

RESEARCH NETWORK *for* BUSINESS SUSTAINABILITY



**Knowledge Priorities
in Business
Sustainability:
Questions, Experts, and
Opportunities**

2008/09

Introduction

This report identifies the business sustainability issues in which business needs better knowledge.

These knowledge priorities were identified by representatives from organizations perceived to be leading sustainability in Canada. This Leadership Council is comprised of organizations that, like sustainability issues, cut across industrial, government, and non-governmental sectors. They meet annually to identify their greatest knowledge priorities by consensus. The Research Network for Business Sustainability funds a systematic review of the research in two of these issues.

We hope that this report **galvanizes researchers** to study the questions posed in this report and **inspires industry and funding agencies** to support these efforts. By **working together** to address these critically important issues, we can improve the health and wealth of all Canadians and beyond.

Business sustainability allows business to thrive in harmony with the economic, social and ecological systems upon which it relies.

The Research Network for Business Sustainability uses knowledge to bridge the communities of research and practice to enable business sustainability.

How do businesses incorporate adaptation to climate change into their business strategies?

FURTHER QUESTIONS

- Are businesses incorporating climate change into their business models and strategies? If so, how? And are there differences across business units, in terms of risks, opportunities, processes, and outcomes?
- Are certain industries ahead of others? If yes, what drivers account for these differences, and what lessons can leading industries offer the laggards?
- What tools and processes do businesses use to evaluate the opportunities to be gained from adapting to climate change? Are there any examples of businesses creating a competitive advantage by building adaptive capacity?

IMPORTANCE

The Intergovernmental Panel on Climate Change (IPCC) has shown that Earth's climate has begun to change as a result of human activity. This phenomenon brings potential risks and opportunities for firms. Those that have adapted their business models will be best positioned to harvest the opportunities and mitigate the risks of climate change.

We urgently need to review the body of published academic and practitioner literature related to this question. What do we know? What do we not know? Where should research go from here?

“We need to know what adaptation to climate change really means for companies and who is responsible for paying for it.”

LEARN FROM THE NETWORK

The Network provides an opportunity to learn from experts and identify potential collaborators. The following Network members are conducting research in this area. Click on their names to see their profiles.

[Olivier Boiral](#)
[Ben Bradshaw](#)
[Rachel Dodds](#)

[Martin L. Martens](#)
[Monika Winn](#)
[Frances Bowen](#)

Also, The Network is funding a systematic review of the research on this topic. For more information, visit www.sustainabilityresearch.org/index.php

If you are interested in researching, funding, or learning more about this topic, email contact@sustainabilityresearch.org

Do consumers consider social or environmental attributes when making purchase decisions?

FURTHER QUESTIONS

- What social and environmental attributes are considered in purchase decisions?
- Are there differences across:
 - geographies,
 - industries,
 - products and services,
 - time, or
 - types of consumers?

IMPORTANCE

Countless surveys have shown that consumers claim to take social and environmental attributes into account when making purchase decisions. However, it is not clear whether they are willing to act accordingly—particularly if a trade-off is required. And, much will depend on the specific industry, cultural, and purchase contexts.

We need to review the body of published academic and practitioner literature on this issue to assess what we know and what we don't know, so that we can identify what further research needs to be done to answer the question.

“In the last couple of years, consumers seem to be looking to see if products are sustainably produced.”

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[John Pelozo](#)
[Ian Rowlands](#)

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How can we engage firms in our supply chain to improve sustainability?

FURTHER QUESTIONS

- How do we ensure that small and medium-sized enterprises (SMEs) are complying with regulations?
- Where in the supply chain does a company's accountability stop?
- How can we encourage suppliers to be sustainable, for example, through information-sharing, auditing, engagement, or other influence mechanisms?

IMPORTANCE

Many managers have acknowledged that they are accountable for the business practices of their suppliers. But it is not well understood how they can engage the organizations across the entire supply chain to improve their sustainability performance. If existing knowledge on sustainability were transferred to all firms in a supply chain, the benefits in business performance would accrue throughout and between industries and between both goods and services.

“Exerting positive influence on my supply chain upstream and downstream will help to make my products more sustainable.”

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[Robert Sroufe](#)

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What sustainability issues most affect a firm's license to operate?

FURTHER QUESTIONS

- What is a social license to operate?
- Can society overrule a regulatory license to operate?
- How do managers forecast the issues that are most likely to affect their social license to operate?

IMPORTANCE

A firm's license to operate has a large social component; society can determine whether or not a business is welcome in certain communities—often overruling regulatory permissions. Society can work through a number of mechanisms to prevent firms from operating, including regulations, purchasing decisions, and community activism. Understanding the ways in which society can impact business success can help managers better comply with those expectations.

As well, businesses need to know what issues are most likely to affect their license to operate so that they can deal with them directly. Some issues, even seemingly minor ones, can evoke more immediate and visceral responses than others. To understand the triggers for community activism, we need to look closely at context, trends, and long-term versus short-term concerns.

“Rapidly changing societal expectations may have a significant impact on industry operations.”

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What mechanisms best enable government to regulate risk?

FURTHER QUESTIONS

- When and how should the precautionary principle be used to evaluate risk?
- When and how should more traditional risk assessment techniques be used to evaluate risk?
- When social risks cannot be quantified, how can they be evaluated alongside economic risks?

IMPORTANCE

Even though the interests of society are assumed to be protected by government, society is increasingly expecting corporations to play a bigger role in addressing social and environmental issues. This immediately introduces new risks into business. Government policy often dictates how these risks are to be managed. Consistent policy ensures a fair playing field and policy certainty allows firms to develop long-term risk management plans. Corporations could benefit from better guidance from governments on how they are expected to manage sustainability-related risks.

“We need good policy to support good business.”

LEARN FROM THE NETWORK

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[Tom Cooper](#)
[Steve Maguire](#)
[John Maxwell](#)
[Alain Verbeke](#)

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How can we engage capital markets to value sustainability and its risks?

FURTHER QUESTIONS

- What business sustainability issues are most pertinent to capital markets because of the risks they impose?
- Why have the capital markets in other countries engaged more than Canada's? What are the drivers pushing these countries ahead? Have the Europeans figured out something that Canadians haven't?

IMPORTANCE

Capital markets drive the behaviour of publicly traded firms because they control the financial lifeline of business. Presently, few business sustainability issues are included in the valuations of investment analysts. Yet, it is possible to see carbon emissions, for example, becoming an increasingly relevant factor in such valuations. If the financial managers running pension and mutual funds start asking tough questions about a firm's sustainability performance, it will likely influence businesses sustainability practices.

“Capital markets are a way to pull the laggards up the business sustainability ladder.”

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How can we attract and retain employees through business sustainability?

FURTHER QUESTIONS

- How can firms measure the impact of sustainability on employee retention and attraction?
- How do you energize and engage employees through business sustainability activities?
- How can business sustainability be incorporated into employee performance evaluations?
- As youth migrate from rural to urban areas, how can rural-based industries use sustainability practices to attract and retain the best employees?

IMPORTANCE

As the workforce ages and retires, companies need proven strategies for attracting and retaining the best employees. We need to know if there is a correlation between a company's sustainability performance and its ability to attract and retain top talent. If a positive correlation exists, firms will have a clear incentive to engage in sustainability practices.

“A firm's poor sustainability performance may often be the reason for employees leaving the company.”

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How can we communicate our business sustainability initiatives without risking negative media attention?

FURTHER QUESTIONS

- What is the best way for companies to convey information about their business sustainability programs to the public?
- Why are some attempts at communication labelled 'greenwash'?
- How can firms communicate sustainability activities to a media which is quick to vilify industry?

IMPORTANCE

Many companies are trying to incorporate sustainability issues into their business strategies, but are often faced with public scepticism and backlash. Companies need to understand how best to communicate their efforts while avoiding negative publicity (and maybe even generating positive publicity).

“ We need to know how to implement and communicate business sustainability programs without negative recoil from the public. ”

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How can we assess the impact of sustainability regulations on Canadian productivity and competitiveness?

FURTHER QUESTIONS

- Do existing sustainability-related regulations help or hinder productivity, competitiveness, and employment?
- What factors initiate new regulations?
- Do companies that anticipate sustainability-related regulations prior to implementation enjoy a competitive advantage?

IMPORTANCE

Some regulations are very costly to industry, but contribute minimally to improving sustainability. They can affect jobs, or international competitiveness. Yet, other regulations can result in improved economic, social and environmental performance. Firms and governments would benefit from a better understanding of the principles of good sustainability related regulations that will facilitate productivity and competitiveness of Canadian businesses.

“We need to understand how government-imposed regulations affect the success of Canadian companies.”

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2007/08 Knowledge Priorities

This page describes the knowledge priorities identified in 2007-08 by the Leadership Council at its inaugural meeting.

- 1. What are the business tools with which managers can value the business case for sustainability?**
The Network funded a systematic review of the research related to this question. The project was led by Dr. John Peloza of Simon Fraser University and Mr. Ron Yachnin of Yachnin & Associates. Their findings can be found [here](#) as of Fall 2008.
- 2. What are the best practices in community engagement?**
The Network funded a systematic review of the research related to this question. The project was led by Dr. Frances Bowen of the University of Calgary. Her findings can be found [here](#) as of Fall 2008.
- 3. What are the elements of a successful sustainability culture, in which sustainability becomes an enduring part of the firm's identity among employees, the board, and management?**
- 4. What public policy measures exist to engage capital markets (e.g., amendments to the Canada Pension Plan Act)?**
- 5. What are the minimum acceptable standards for ethical sourcing? How far down the supply chain should a firm apply its standards? What information should be available from suppliers regarding products and processes?**
- 6. What data are reported and how has that changed over time? What metrics or reporting schemes are most effective and efficient, especially for financial analysts?**
- 7. How can the risk and opportunity to the firm's brand(s) be measured and managed within the context of sustainability?**

About the Research Network for Business Sustainability

MISSION The Research Network for Business Sustainability uses knowledge to bridge the communities of research and practice to enable business sustainability.

OBJECTIVES The Network aims to:

- Build a **community** of people working on business sustainability.
- Increase capacity within the community to develop **knowledge**.
- Create **tools** based on that knowledge that can impact practice.

ACTIVITIES The Network funds projects to move knowledge between the communities of research and practice, organizes events that bring the members of those communities together, and enables ongoing interaction and knowledge exchange through online tools.

FUNDING The Network is funded with generous contributions from the Leadership Council members and three major funders. In March 2008, the Network received \$2.4 million from the Social Sciences and Humanities Research Council of Canada.

For more information on the Research Network for Business Sustainability, please visit www.SustainabilityResearch.org

Leadership Council Members



Major Funders



The Network was created with generous funding from its Leadership Council members, the Social Sciences and Humanities Research Council of Canada, the Richard Ivey School of Business, and the University of Western Ontario.

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