Executive Summary

SUSTAINABILITY PARTNERSHIPS – A CASE OF THE EMPEROR'S NEW CLOTHES OR NOT?

The empirical research we present in this book is the last building block of an ongoing effort to 'crack the case' for corporate sustainability by the Forum for Corporate Sustainability Management (CSM), a research platform at the International Institute for Management Development (IMD) business school in Switzerland. The aim of CSM is, through rigorous empirical research, to shed more light on how global companies live up to social and environmental responsibilities expected of them by different stakeholders above and beyond their economic performance (whether you call this Corporate Social Responsibility (CSR), Triple Bottom Line, Corporate Citizenship, or any other of the many different labels that have been variously plastered on this area of corporate activity).

The 'Trilogy' kicked off during the 2002–2003 CSM research cycle, when our member companies (see Appendix B) asked us to look into the question of the business case for corporate sustainability: What is the economic logic behind integrating social and environmental criteria into the core business model? What 'room to manoeuvre' do companies have when it comes to corporate sustainability management and what are the key success factors? Moreover, what can be done to fully exploit the business case?[1] We carried out extensive interviewing of business managers and complemented this with surveys, which allowed us to put together an 'inside-out' perspective on corporate sustainability management. The key findings were relatively sobering: Apart from the fact that there were major mindset and knowledge barriers to rolling out sustainability strategies within firms, lack of interest in corporate sustainability by key stakeholders meant that corporate sustainability management (beyond compliance) still remained of relatively low importance in companies, and was regarded by managers as rather secondary to 'mainstream' concerns – relevant enough to be managed professionally, but certainly not a 'make it or break it' consideration for the foreseeable future.

In a logical progression from these findings, for the following research cycle in 2004–2005, our member companies asked us discover

more about what key stakeholders were thinking about corporate sustainability, how they measure related performance, and how their perception of corporate sustainability performance was guiding their actions (and therefore, what we call more of an 'outside-in' approach). We looked at nine different stakeholder groups – from the investment community to non-governmental organizations (NGO) – and we even included a study on the media as a major transmission belt for stakeholder views and concerns. This project largely confirmed the bottom line learning from our first study on the business case[2]: Key promoting stakeholders, such as NGOs and consumer organizations, felt that they did not have the leverage to accelerate corporate action beyond the incremental steps currently being taken, and deterring agents continued to be customers/consumers and investors (although these environments are undergoing interesting and dynamic change in positive directions for sustainability development – the continued growth of responsible investment portfolios for example – it is still by far not enough to push mainstreaming).

Upon concluding this project, we felt that to cover the full waterfront, a key element was still missing. Since the World Summit on Sustainable Development (WSSD) in 2002, partnerships (particularly public–private partnerships) have become a fashionable, and often preferred, approach to tackling social and environmental issues. In both pieces of research mentioned above, we noted that the most proactive companies were embarking on all kinds of such partnerships: Industry coalitions, with public authorities and/or NGOs, and so on. Indeed, the term 'public–private partnership' and its acronym, PPP, have of late practically become buzzwords in their own right, just as prevalent nowadays in the corporate executive's vocabulary as the ubiquitous CSR. Bring the two together and you get what, exactly? This is the question we sought to answer in this book on corporate sustainability partnerships.

For the 2006–2007 research cycle, our CSM members wanted to learn more about the universe of partnerships involving companies which has been rapidly developing over recent years. What are the objectives? How are they working? What is the perceived impact of their activities by the participants in the partnerships? There are many books and articles with nicely illustrative examples of this relatively new generation of PPPs with a sustainability objective. And, the vast majority are full of praise. However, as we moved through a comprehensive literature review, we started wondering about the extent to which the literature about corporate sustainability partnerships was

window-dressing (remember…'Oh, how splendid are the Emperor's new clothes. What a magnificent train!'). Because in the literature, there are virtually no works that comprehensively scrutinize the perceived effects across such important dimensions as organizational culture and knowledge management practices, entire business systems, and, ultimately, on the social and environmental dilemmas that the plethora of current partnerships are designed to address. Is there too much media hype and reporting about their successes?

The results of our efforts are now presented in this last book of our 'Trilogy'. What the reader will find herein adheres to a tradition for transparent methodology established by CSM research since 1995: A sober empirical approach, primarily focused on relevance for our member companies, trying to identify patterns, the 'big picture', emerging trends, and finally, framing it in a comprehensive book (luckily, at IMD we do not need to maximize the numbers of 'smallest publishable units'). The research presented in this book differs from previous efforts in only two ways. First, whereas in the initial case we worked with a team of doctoral students in addition to CSM's core team, this time we relied on extremely experienced interviewers from IMD's research staff, and one external interviewer with hands-on experience of working with NGOs and multilateral agencies. Second, whereas we complemented interviews with surveys in our two previous studies, for various reasons explained in the methodology section, we made this a fully qualitative study.

The book focuses on a number of partnerships identified under the broad themes of climate change, sustainable food, human rights/anti-corruption, and public health; all extremely topical and complex subjects. Note that climate change was one of the most newsworthy subjects of the year in 2007, and was still holding its own in 2008, although being rapidly supplanted by looming world hunger in terms of media attention intensity. Indeed, because of the relatively new struggle between food production for food or fuel, and the increasing demand for resources from up-and-coming mighty nations such as India and China (leading to food shortages worldwide), the issues of sustainable food and climate change are becoming even more intimately interlinked than before. We also ensured that we covered various types of partnerships; and thus, we looked at four partnership types: New business models, quasi-regulatory solutions such as certification initiatives, efforts to raise the bar by promoting best practices, and finally advocacy partnerships.

By directly interviewing multiple participants involved in corporate sustainability partnerships, we were able to examine perceived overall effects, be they social, environmental, tangible, intangible, or just simply unexpected. We also asked our respondents about the potential for rollout (for 'mainstreaming' of activities), and discussed promoting factors and barriers in achieving replication effects. We looked at structures and activities of partnerships, but also scrutinized what internal or external factors were preventing, or promoting, successful activities within partnerships. We also analyzed key events that may have had negative or positive influences on the capacity of partnerships to achieve their objectives.

To sum up our findings is a challenge – primarily owing to the sheer diversity and somewhat 'tailor-made' nature of partnerships, which renders making generalizations difficult. Clearly, all partnerships had problems and dilemmas that were specific to their issues, or their own particular set of circumstances or complexity. Although some comments can nevertheless be made on the highest level, the real value of our book is as a manager's handbook and guide for specific types of partnership. Interestingly, as we consolidated the research, we realized that what we had construed was a collection of 'do and don'ts' for managers of companies embarking on sustainability partnerships (the 'A to Z' of partnerships). As such, the results of this study are useful to managers from both an issue (how do partnerships help us to tackle this issue?), and a partnership type (which types of partnership are most effective?), perspective. This is no trivial offering; our research very clearly demonstrated that the area of corporate sustainability partnerships is not one where the average corporate executive feels within his or her comfort zone. Therefore, we encourage the reader to delve into the details of the book, in order to get fullest added value.

The bottom line: do partnerships perform?

As always, it depends on the benchmark being used. Having carried out the extensive research on partnerships presented here, we take a much more sceptical view than the many CSR/sustainability enthusiasts that present partnerships as a panacea for resolving complex sustainability issues. The limitations, as identified in this study and described in this book, are far too flagrant. However, if one takes a more realistic view and asks whether partnerships lower internal barriers and raise awareness of stakeholders somewhat, then the answer is clearly much more positive.

What struck us most of all was the seemingly opportunistic manner in which corporations generally approach partnerships. While global companies apply a highly strategic approach to all other areas of their business, the same does not always appear to be true for the corporate sustainability partnership. Opportunism may, in itself, lead to still more opportunities (multiplication effects), and can bring its own benefits in terms of 'jumping on the bandwagon' when there is optimum interest easing involvement of key players. However, for those partnerships that had not been stringently planned in advance of their formation, we found this to be the majority, or entered into as a result of strategic discussion and review, the ultimate realization of partnership ambitions is greatly hindered by a lack of a cohesive strategic approach, sometimes 'well down the road' into implementation. From composition of the partnerships, involvement of 'the right' partners (be they corporate, government, NGOs, or other institutions), and establishment of clear governance structures, even down to what should be a 'no-brainer' issue of having clear missions and objectives from the outset, many of the initiatives that we looked at were losing momentum because of failings in these areas.

We noted minor perceived effects on the corporate bottom line with strongest effects on the cost side (however, relative to the big picture, these savings were in most cases perceived as marginal). Only in cases where measurement was optimal, and involvement was long-term, did we find that significant implications on the bottom line had been felt, and duly documented. The business relevance of acting on sustainability issues through partnerships (that is, the clear effect, direct or indirect, on the corporate bottom line) is, therefore, not always significant enough to accelerate related corporate action enough for the achievement of a short-to-medium-term goal of truly sustainable development. Corporate approaches, therefore, remain incremental; steady and purposeful, it is true, but nevertheless inevitably leading to more long-term than short-term solutions.

The main bottom line of our research is that, by leveraging new managerial and technical capacity to improve management results, most partnerships primarily affect intangible areas, such as knowledge levels, mindsets of managers, and corporate cultures. And the good news is that this produces a knock-on effect on organizational behaviour. All partnerships studied were contributing to improved license to operate, brand and reputation; and to building trust with corporate stakeholders such as regulators, NGOs, etc. There were also knock-on effects on policy that should not be underestimated.

However, partnerships we studied were having very limited direct influence on corporate business strategies, organizational structures, or day-to-day operations. Other than in the best practices partnerships category, neither does involvement by companies in sustainability partnerships appear to bring technology payoffs. And even those as a result of best practices were still perceived as weak. The effects on the industry, and business systems as a whole, were generally not viewed as being significant by corporate players either. We found scant ground-breaking developments in new corporate business models (other than the growth of niche markets), or products. However, it may well be that a direct effect on mindset and culture within firms is influencing all these areas indirectly. This is difficult to assess, and we can only go on 'gut feel', as well as that of our interviewees. Overall, to put it bluntly, we came away from this research convinced that corporate organizations and executives were still at the lower end of the learning curve in this arena.

We observed relatively limited direct effect of sustainability partnerships on sustainability issues, per se. Although the objective of partnerships around sustainability is to have ultimate impact on the social and environmental problems they are addressing, practically no corporate participant told us that the primary effects were at this level. We noted that for many partnerships, activities are, for the moment, mainly about picking low-hanging fruits. We deduced this because companies were clearly not struggling to reach the targets they had set in many cases. We also noted that it was, in any case, difficult to demonstrate true causality in these areas.

Moreover, companies in general appear ill-equipped to deal more aggressively with these relatively new (for them), and complex sustainability issues. For companies, when it comes to corporate sustainability, it is often a question of setting the right priorities. Putting the requisite managerial and technical resources into the task of 'moving mountains', within a sustainability partnership, is a difficult move to explain to shareholders. Moreover, there is only so much that can be achieved at a grassroots level, since developing best practices and aligning organizations behind them is such a resource intensive exercise – involving a large and diverse network – that companies would require considerably more incentives from their stakeholders (including regulators) to dedicate that level of support.

Overall, we also found that, despite the hype around the subject, expectations of partnerships by companies remained relatively low, while the expectations of other stakeholders, such as NGOs, tended to

be much higher, (this is primarily because NGOs are driven by single issues). Our NGO interviewees often expressed a frustration with the lack of significant progress; the only exception being the quasi-regulatory initiatives, where substantial headway had sometimes been made (although, it must be admitted, sometimes on an extremely local level – the Marine Stewardship Council being one of the exceptions to this).

Advocacy, we noted, has more far-reaching effects directly on issues. It is a step that in any case follows logically from capacity-building – a focus of all four of the partnership approaches that we looked at. Advocacy partnerships influence the public and political debates, and bring significant contributions to legislative processes; thus, when successful, they manage to change the rules of the game for all, and level the playing field. Also, participating in an advocacy initiative requires a minimum level of expertise dedicated to the task. As a result, dedicated resources in the case of advocacy partnerships appeared to be more adequate and appropriate, at least in the cases we examined.

While participants recognized measurement as a key element essential to the activities of a partnership, too few initiatives had, as yet, put into place a measurement apparatus that was considered credible and, above all, accessible to all participants. The area of climate change, as also the quasi-regulatory partnerships are considerably more evolved in this respect (in light of the available emission inventories, and third-party audited emission reductions or certification efforts). Establishing key performance indicators (KPIs) has been at times a very challenging prospect (reaching agreement not being an easy task). Overall though, many partnerships are so distracted by the process of gaining consensus on missions, issues, and objectives, that measurement is still a poor second. And, where it is a priority, measuring progress on certain intangible aspects (such as organizational culture and performance 'on the ground') is resource-intensive and complex. Also, where adequate measurement is in place in pilot initiatives, transmission of information is often an additional barrier. When participants do not have access to key data, and thus learning, in order to join in rollout strategies, moving closer to the aim of mainstreaming becomes an increasingly distant prospect.

This brings us to the matter of the activities and resources of partnerships. In some cases, we noted that it would be essential for some of the partnerships we scrutinized to 'get back to the drawing board', and to ask themselves whether they have everything in place to ensure

that they can facilitate and accelerate the achievement of the partnership objectives. For partnerships in general, a constant questioning process is in order; partnerships must remain dynamic; and, as the external and internal framework changes, they must also change. How many times did we find a partnership that needed to question again whether it still had the right members on board, whether the governance system was effective or functional, whether there was a 'fit' between resources and objectives? Yet, often that same partnership was balking at the prospect of actually doing something concrete about what was generally a recognized problem. Overall, many partnerships we looked at were very substantially under-resourced, considering the very ambitious objectives they had set themselves. To return to The Emperor's Clothes analogy, 'cut the cloth according to the measure' is one simple message that we bring to managers and other stakeholders from our research on partnerships.

Internal factors that impede progress in partnerships are mainly related to the complexity of the issues under consideration (the issues being addressed by the Sustainable Food Laboratory (SFL) are testament to this), the diversity in the agendas of participants (thus shared interest and commitment is difficult to come by), and the degree of visibility – either internal or external – that the partnerships must have at different times in their maturing processes. From an external point of view, lack of government interest and involvement (and thus, lack of supporting regulatory regimes), lack of demand from key stakeholders such as customers/suppliers, and insufficient scale (relative to the objectives), are all contributing factors to the barriers that partnerships face. In best practices partnerships in particular, where coordination and information sharing is key, lack of inspired and dynamic correctly targeted leadership was a constant shortcoming that was holding partnerships back from achieving outreach with some of their most laudable pilot project initiatives.

All, however, is not entirely negative, by any means. On a few occasions, we came across partnerships that literally leapfrogged once one of these key barriers was broken down. But, for us it was interesting that each time, struggling partnerships looking to take a giant step forward had learnt virtually nothing from already existing partnerships (not only those outside their field, but also within); each time they had gone through the pain of a long-drawn out, hands-on learning process. This is in spite of the fact that much has been written about some of the most high profile partnerships. Could it be that the literature surrounding partnerships fails to 'show the leopard, spots

and all', and does not illustrate the pitfalls, shortcomings, and real challenges of the initiatives – preferring instead to present a rather biased, optimistic view, aimed at attracting corporations by lauding them from all angles? This is why we feel our book might prove to be so useful.

Many in the field of sustainability/CSR point to partnerships as a sort of panacea to the world's sustainability problems. Our research indicates that although a panacea they are not, partnerships do bring a level of learning to all sides that eventually leads to internal changes in companies, and other organizations; and that makes much more open debate and experimentation possible in an increasingly complex world. They also promote a cross-fertilization of expertise and experience which would otherwise not be possible. As indicated, climate protection partnerships appear to play a very specific role in the universe of partnerships, mostly owing to the high public and political awareness around this issue, especially at the time of our data collection (most notably around the G8 in Heiligendamm, the latest IPCC (Intergovernmental Panel on Climate Change) assessment reports, and the Bali Climate Conference). Climate change is the only area in which we found a set of advocacy partnerships, for example. These partnerships have clearly contributed to resolving a catch-22 situation between the corporate sector and the public sector. In this sphere, it is very apparent that governments are uncertain about whether, and how, to introduce climate change policies, whereas companies are concerned about regulatory uncertainty and competitiveness.

For the vast majority of sustainability partnerships, a leading question remains. Primarily the lack of strategic corporate intervention in partnerships makes us wonder whether the objectives of many partnerships will ever be attained, as long as corporations do not 'put their money (and other resources) where their mouths are' and approach partnerships as they would any other corporate project. Although partnerships around sustainability concepts are a relatively new 'animal', the time will eventually come for most partnerships to ask themselves some hard questions about their continued existence. Our concern is that many partnerships are often loath to disband once objectives have been achieved, or have been proven not to be capable of achieving their objectives owing to various factors. The hesitation of participants in partnerships to be 'party poopers' is that there are different and interesting side-benefits to being a member of these initiatives (other than the achievement of the objectives, per se). For corporations, these might be improved stakeholder knowledge,

increased awareness and learning within companies and, let's face it, improved reputation and image benefits. For NGOs, it might be the platform that partnerships provide to have a non-confrontational discussion with companies; once ground has been won at this level, it is difficult to sacrifice the fruits of a sometime hard-won investment.

At the end of the day, though, it will be necessary to break down the myths surrounding some partnerships and 'call a stone a stone'. Remember that little boy in the story who, after contemplating the perplexing scene of subjects raving about the naked Emperor's lavish 'clothes', finally cried out 'But he's not wearing anything at all … !'

Notes

1. Steger U. (Ed.). 2004. *The business of sustainability: Building industry cases for corporate sustainability.* Hampshire, UK: Palgrave Macmillan.
2. Steger U. (Ed.). 2004. *Inside the mind of the stakeholder: The hype behind stakeholder pressure.* Hampshire, UK: Palgrave Macmillan.