



TRANSPARENCY, A NEW STRATEGY TO COMMUNICATE SUSTAINABILITY PERFORMANCE

WOULD YOUR COMPANY PASS THE “NEWSPAPER TEST?”

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At present, many sustainable organizations find it hard to convey their sustainability performance to stakeholders, while less sustainable rivals often benefit through “greenwashing” practices. So how can corporate sustainability be measured and recognized more accurately?

In the first article of this series, we discussed the failure of the Triple Bottom Line and other reductionist approaches in measuring sustainability performance. Instead, we argued in a second article that stakeholders should determine an organization’s sustainability performance and we proposed a framework for doing this. This final article looks at how firms can communicate their sustainability performance to stakeholders in a meaningful and effective way.

We strongly believe that companies should start this journey by taking the “newspaper test.” This consists of one simple question: Would your company be ready to highlight every aspect of its sustainability performance on the front page of the FT or The New York Times, and the top newspapers in leading emerging markets such as China, India or Brazil, or on social media?

If the answer is “yes,” then your organization is in good shape. But we question how many companies can honestly answer “yes” at the moment.

The “newspaper test” suggests that operational transparency is one of the best ways that companies can communicate sustainability to stakeholders. Transparency offers: 1) a methodology whereby stakeholders can easily obtain the information they need about the impacts of an organization; 2) a system for organizations and their employees to remain accountable; and 3) a forum to engage in constructive dialogue with stakeholders.

In addition, since the internet has become the medium through which most stakeholders now interact with a company, this creates a big opportunity for firms to inform stakeholders and create real dialogue about sustainability.

A prime example is Triodos Bank in the Netherlands, which extends loans solely to sustainable initiatives. While some funds have a set of negative screens, such as firearms, alcohol sales, and other business areas that are to be actively avoided, Triodos has positive screens and only finances projects that improve society. These can range from museums to organic farms to clean energy initiatives.

Triodos’s primary medium for communicating sustainability is an online platform powered by Google Maps, where the bank publishes each retail loan it makes along with a description and location of the organization it has lent to. In this way, stakeholders can keep track of Triodos’s activities and ensure these are aligned with their expectations of the bank.

Triodos is not alone in using transparency to demonstrate its sustainability. Companies in other sectors have also adopted the process. One of the authors of this article, Zahir Dossa, founded The Argan Tree—a beauty cooperative that ethically sources the argan oil it infuses in its products from a 60-woman cooperative that it started. Rather than attempt to obtain FairTrade certification, which obscures how much producers earn and often improves their lot only marginally, The Argan Tree shows where the money earned from each purchase goes.

Transparency is a fitting strategy not only for sustainable firms or organizations with a mission to improve society, but also for organizations that wish to be socially responsible. Many companies have begun to make their supply chains transparent, highlighting the processes and inputs that go into the final products and services these firms offer. Puma, for instance, completed the first environmental profit and loss account for the 2010 fiscal year to highlight the environmental footprint and associated cost that goes into developing its products and services.

When interviewed about the sustainability of Triodos, most of its stakeholders said that the bank’s “Know Where Your Money Goes” approach was far more effective in conveying sustainability than any quantifiable indicators it could have developed. As one organic farmer from Morocco who has received two loans from Triodos told us:

“I’m organic, yeah, but I don’t have a license because it doesn’t say anything about the animals, about variety of the food stock. Therefore numbers don’t tell the story. With the Internet...everything is transparent. That’s what we’re really happy with.”

In addition, this farmer also runs a rehabilitation program to help people who have addiction problems or are homeless. Statistics such as hectares of organic farming do not do justice to the sustainability impact of this and other similar farmers. Instead, it is by publishing the mission and details of day-to-day operations online that the farm has been able to best demonstrate its sustainability.

Whether it concerns a single process or the entire operation of a company, making organizations more transparent is not only an effective strategy but also an increasing trend. The “newspaper test” can be a useful tool to steer firms and their managers in a more sustainable direction. To begin the process of becoming more transparent, companies should ask themselves one important question: what do our stakeholders want to know?

By giving stakeholders the information they need, being accountable, and providing a forum for constructive dialogue, sustainable firms will find it easier to distinguish themselves from their less sustainable rivals.

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