



canadian business sustainability challenges 2012



Network for
Business Sustainability
Business. Thinking. Ahead.

Inspiring new
research and innovating
new solutions

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It's no longer enough to create products and services that meet market needs. To stay competitive, companies must take a more holistic view of the value they deliver, including understanding how their products, services and processes as well as the environment impact key stakeholders. Those firms that successfully manage competing interests position themselves to survive and prosper in an increasingly challenging market.

I am pleased to share with you our fifth annual priorities report. We asked our Leadership Council "What are your greatest business sustainability challenges looking ahead to the coming year?" This report highlights the Top 10 challenges according to this cross-

sectoral group representing leading Canadian businesses. For the first time we have also included some "lessons learned" as described by our Leadership Council at their September 2011 meeting. We hope these tips will help in planning and implementing your sustainability initiatives over the coming year.

The questions identified in this report will help business, society and researchers collaborate to make progress on the most pressing issues. We are committed to advancing knowledge on these complex sustainability challenges, leading to more sustainable business practices in Canada and around the world.

Sincerely,



Tima Bansal, PhD
Executive Director, Network for Business Sustainability
Professor, Richard Ivey School of Business

introduction

Leading businesses are beyond the point of asking “is sustainability important” and “should we do it.” They recognize that how they treat their stakeholders and the environment will impact their long-term viability.

But moving from a few sustainability initiatives to more sustainable business models has many challenges. This year’s priorities reflect an evolution in the sustainability dialogue. Leading firms want to know how to drive profits by making sustainability core to the business, how to build virtuous cycles of sustainability and innovation, and how to change the behaviours of customers and civil society beyond the

company doors. They’re working to keep things green in lean times, and measure progress and productivity. Firms want to build their human capital, engage constructively with NGOs and communicate effectively with key stakeholders.

This report presents the key sustainability challenges facing leading businesses for 2012. These priorities were established by a council of executives from Canadian organizations recognized for their leadership in sustainability. Representing major sectors of the economy, these leaders gathered for a one-day roundtable facilitated by Dr. Tima Bansal, Executive Director of the Network for Business Sustainability.

“Not only does NBS bring world-class research to business, it provides business a link to the academic community. What gets lost in the ongoing sustainability discussions are those linkages that should exist among managers in business, academics and governments. NBS bridges that gap.”

JOHN COYNE
VP, Legal & External Affairs and General Counsel
UNILEVER CANADA INC.

How to Use this Report

Business leaders: Rethink your business models

Researchers: Investigate the issues that matter

NBS Provides Rigorous Research that Informs Decision-Making

Every year, the Network for Business Sustainability (NBS) funds research projects on two of the priorities identified by the Leadership Council. These projects synthesize the best knowledge in the world, providing a solid foundation of knowledge upon which managers and researchers can build. The final reports are available for free on nbs.net.

Selected past projects include:

- [Embedding Sustainability in Organizational Culture](#)
- [Managing Sustainable Supply Chains](#)
- [Socially Conscious Consumerism](#)
- [Business Adaptation to Climate Change](#)

The two topics we chose to systematically review for this year are described on pages 7 and 8.

If you are interested in undertaking, supporting or learning about research related to any of these challenges, please contact us at info@nbs.net.

“The research is what makes NBS so valuable. Credible, rigorous research has become an important input to the sustainability decision-making process.”

TIM FAVERI
Director, Sustainability and Responsibility
TIM HORTONS INC.

canadian business sustainability challenges

Ten questions define the sustainability challenges leading companies face in 2012

1

How can we redefine the traditional business case to include sustainability?

2

How can sustainability drive innovation (and vice-versa) within companies?

SYSTEMATIC REVIEW TOPIC

3

How can we mobilize citizens to take more sustainable actions?

SYSTEMATIC REVIEW TOPIC

4

How can businesses build sustainability into corporate budgeting and planning?

5

How can we continue to green the firm in tough economic times?

6

How can business measure progress on social and environmental issues?

7

How can we quantify the productivity of environmental goods and services?

8

How can businesses attract and retain employees through sustainability?

9

What are the best (and worst) practices in sustainability reporting?

10

How can businesses effectively engage with NGOs on social and environmental issues?

1 CHALLENGES

How can we redefine the traditional business case to include sustainability?

Business cases are built on dollars. But we do not yet fully understand how to measure the dollar value of sustainability investments. This makes it difficult to build sustainability into corporate strategy. For instance, sustainability initiatives may have longer payback periods than those typically expected, making these investments appear less attractive by traditional standards. Leading businesses are beginning to redefine their business cases so as not to miss hard-to-quantify opportunities.

Understanding better how to build such opportunities into the business case will allow businesses to make better trade-offs and long-term decisions.

“Having the process and tools in place to embed sustainability into our business decisions and overall business model will help us to achieve our sustainability vision and goals.”

SUSAN STOCKER
Manager, Technology and
Sustainability Resources
TECK RESOURCES LTD.

How can sustainability drive innovation (and vice-versa) within companies?

Innovation and sustainability are often discussed in the same breath. We hear anecdotes of innovation spurring sustainability or sustainability spurring innovation, creating new designs, thinking and skills. This can happen on a large scale — for instance, new technologies for renewable fuels — or on a small scale — moving from CFL to LED lights. But we don't have a good sense of how to create this virtuous cycle, regardless of the scale.

Organizations want to know how to create innovation through sustainability — and how to do it repeatedly, rapidly and systematically.

“The combination of innovation, sustainability and profitability is powerful. If research can unlock the potential in our organizations to view our business model differently and encourage sustainable innovation in a meaningful way, then we will learn, adapt and lead change.”

GRETE BRIDGEWATER
Director, Environmental Services
CP RAIL

How can we mobilize citizens to take more sustainable actions?

Companies have a good understanding of how to influence within their operations. Many have had success engaging employees and customers in sustainability initiatives. But it's much harder to influence the general public to make everyday sustainable choices. Companies can produce biodegradable food packaging, for example, but they can't make consumers compost it. Broad scale citizen engagement is critical to creating a more sustainable society.

Leading businesses are asking how they can help build a broader set of accountabilities among all citizens and remove the obstacles to acting sustainably. How can they leverage education, incentives, marketing or values to create widespread societal change?

“A substantial part of our environmental impact depends on how consumers use the product, and we want to stimulate that environmental consciousness in the public.”

JOHN COYNE
VP, Legal & External Affairs and
General Counsel
UNILEVER CANADA INC.

4 CHALLENGES

How can businesses build sustainability into corporate budgeting and planning?

Sustainability initiatives ranging from engaging employees to upgrading infrastructure require dollars. But, sustainability investments may have different characteristics than other investments.

Business needs to better understand how sustainability initiatives can be incorporated into traditional processes for allocating dollars and setting priorities. Managers also want to know how to draw attention to sustainability initiatives during the budgeting process.

Lessons Learned: Tips from Sustainability Leaders

Our Leadership Council identified a number of valuable learnings from their sustainability activities in 2011.

Show employees they contribute. One company made departments accountable for their environmental impacts, so employees could see how modest choices such as individual travel frequency and method filtered up into sustainability performance metrics.

5 CHALLENGES

How can we continue to green the firm in tough economic times?

Organizations already progressing on their sustainability plans may find themselves struggling to maintain the momentum in economic downturns when investment dollars dry up. Many sustainability initiatives drive short-term profits (e.g. energy and waste reduction), but there's still a widespread perception that environmental or social initiatives are "extras" and involve trade-offs. Boards and executives may have the urge to roll back sustainability investment in times of uncertainty.

Companies want to know how they can continue their progress on sustainability in times of fiscal constraint and whether or not levers like innovation can help accelerate progress.

"Though we've come a long way, we are still learning how to best balance the environmental and economic elements of sustainability."

KAREN CLARKE-WHISTLER
Chief Environment Officer
TD BANK GROUP

6 CHALLENGES

How can businesses measure progress on social and environmental issues?

Sustainability is a journey rather than an endpoint. Different organizations have different ideas of where they'd like to go. Many companies are setting — and publicly declaring — their social and environmental targets. It's critical they be able to track their progress in pursuit of more socially and environmentally conscious outcomes.

Companies need tools and strategies for tracking and managing their progress on social and environmental issues.

“We've taken a big step in setting company-wide environmental goals. Now, we're working to measure progress on those commitments.”

PETER MACCONNACHIE
Senior Sustainability Issues
Management Specialist
SUNCOR ENERGY INC.

7 CHALLENGES

How can we quantify the productivity of environmental goods and services?

There is a perception that Canada is lagging other countries on productivity. However, these measures don't capture the contribution of productive natural resources such as waterways. How do we understand the value of our natural capital? Building these contributions into aggregate productivity would provide a more holistic account of these resources and how they can fuel economic growth.

Business leaders would benefit from a better understanding of how to value environmental goods and services.

Lessons Learned: Tips from Sustainability Leaders

Our Leadership Council identified a number of valuable learnings from their sustainability activities in 2011.

Educate the leaders. Several large organizations came together this year to invest in sustainability education for all their top leaders. This small step is expected to result in greater commitment and more sustainable decision-making going forward.

8 CHALLENGES

How can businesses attract and retain employees through sustainability?

Survey research shows that employees would rather work for sustainable firms. And some would even forgo higher earnings to do so. The new generation of employees is demanding more social awareness than their predecessors. Firms competing for talent within and across sectors can leverage sustainability to attract and retain the best employees.

What are the mechanisms through which firms could leverage their sustainability initiatives and values to build capacity?

“Many companies now have employees retiring or who are eligible for retirement. In some companies, this number can be over 30 percent. How do we meet this challenge to ensure a sustainable workforce and attract and retain the best employees?”

DEBORAH KAPLAN
Sustainability Principal
SAP CANADA INC.

9 CHALLENGES

What are the best (and worst) practices in sustainability reporting?

Sustainability reporting presents an opportunity to show stakeholders you're managing risks, leveraging opportunities and generally doing good work. But reporting is an evolving area and one that's often adjacent to the roles and expertise of sustainability managers.

Businesses need a more comprehensive understanding of the tools, practices and processes they can use to report on their sustainability initiatives and outcomes. For instance, social media is one vehicle for communicating with stakeholders — but how is this best used and to what end?

Lessons Learned: Tips from Sustainability Leaders

Our Leadership Council identified a number of valuable learnings from their sustainability activities in 2011.

Put dollars on risk. One firm assigned financial implications to contaminants this year. Action plans quickly followed to deal with this historical issue and contaminants are actively being removed.

10 CHALLENGES

How can businesses effectively engage with NGOs on social and environmental issues?

Many businesses are being sought by NGOs regarding sustainability performance. Ideally, such engagements result in synergies, leveraging the expertise of both parties, and creating real and lasting impact.

Companies need to understand how to engage constructively with these organizations to achieve mutually beneficial outcomes.

“We’re working with partners across sectors, including NGOs, to develop best practices and set new standards.”

LUC ROBITAILLE
Corporate Director, Environment
HOLCIM (CANADA) INC.

Lessons Learned: Tips from Sustainability Leaders

Our Leadership Council pointed to a number of valuable learnings from their sustainability activities in 2011.

Broaden the focus. One company realized it could leverage its existing culture of giving back to the community and stakeholders to drive its new sustainability efforts. It is now actively taking on new challenges in other areas of the organization and supply chain.

about the report

Sixteen representatives of leading organizations across different sectors gathered for a one-day roundtable in Toronto to identify the Top 10 sustainability challenges facing Canadian business for 2012. This Leadership Council, which convenes annually to set priorities for the Network for Business Sustainability, included BC Hydro, Canadian Pacific, Environment Canada, Holcim (Canada) Inc., Industry Canada, LoyaltyOne, The Pembina Institute, Research In Motion Limited, SAP Canada Inc., Suncor Energy Inc., TD Bank Group, Teck Resources Ltd., Tembec, The Home Depot Canada, Tim Hortons Inc. and Unilever Canada Inc.

These firms identified global priorities from the Canadian perspective, to ensure that the challenges have broad relevance.

These representatives engaged in a 3-stage process:

1. Identifying their own individual issues
2. Aggregating and refining the issues into meaningful categories
3. Ranking challenges by importance

This process yields a set of issues that is representative, prioritized and agreed-upon. Current and past challenges reports can be found [here](#).

“NBS is an opportunity for leadership. As a Leadership Council member, we share great ideas and participate in setting the research agendas around sustainability topics that are important to our business and to Canada.”

DEBBIE BAXTER
Chief Sustainability Officer
LOYALTYONE

about NBS

A Canadian 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 professionals worldwide who believe passionately in research-based practice and practice-based research.

NBS is funded by the Social Sciences and Humanities Research Council of Canada, the Richard Ivey School of Business (at The University of Western Ontario), the Université du Québec à Montréal and our Leadership Council.

For additional resources visit nbs.net/knowledge.

NBS Leadership Council

NBS's Leadership Council is a group of Canadian sustainability leaders from diverse sectors. At an annual meeting, these leaders identify their business sustainability challenges — the issues on which their organizations need authoritative answers and reliable insights. Their sustainability challenges prompt each of the NBS's research projects.





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