginal and Environmental Relations, Tembec

### Narrative

Each year Canadian businesses spend significant resources reporting their sustainability initiatives. In a continuously changing sustainability landscape, reports based on historical precedents cannot capture changing events and trends. In addition, the quantitative focus of reporting fails to capture non-quantifiable activities that reflect businesses' commitment to sustainability.

The proliferation of sustainability rankings and reporting standards has led to a cacophony of inconsistent, incompatible metrics and formats. Much of what is reported does not reach a diverse set of audiences, such as employees (present & prospective), community groups, governments, and investors. When reports do reach intended audiences, they often fall short of achieving resonance in meaningful, memorable way.

### Challenge Statement

Given the proliferation of sustainability rankings and reporting standards, businesses need to know how to streamline reporting to reduce redundancy, resolve inconsistencies, and produce a positive impact.

### Desirable Outcome

- A corporate reporting process that
  - » captures relevant quantitative and qualitative sustainability efforts in a leading edge, memorable, cost-effective way.
  - » reaches all appropriate stakeholders in a meaningful way, such as through the use of social media, websites, webinars, etc.

“At LoyaltyOne we are working to integrate all of our nine global offices into one amalgamated sustainability reporting framework through innovative online tools. Collecting and analyzing our progress will allow us to share the story of how far we’ve come in sustainability and where we still need to go. It’s a challenging task, but we believe it’s key to inspiring innovation, collaboration, and communication to foster our unique culture of sustainability.”

#### **Janine Reaburn**

Director of Real Estate, LoyaltyOne, Co.

In 2016, NBS will release research on sustainability reporting, including a tool for effective reporting.

**5****SUSTAINING SUSTAINABILITY PROGRAMS**

## Narrative

Sustainability has been part of the corporate fabric of many organizations for years. Many organizations embrace sustainability values, publish sustainability reports, and staff sustainability offices. Unfortunately, the sustainability mandate is often cloistered in a separate department or within a separate group.

There is growing fatigue within senior management due to an inability to make further advances in sustainability. Many companies can boast a product or service for sustainability-conscious consumers, but sustainability isn't embedded in throughout the company—in its product lines, services, operations, processes, and ultimately decision-making. The difficulty of sustaining and expanding sustainability efforts is especially evident in weak economic times and during changes in organizational leadership.

## Challenge Statement

Though many people look to the [Brundtland report](#) for a definition of sustainability, there is an incomplete, inconsistent understanding of what sustainability means for business. Sustainability needs to be a core part of business activities, so that it can be sustained in challenging times.

## Desirable Outcomes

- All employees and management understand the meaning of sustainability and have clear guidelines on how to apply it to decision-making.
- Renewed employee and senior management enthusiasm about the opportunities provided by sustainability-oriented processes, products, services, and programs.

“Our industry has been navigating a downturn in recent years. Due to a strong commitment from our CEO and senior management, we are continuing in our sustainability efforts and focusing on further strengthening the alignment of sustainability and business priorities through the downturn.”

**Carmen Turner**

Leader, Sustainability, Teck

The NBS report, *Embedding Sustainability in Organizational Culture*, helps companies make sustainability core to what they do.

### Narrative

Sales of sustainable, socially responsible products and services are not reflective of the efforts invested in their development. Consumers do not understand or value sustainable attributes, and typically assume these products are lower in quality than traditional counterparts. As a consequence, sales for such products are often disappointing.

Consumers say they are willing to pay more for these products and services, but they tend to not act on stated preferences. It is difficult for businesses to invest in research, development, production, and marketing of sustainable, socially responsible products.

### Challenge Statement

To change consumer purchasing habits, businesses need to better understand how to measure, classify, and market sustainable products and services in a way that avoids greenwashing and instead positively influences consumer behaviour.

### Desirable Outcomes

- A widely accepted classification system that is understood by firms and customers, and which helps firms measure attributes of a product's sustainability performance (e.g., greenhouse gas emissions, water, child labor) and communicate it to customers.
- Organizational processes & structures to ensure marketing and other staff have a clear understanding of a product's sustainability performance
- Tax credits and other government incentives to bolster R&D and production, improving the economic viability of these products for businesses and customers.

“In general, there isn't a great demand to drive green choices. As businesses leading in sustainability, we must find a compelling way to identify true green choices for customers that are simple and show the consumers what is the right thing to do.”

#### **Karen Clarke-Whistler**

Chief Environment Officer,  
TD Bank Group

In 2010, NBS completed research on *Socially Conscious Consumerism*, pointing to a gap between what consumers say they want and what they actually want.

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## CREATING A LONG-TERM ORIENTATION

### Narrative

Sustainability means that natural resources will be protected and wealth will be distributed equitably across generations. It is clear that sustainability requires a long-term orientation. Yet, it is increasingly difficult to act for the long term. Turbulent financial markets, unstable consumer purchasing patterns, changing trade agreements, and inconsistent public policies discourage long-term orientations.

Risks associated with acting for the long term are often considered high, while the benefits are difficult to value. These conditions make it difficult to adequately invest in people and infrastructure, and make decisions that will protect natural resources and society over the long term.

### Challenge Statement

In an era of overnight delivery, just-in-time production, and 24h customer service, businesses are forced to focus on the short term. Businesses need a way to reconcile short-term and long-term perspectives to achieve sustainability.

### Desirable Outcome

- Tools and policies that give firms the ability and mindset to consider the long-term impacts of their decisions.

“With an eye toward the long-term, we created the “Sustainability Council” at BASF. The council is made up of the leaders from eight different organizational functions. Its members are creating a roadmap for the long term and outlining immediate action steps. It’s important to think of the long term as we develop short-term actions. The council will help us achieve that balance.”

#### **Carles Navarro**

Managing Director, BASF Group Spain and Portugal and former President of BASF Canada

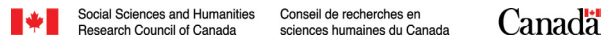
The NBS report, *Long-term Thinking in a Short-term World*, helps practitioners choose the right mix of short- and long-term actions to maximize firm value.

# about the network for business sustainability

A non-profit, the Network for Business Sustainability produces authoritative resources on important sustainability issues with the goal of changing management practice. We unite thousands of researchers and business leaders worldwide who believe passionately in research-based practice and practice-based research.

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## About NBS's Canadian Leadership Council

NBS Canada's Leadership Council is a group of Canadian sustainability leaders representing diverse sectors. At an annual meeting, these leaders identify their top priorities in business sustainability – the issues on which their organizations need authoritative answers and reliable insights. Their sustainability priorities inform NBS research projects.





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