

Ph.D. course

Sustainability Performance Measurement

Sant'Anna School of Advanced Studies

Institute of Management

2020

Improving Academic and Professional Education Capacity in Serbia in the area of Safety
& Security ImprESS (586410-EPP-1-2017-1-RS-EPPKA2-CBHE-JP)



Co-funded by the
Erasmus+ Programme
of the European Union

Aim of the course

- The course will be focused on **methods and instruments of sustainability performance measurement.**
- The course will analyse main sustainability **accounting and accountability instruments** and their importance for decision making at company level.
- Moreover, attention will be also directed to methods for the **economic evaluation of cost safety lack.**

Module 1. Sustainability and sustainability management

1.1 Introduction to the theoretical concept of sustainability management and its evolution.

1.2 From the MDGs to SDGs and the importance to measure and monitor them

1.3 Introduction to the 17 Sustainable Development Goals and to 169 targets and their role in the achievement of 2030 Agenda for Sustainable Development Goal.

1.1 Introduction to the theoretical concept of sustainability management and its evolution

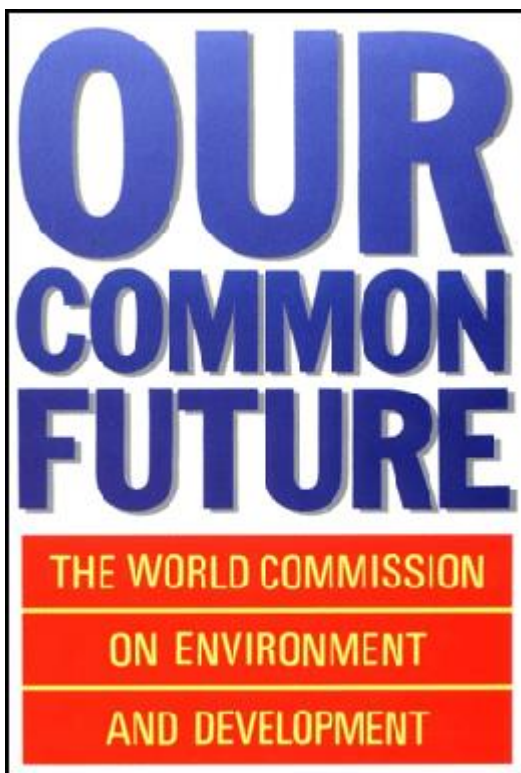
«Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.»

(Gro Harlem Brundtland, 1987)



1.1 Introduction to the theoretical concept of sustainability management and its evolution

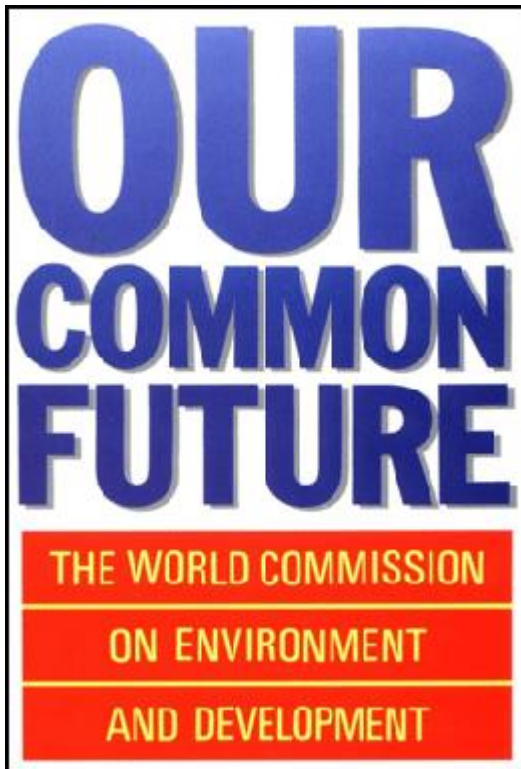
The linking between human critical issues and environment



The World Commission on Environment and Development first met in October 1984 and published its Report 900 days later, in April 1987. Over those few days:

- The drought-triggered, environment-development crisis in Africa peaked, putting 36 million people at risk, killing perhaps a million.
- A leak from a pesticides factory in Bhopal, India, killed more than 2,000 people and blinded and injured over 200,000 more.
- Liquid gas tanks exploded in Mexico City, killing 1,000 and leaving thousands more homeless.
- The Chernobyl nuclear reactor explosion sent nuclear fallout across Europe, increasing the risks of future human cancers.
- Agricultural chemicals, solvents, and mercury flowed into the Rhine River during a warehouse fire in Switzerland, killing millions of fish and threatening drinking water in the Federal Republic of Germany and the Netherlands.
- An estimated 60 million people died of diarrhoeal diseases related to unsafe drinking water and malnutrition; most of the victims were children.

1.1 Introduction to the theoretical concept of sustainability management and its evolution



“The objective of sustainable development and **the integrated nature of the global environment/development challenges** pose problems for **institutions**, national and international, that were established on the basis of narrow preoccupations and compartmentalized concerns.

[...]

The challenges are both interdependent and integrated, requiring **comprehensive approaches** and **popular participation**.

[...]

The real world of **interlocked economic and ecological systems** will not change; the **policies and institutions** concerned **must**.

There is a growing **need for effective international cooperation** to manage ecological and economic interdependence“

1.1 Introduction to the theoretical concept of sustainability management and its evolution

International cooperation

“There is a growing need for effective international cooperation to manage ecological and economic interdependence”

Popular participation

“The changes in attitudes, in social values, and in aspirations that the report urges will depend on vast campaigns of education, debate and public participation”

**OUR
COMMON
FUTURE**

KEYWORDS

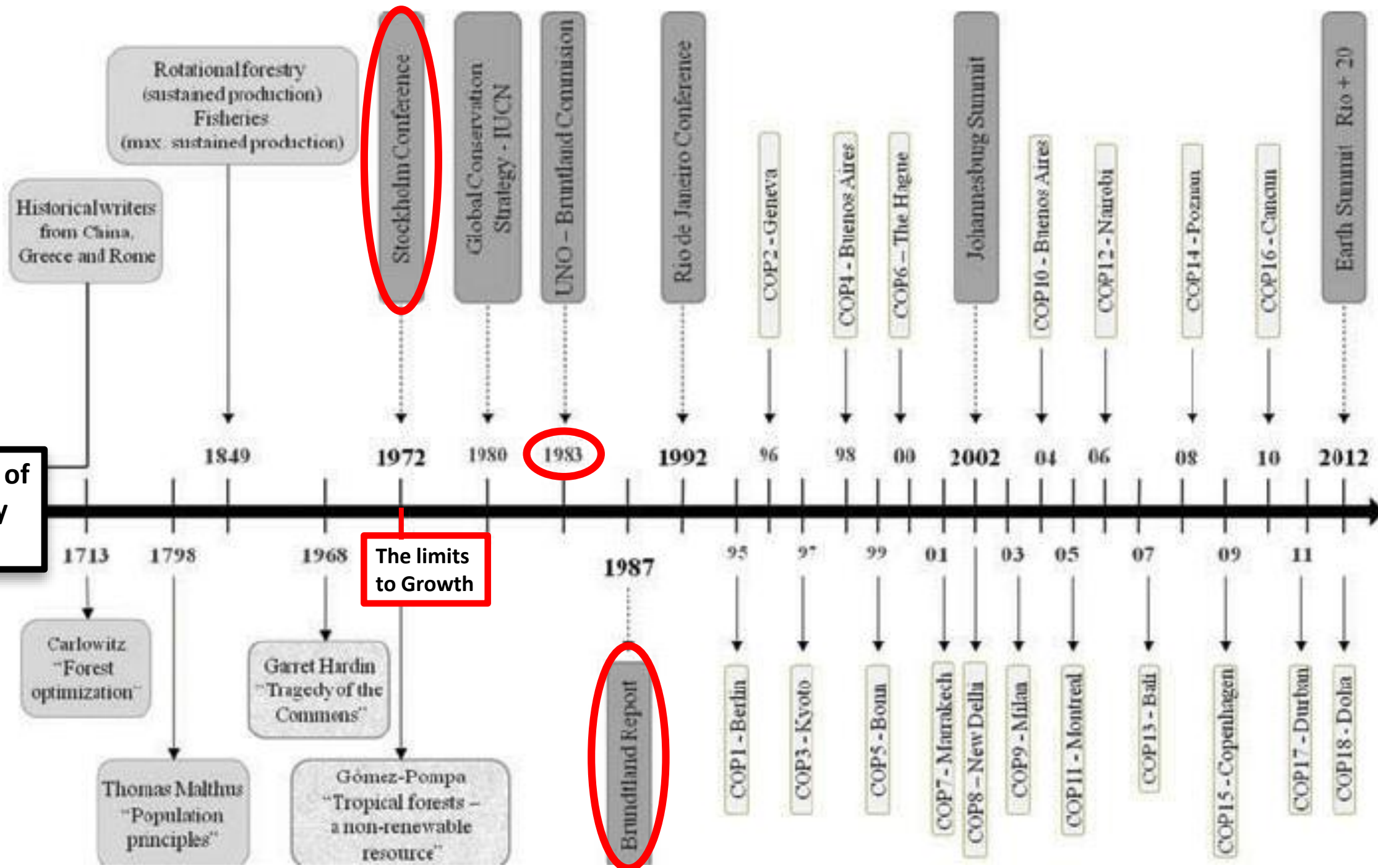
Institutions

Are the main responsible for the creation of new **environmental oriented** policies

Comprehensive approach

*“What is required is a **new approach** in which **all nations** aim at a type of development that **integrates production with resource conservation and enhancement**, and that links both to the provision for all of an **adequate livelihood base and equitable access to resources**”*

Principal steps of Sustainability evolution



1.1 Introduction to the theoretical concept of sustainability management and its evolution



Linking the **environment** and the **development**, the Conference outlined an action plan made of **109** recommendations.

*“The **protection and improvement** of the human environment is a major issue which affects the well-being of peoples and **economic development** throughout the world”*

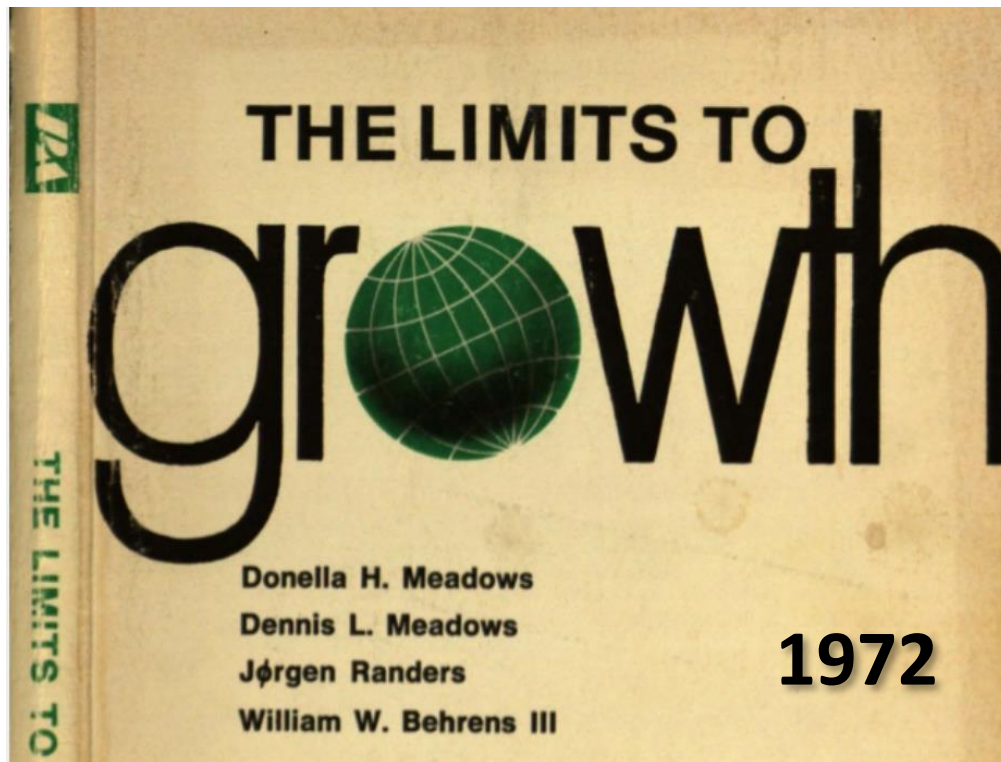
1.1 Introduction to the theoretical concept of sustainability management and its evolution

The plan is based on 26 principles that should inspire and guide peoples of the world in the preservation and enhancement of the human environment.

Principles are:

- 1) Right to **freedom, equality** and **adequate conditions** of life, in an **environment of quality** ...
- 2) **Natural resources** [...] must be safeguarded for the benefit of present and **future generations** through careful **planning and management**
- 3) The **capacity of the earth** to produce vital **renewable resources** must be **maintained** [...] **restored or improved**
[...]
- 8) **Economic and social development** is essential for ensuring a favorable living and working environment for man and for creating **conditions on earth** that are necessary for the **improvement of the quality of life**.
[...]
- 14) **Rational planning** constitutes an essential tool for **reconciling any conflict** between the needs of development and the need to protect and improve the environment.
[...]
- 25) **States** shall ensure that international organizations play a coordinated, efficient and dynamic role for the protection and improvement of the environment
[...]

1.1 Introduction to the theoretical concept of sustainability management and its evolution

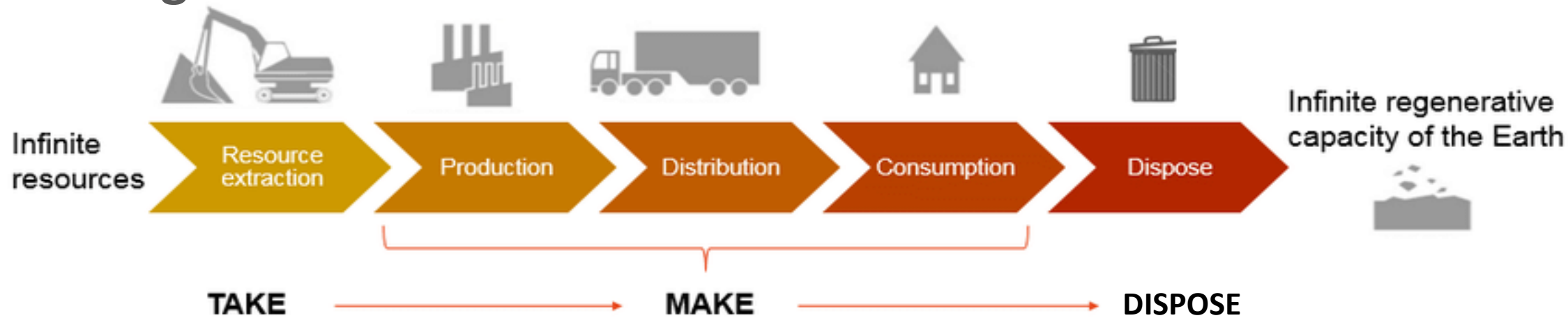


The world seems to be guided by a goal that aims **to produce more people with more goods and resources** for each person

*«if society continues to strive for that goal, it will eventually reach one of many **earthly limitations**»*

*It is not possible to foretell exactly **which limitation will occur first or what the consequences will be**»*

1.1 Introduction to the theoretical concept of sustainability management and its evolution



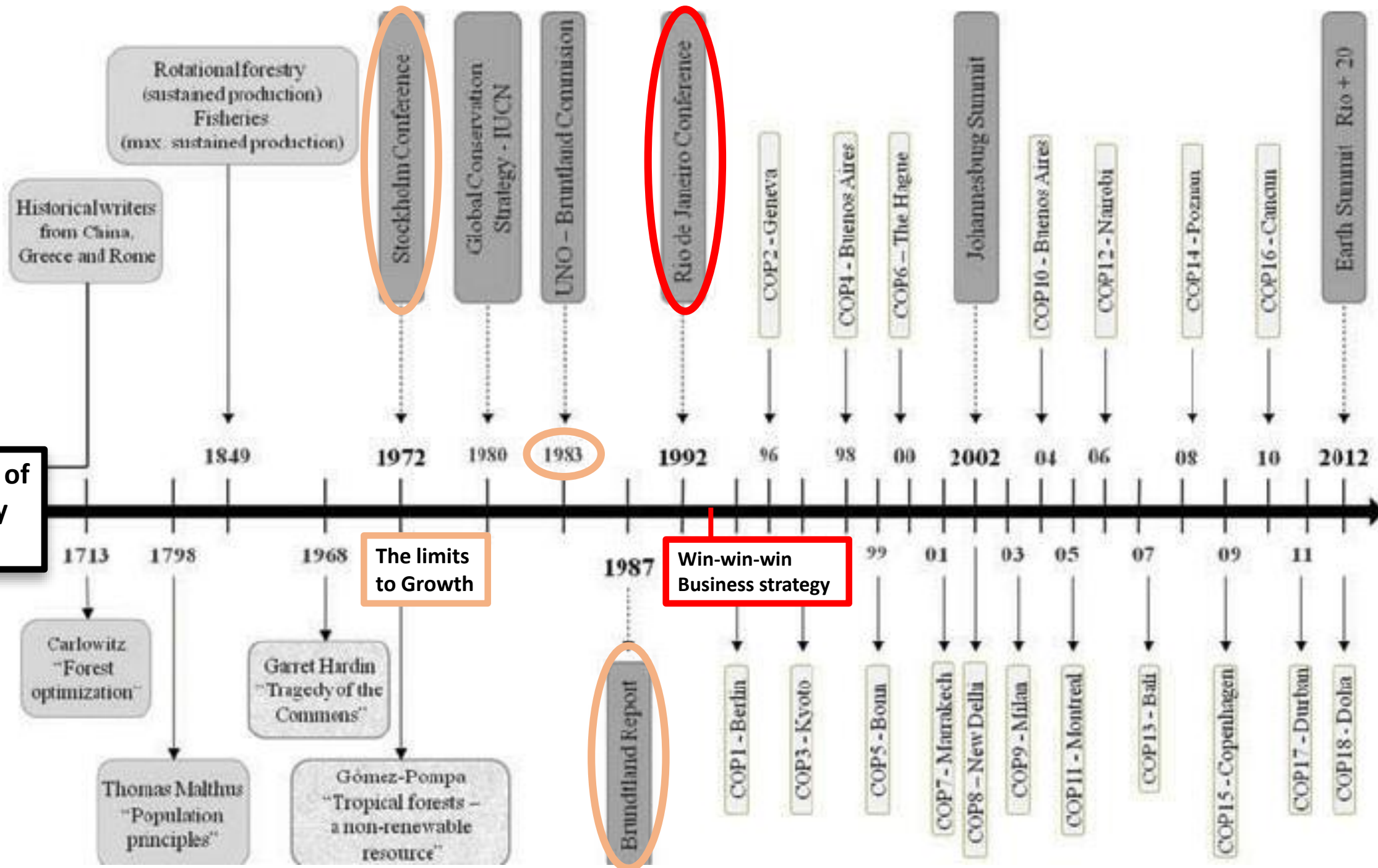
Meadows et al. Proposed a change of perspective **transiting from a Growth model** (that is the linear economic model) to a **Global Equilibrium**.

This Global equilibrium needs to be find through **science, technology** and through a **new culture** oriented to the **preservation of nature and resources**.



CIRCULAR ECONOMY

Principal steps of Sustainability evolution



The limits to Growth

Win-win-win Business strategy

1.1 Introduction to the theoretical concept of sustainability management and its evolution



178 countries

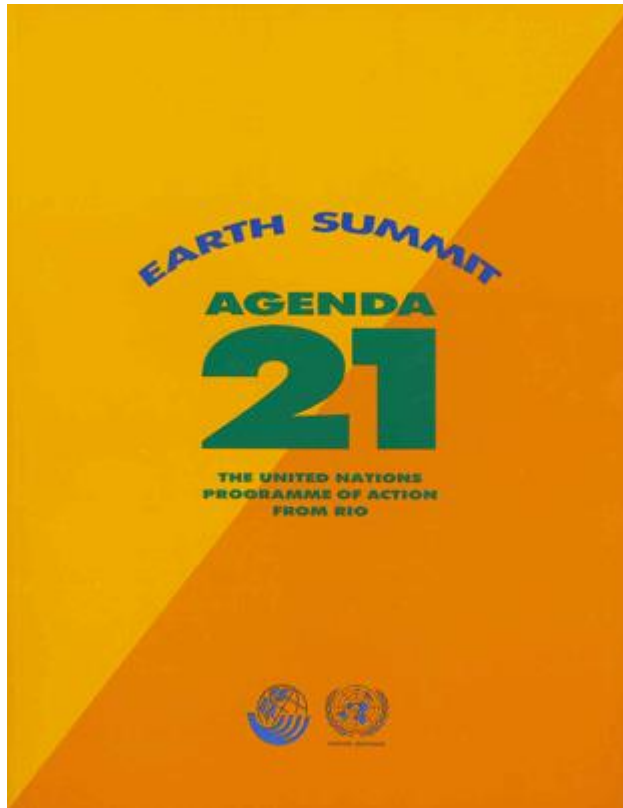
> 1000 ONG

Main topic: **environment** and **development**

Main outputs:

- (1) Agenda 21
- (2) Forest principles
- (3) Framework convention on **climate change**
- (4) Convention on biological diversity
- (5) Rio declaration on environment and development

1.1 Introduction to the theoretical concept of sustainability management and its evolution



Action plan (non-binding) for the sustainable development

It aims at guiding states toward the resolution of **social, health** and **environmental problems**.

It presents four main sections devoted to:

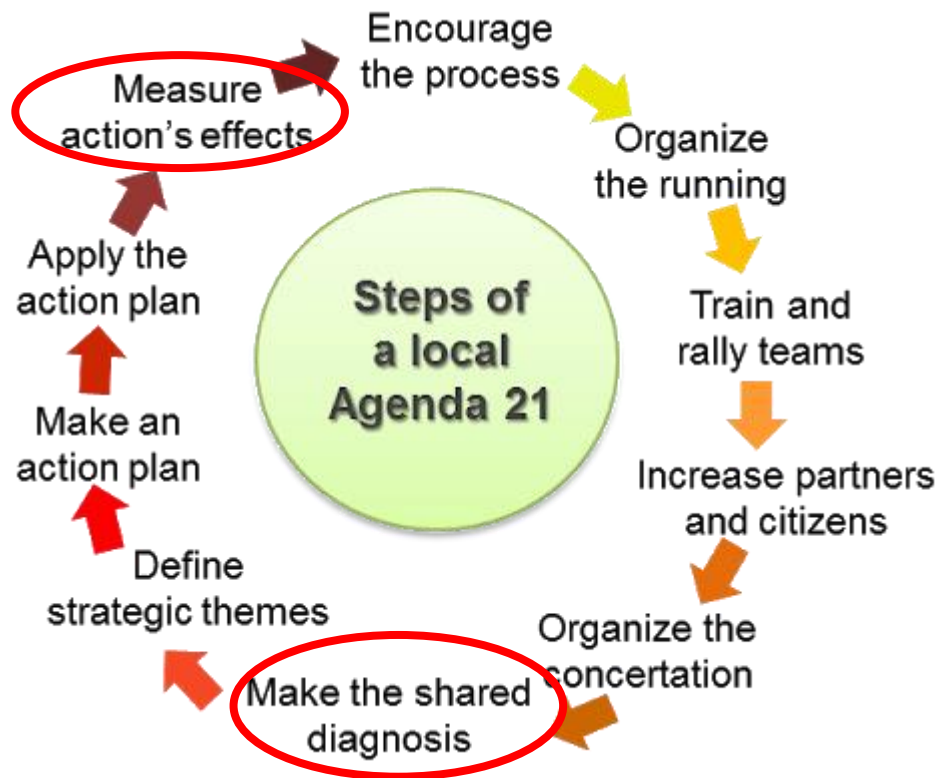
- 1) Social and economic dimensions:
- 2) Conservation and management of resources for development
- 3) Strengthening the role of major groups
- 4) Means of implementation

1.1 Introduction to the theoretical concept of sustainability management and its evolution

Each signing country has to develop a National strategy to provide a local declination of the Action plan.

Global partnership → Local action

*“This partnership commits **all States** to engage in a **continuous and constructive** dialogue, inspired by the need to achieve a more **efficient and equitable world economy**, keeping in view the increasing interdependence of the community of nations and that **sustainable development** should become a **priority item** on the agenda of the international community. “*



1.1 Introduction to the theoretical concept of sustainability management and its evolution

Plans and taken action should be measured with indicators:

Talking about the use of energy the Agenda 21 says: “**Results** of those assessments should be transformed into **clear indicators in order to inform consumers and decision makers**”

And about health:

“Develop strategies, including **reliable health indicators**, to **monitor the progress and evaluate the effectiveness of health programmes**”

1.1 Introduction to the theoretical concept of sustainability management and its evolution

Towards the Sustainable Corporation: Win-Win-Win Business Strategies for Sustainable Development

1994

John Elkington

“I often wake up in the middle of the night,” Pope John XXIII once said, “and start thinking about grave problems—and decide to talk about them with the Pope. Then I wake up completely and remember that *I am the Pope*.” Western industrial societies have undergone a similar awakening over the last three decades as the scale of the environmental and natural resource problems they face has become increasingly clear. In doing so—and before they finally accept that the responsibility for tackling these problems is *theirs*, not something to be pushed onto future generations—they typically move through a number of stages. These have included:

- ignorance
- awakening
- denial
- guilt reduction, displacement behaviour, and tokenism
- conversion
- integration

In the wake of the publication of *Our Common Future*, the 1987 report of the World Commission on Environment and Development,¹ and the UN Conference on Environment and Development (UNCED) held in Rio de Janeiro in June 1992, the concept of sustainable development—involving the integration of environmental thinking into every aspect of social, political, and economic activity—has become central to the environmental debate. This article considers some of the ways in which business is now developing new “win-win-win” strategies in this area to simultaneously benefit the company, its customers, and the environment.

“In contrast to the anti-industry, anti-profit, and anti-growth orientation of much early environmentalism, it has become increasingly clear that business must play a central role in achieving the goals of sustainable development strategies.”

[...]

Companies are under pressure to disclose more and more about their environmental goals and performance [...] but they are often ill-prepared to handle the growing number of questions on green issues from regulators, lenders, insurers, accountants, lawyers, trade and industry customers, consumers, and, usually leading the pack, environmentalists.

[...]

Business leaders must now get actively involved in defining and managing the process of environmental communications.”

1.1 Introduction to the theoretical concept of sustainability management and its evolution



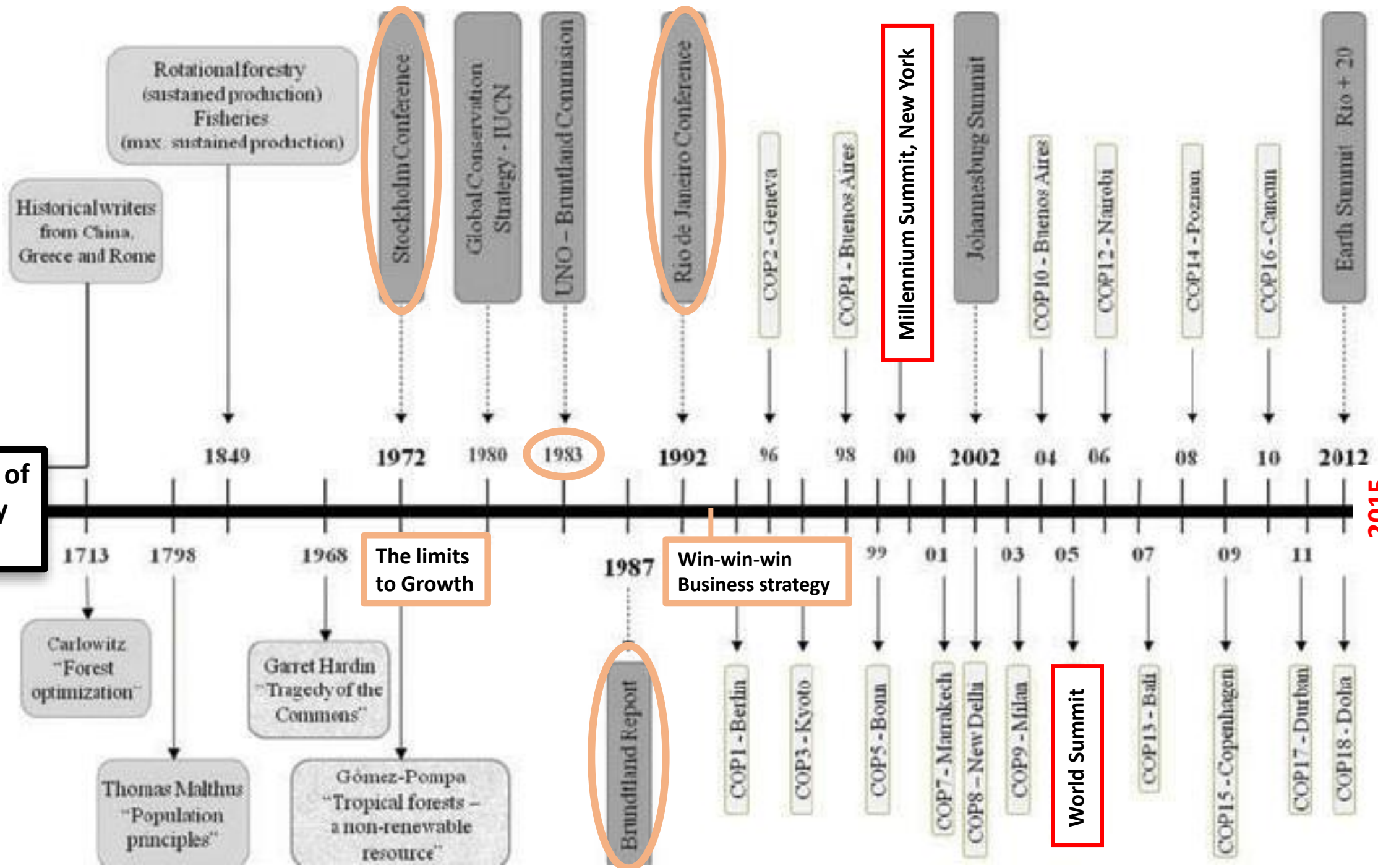
Stakeholder → Critical stakeholders need to be turned into customer: new market opportunities, better reputation

Reporting and environmental communication → Voluntary environmental reporting as tool to stimulate the measurement of environmental performances

Life cycle → as new perspective to look at products and to organize the production

Supplier → as stimulus to trigger a business-to-business pressure

Principal steps of Sustainability evolution



1.2 From the MDGs to SDGs and the importance to measure and monitor them



8 Goals
 21 targets
 60 indicators for monitoring the progress.

Social priorities to meet within the 2015 and designed mainly for developing countries.

“development” and of “sustainability” are still considered as separated topics

1.2 From the MDGs to SDGs and the importance to measure and monitor them

Eradicate extreme poverty and hunger	Target 1A: Halve, between 1990 and 2015, the proportion of people living on less than \$1.25 a day Target 1B: Achieve Decent Employment for Women, Men, and Young People Target 1C: Halve, between 1990 and 2015, the proportion of people who suffer from hunger
Achieve universal primary education	Target 2A: By 2015, all children can complete a full course of primary education/schooling, girls and boys
Promote gender equality and empower women	Target 3A: Eliminate gender disparity in primary and secondary education preferably by 2005, and at all levels by 2015
Reduce child mortality rates	Target 4A: Reduce by two-thirds , between 1990 and 2015, the under-five mortality rate
Improve maternal health	Target 5A: Reduce by three-quarters , between 1990 and 2015, the maternal mortality ratio Target 5B: Achieve, by 2015, universal access to reproductive health
Combat HIV/AIDS, malaria , and other diseases	Target 6A: Have halted by 2015 and begun to reverse the spread of HIV/AIDS Target 6B: Achieve, by 2010, universal access to treatment for HIV/AIDS for all those who need it Target 6C: Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases
Ensure environmental sustainability	Target 7A: Integrate the principles of sustainable development into country policies and programs ; reverse loss of environmental resources Target 7B: Reduce biodiversity loss , achieving, by 2010 a significant reduction in the rate of loss Target 7C: Halve, by 2015, the proportion of the population without sustainable access to safe drinking water and basic sanitation Target 7D: By 2020, to have achieved a significant improvement in the lives of at least 100 million slum-dwellers
Develop a global partnership for development	Target 8A: Develop further an open, rule-based, predictable, non-discriminatory trading and financial system Target 8B: Address the Special Needs of the Least Developed Countries Target 8C: Address the special needs of landlocked developing countries and small island developing States Target 8D: Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term Target 8E: In co-operation with pharmaceutical companies , provide access to affordable, essential drugs in developing countries Target 8F: In co-operation with the private sector , make available the benefits of new technologies , especially information and communications

1.2 From the MDGs to SDGs and the importance to measure and monitor them



UN WORLD SUMMIT 2005

Analysis of the Goals improvement

Identification of lacks and weakness of the MDGs

The literature in particular identifies:

- Lack of involvement and collaboration in the design process of MDGs (**Kumar et al., 2016**)
- Lack of transparency (**Bond, 2006**)
- Attention only on primary education without considering adult literacy and skills development (**Talbot, 2013**)
- Goal 2 does not consider either the urban nature of food insecurity (**Battersby, 2016**)

1.3 Introduction to the 17 Sustainable Development Goals



*“We [...] in New York from 25 to 27 September 2015 [...] have decided today on **new global Sustainable Development Goals**. On behalf of the peoples we serve, we have adopted a historic decision on a comprehensive, far-reaching and **people-centred** set of universal and transformative Goals and targets.*

We commit ourselves to working tirelessly for the full implementation of this Agenda by 2030”

Agenda 2030:

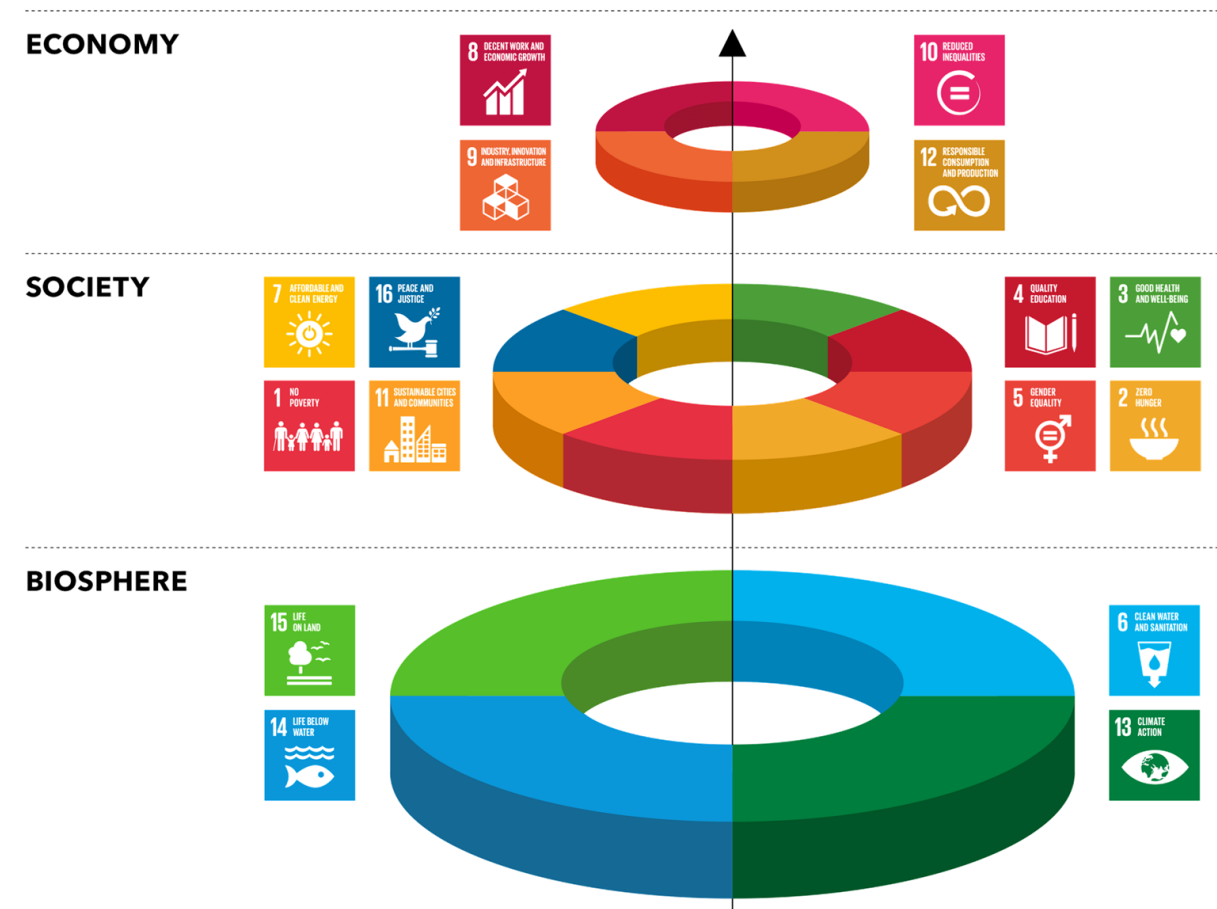
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17 Sustainable Development Goals (SDGs)

1.3 Introduction to the 17 Sustainable Development Goals



1.3 Introduction to the 17 Sustainable Development Goals



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1.3 Introduction to the 17 Sustainable Development Goals

- SDGs embrace a **larger number of topics** and are not focused on social problems.
- SDGs are able to touch all the **three dimension** of the sustainability. Cities, job, justice, energy, industrial sector, innovation, science and technology are
- SDGs are **applicable to all countries**
- SDGs identifies **tools and strategies** for the achievement of goals
- SDG 13 represents the main challenge to face during the transition to a new sustainable scenario. **Climate change** is indeed a critical issue able to impact on all the other goals.



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1.3 Introduction to the 17 Sustainable Development Goals

Multi-stakeholder Partnerships
for Implementing the 2030 Agenda
Improving Accountability and Transparency



Analytical Paper for the 2016 ECOSOC Partnership Forum
Dr. Marianne Beisheim and Dr. Nils Simon

SWP
Stiftung Wissenschaft und Politik
German Institute for International and Security Affairs



- **Leadership:** a strong effort by the top management is pivotal to innovate the business models integrating the practice of sustainability.
- **Cooperation:** cooperation between different stakeholders and corporations is fundamental to gather resources, share risks, and achieve new innovative solutions.
- **Transparency:** that transparency is paramount to build trust and to strengthen stakeholders' engagement is intuitive.

(Beisheim and Simon, 2016)

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1.3 Introduction to the 17 Sustainable Development Goals

Office of the Government of the Czech Republic
 Government Council for Sustainable Development



The Sustainable Development Goals Report 2020

National Report on the Impl
 the 2030 Agenda for Su
 Development

Czech Republic

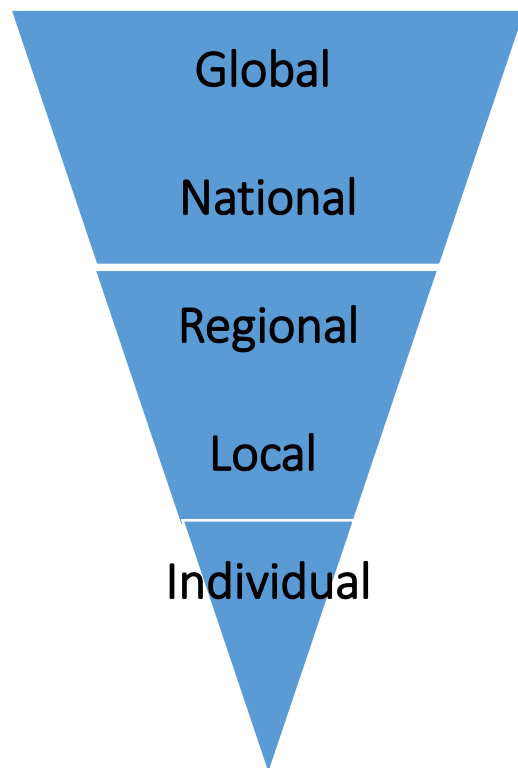
193 signing countries have ensured their commitment in integrating the SDGs through a **national and local declination** of the goals in their policies.

Companies and businesses are also finding the way to show their commitment toward sustainability and SDGs.

National commitment is showed through the publication of **national positioning report** and through **National strategies of Sustainable development**.

Companies commitment is accounted through **social or sustainability reports**.

1.3 Introduction to the 17 Sustainable Development Goals



According to **global priorities**, each country have designed its own **National Strategy** and have identified its own indicators to monitor the all the dimensions of the sustainable development.

Some countries have also provided a **regional declination** of SDGs and several **cities** have implemented their own tool to measure and to achieve sustainability.

The autonomy of these initiative makes the **effective measurement** of the achieved level of sustainability difficult.

That is way the set of **244 indicators** identified by UN are fundamental to ensure an **comparable international monitoring process**.

Module 2. Sustainability declination

Module 2 is focused on Sustainability declination at different scales.

The module consists of a mixed lesson in which students are called to read analyze national reports or official national documents related to the implementation of Development Goals.

Specific guide-lines are in the support material

2. Sustainability declination: an analysis

Students are asked to work in a group of two-three person

Each group has to read a national reports

Several variables are asked to find

Each variable needs to be described through its Strength, Weak, Opportunities and Threats

I Hour	II Hour	III Hour
Individual analysis of the report	Group/couple analysis of the report and variables/characteristics identification	Class discussion about collected results and evidences

2. Sustainability declination: an analysis

Variable/characteristics to find and discuss
Title of the document
Number of pages
Key concept emerging from the introduction
Responsible of the report development
Document organization
Methodological section
Priorities and principles
References and sources
Status quo
Thematic sections
Indicators
Targets and timing
Partner or strategic actors
Tool
Proposal section
Document readability
Elements of originality
SWOT matrix

Find and comment these variables and characteristics.

Module 3. Sustainability measurement and related tools

3.1 Introduction to indicators as tool of measurement

3.2 Characteristics of indicators

3.3 The use of sustainability indicators

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3.1 Introduction to indicators as tool of measurement

Indicators are tools that measure, simplify and communicate important issues and trends (Walker *et al*, 2000)

“An indicator is a variable that describes the state of a system”
(Walz, 2000, p. 613)

“An indicator may be defined as a characteristic which, when measured repeatedly, demonstrates ecological trends, and a measure of current state or quality of an area” (Ferris and Humphrey, 1999, p. 313f).



3.2 Characteristics of indicators

Characteristics of a good indicator

- **Validity:** the indicator ensures an accurate measure of a behaviour, practice, task that is the expected output or outcome of the intervention;
- **Reliable:** the indicator is measurable over time, in the same way by different observers;
- **Precise:** the indicator is operationally defined in clear terms;
- **Measurable:** the indicator quantifiable using available tools and methods;
- **Timely:** provides a measurement at time intervals relevant and appropriate in terms of programme goals and activities.

3.2 Characteristics of indicators

Indicators need to be able to communicate information related to a specific phenomenon.

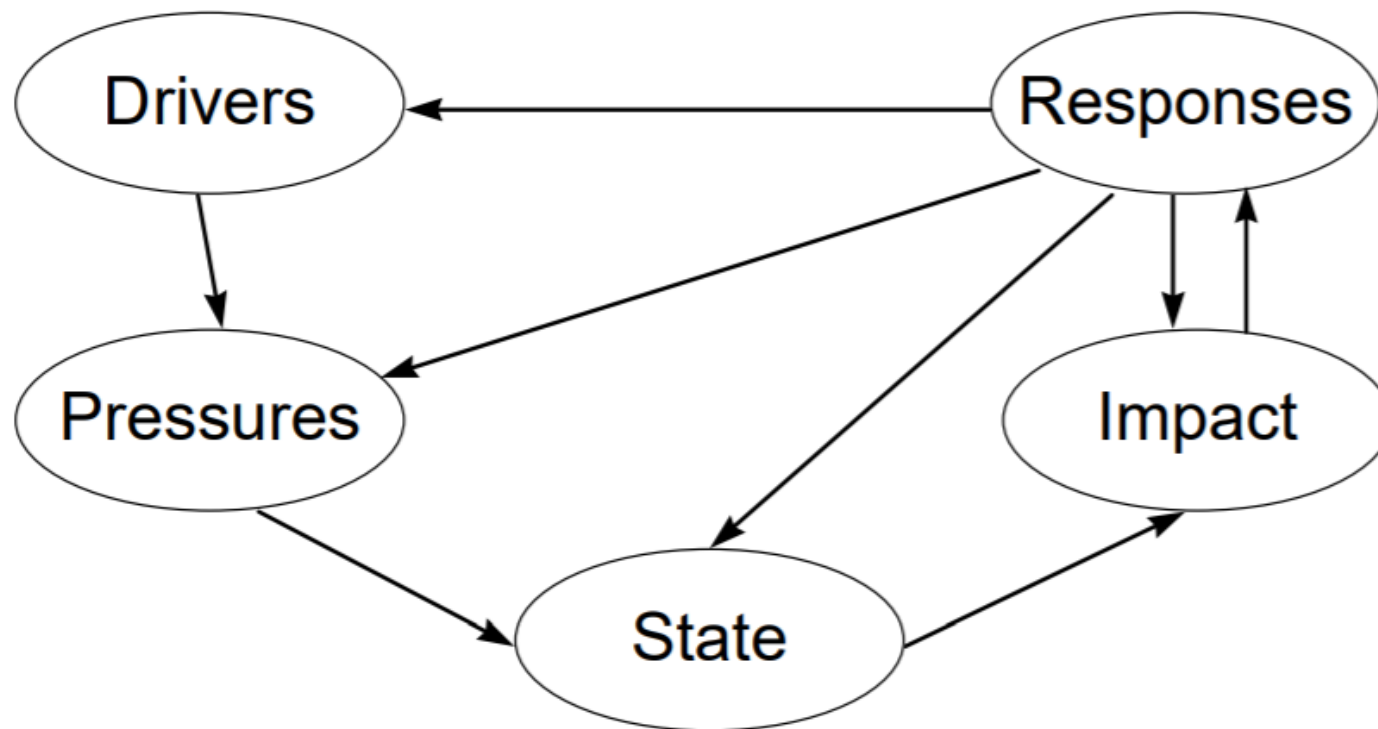
The simplification should ensure also a proper interpretation of the phenomenon.

Physical context: specific physical or morphological characteristics can influence the result or the interpretation of it. (Does it make sense to measure the quality level of sea water in Belgrade?)

Cultural and social context: by knowing the cultural context it is possible to add or remove significant or insignificant indicators from a standardized dataset.

Economic context: with an in-depth knowledge of the economic context it is possible to identify valid and credible target. (According to SDGs target, Does it make sense to affirm that 1 dollar and 25 are enough to live in Switzerland?)

3.2 Characteristics of indicators



3.2 Characteristics of indicators

Quantitative indicators:

→ mathematical fraction in which the numerator represents one of the variables that characterize a specific phenomenon, and the denominator is a value able to make the measure comparable in times and/or in space.

GOAL	Goal 7. Ensure access to affordable, reliable, sustainable and modern energy for all
TARGET	7.1 By 2030, ensure universal access to affordable, reliable and modern energy services
INDICATOR	7.1.1 Proportion of population with access to electricity
PHENOMENON	Level of electricity access
FORMULA	$\frac{\text{No. Of person with access to electricity}}{\text{Tot. Population}} * 100$

3.2 Characteristics of indicators

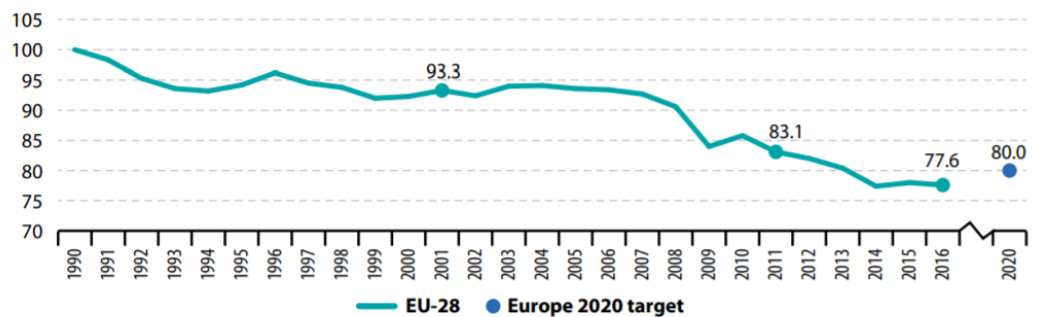
FOUR STEPS TO BUILD AN INDICATOR

- Select the unit of analysis → what are you observing?
- Understand the context → what are the variables able to impact and to modify the observed phenomena?
- Data selection → according to the identified variables, select the necessary data. In this phase it is fundamental to check if the data are valid, credible, reliable and precise.
- Normalization → according to scope of the indicator (comparable in years and/or in the space) it is necessary to provide a denominator that is able the results comparable.

3.3 The use of sustainability indicators

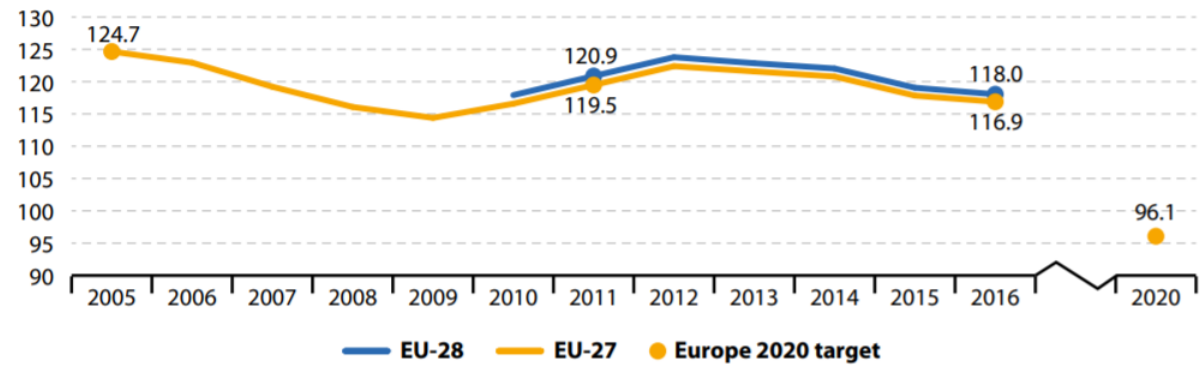
At local level, Sustainability indicators are those indicators aimed at measure the sustainability level of a country.

Figure 13.1: Greenhouse gas emissions, EU-28, 1990–2016
 (Index 1990 = 100)



Note: Total emissions, including international aviation and indirect CO₂, but excluding emissions from land use, land use change, and forestry (LULUCF).
 Source: EEA, Eurostat (online data code: [sdg_13_10](#))

Figure 1.1: People at risk of poverty or social exclusion, EU-27 and EU-28, 2005–2016
 (million people)



Note: Data for 2005 and 2006 are estimates.
 Source: Eurostat (online data code: [sdg_01_10](#))

Environmental or sustainability indicators can be used to guide the design of national policies and the definition of national targets.



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3.3 The use of sustainability indicators

At **company scale**, in term of measurement and evaluation, the ISO Standard 14031 gives a definition of Environmental Performance Evaluation (EPE) that is an internal process and management tool to provide the management with information about the organization's environmental performance. This information should be reliable and verifiable (Jasch, 2000).

Standardized indicators are useful to:

- compare similar products made by different companies;
- compare different processes producing the same product;
- benchmark of units within corporations;
- rate company against other companies in the(sub-)sector;
- assess progress towards sustainable development of a sector.



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3.3 The use of sustainability indicators

Operational Performance Indicators (OPI) → related to operations of an organization and can cover topics such as emissions, product and recycling of raw materials, energy consumption;

Management Performance Indicators (MPI) → related to management activities to provide the necessary support necessary for the success of environmental management

Environmental Condition Indicators (ECI) → provide information on the quality of the environment surrounding the organization or on the local, regional or global environmental status.

Jasch (2000)

Module 4. Sustainability reporting

4.1 Introduction to sustainability reporting

4.2 Reporting Tools

4.3 Global Reporting Initiatives

4.4 Practical application

1h

1h

1h



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4.1 Introduction to sustainability reporting

Sustainability Reporting is the practice of measuring, disclosing, and being accountable to internal and external stakeholders for organizational performance against specific environmental, social and economic/governance (“ESG”) goals and metrics.

Reporting to whom? to all its stakeholders (employees, customers, suppliers, etc.) after mapping them;

Object? Social and environmental practices (economic results are in the ordinary balance sheet, the Consolidated Report and Account);

What? Enterprise outputs, but also its direct and indirect outcomes in reality (by means of performance indicators). It is both a management tool for the company (analysis, programming, control and internal information) and a communication and dialogue tool towards the external world.

4.2 Reporting Tools

Environmental balance sheet

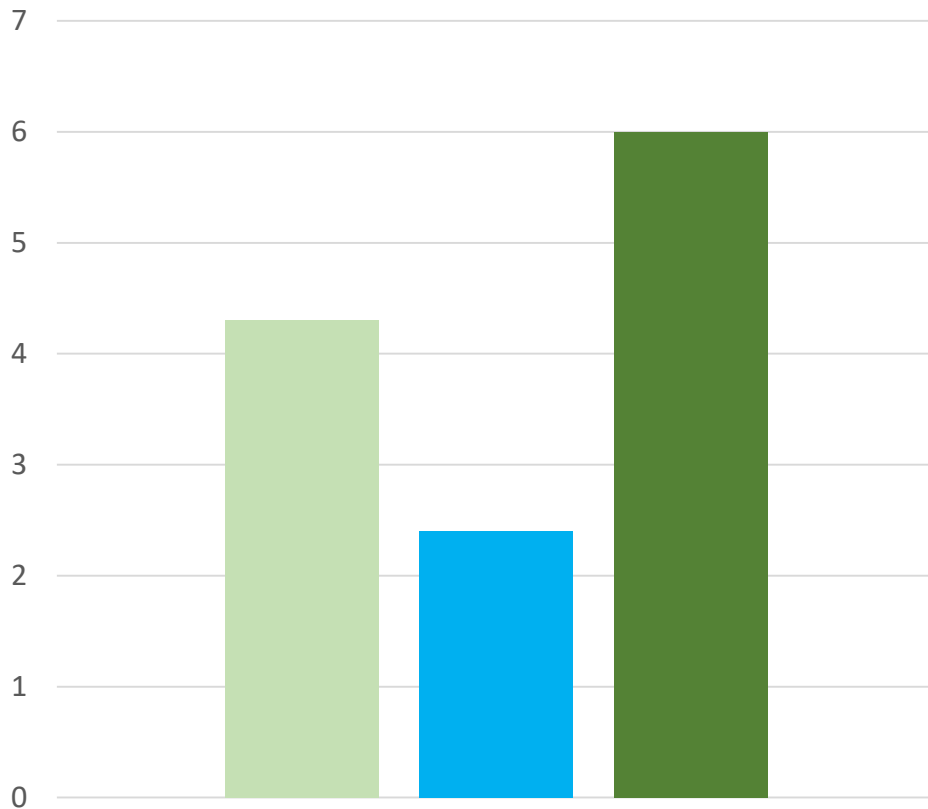
Social balance sheet

Environmental report

Sustainability report



4.2 Reporting Tools

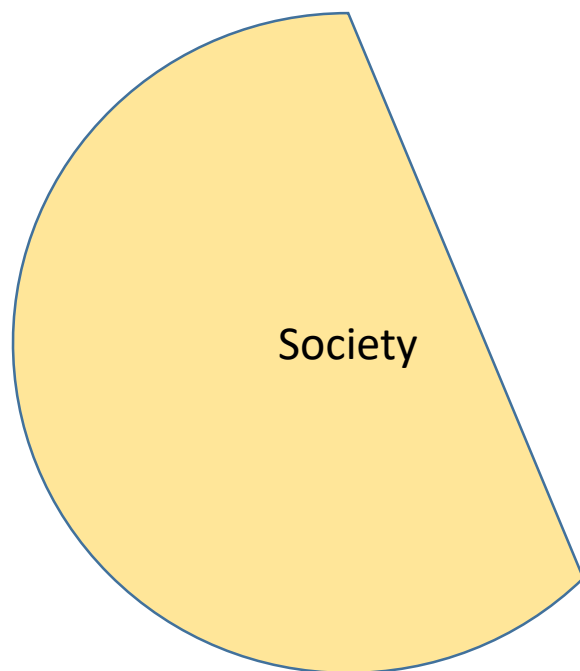


ENVIRONMENTAL BALANCE SHEET

Summary overview of the entities and quantities of energy, resource and material flows into and out of the production process, and their monetary quantification.

It is an accounting tool capable of providing an organic picture of the direct interrelationships between business and the natural environment, through the appropriate representation of quantitative and qualitative data relating to the environmental impact of production activities, and the economic and financial effort sustained. by the environmental protection company.

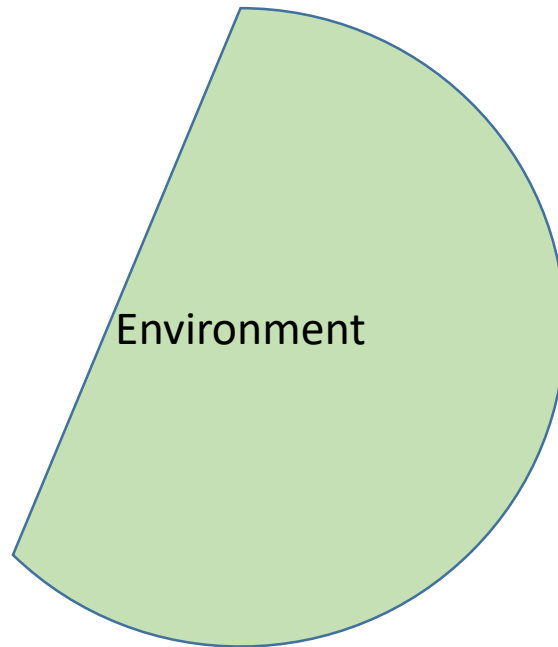
4.2 Reporting Tools



SOCIAL BALANCE SHEET

Reporting - in qualitative and quantitative terms - on the relations between the company and the reference groups representative of the entire community, aimed at outlining a homogeneous, punctual, complete and transparent picture of the complex interdependence between the economic and socio-political factors inherent and consequent to the choices made.

4.2 Reporting Tools



ENVIRONMENTAL REPORT

Voluntary communication tool of information to the public aimed at describing policy, objectives, activities and performance with respect to the multiple environmental problems of a company

The Environmental Reports are drawn up by fairly large organizations and have the objective of describing their environmental policies by connecting them to the actions implemented and aimed at their implementation and the reduction of the environmental impact of the activities developed.

There are environmental performance indicators inside (e.g. raw materials used per product unit, unit energy consumption, unit waste produced and % sent for recovery, etc.)

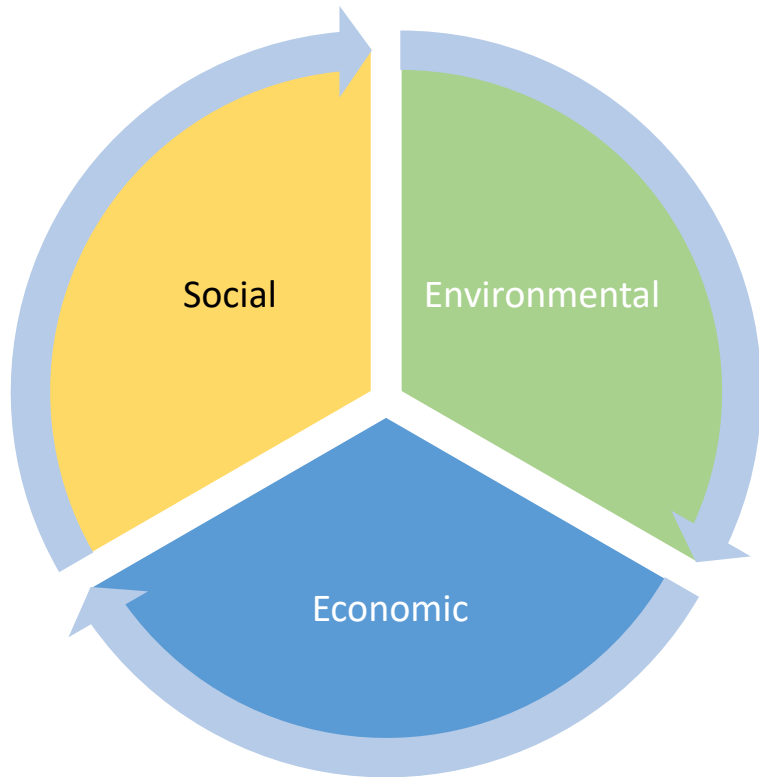
Part of the report is devoted to investments in environmental improvements developed by organizations

4.2 Reporting Tools

SUSTAINABILITY REPORT

The Sustainability Report also presents the organization's value and governance system, in addition to social, economic and environmental performance, and aims to demonstrate the connection between strategy and an orientation towards a sustainable economy. It is developed with the scope to:

- Answer to pressure from stakeholders and public opinion
- Measure, as a support to management, the organization's socio-environmental impact
- Create a connection between the organization's strategy and investment in sustainability policy
- Control and improvement of management control at the level of the entire supply chain
- Answer to pressures of an institutional nature and from other public government entities



4.3 Global reporting Initiatives

- The Global Reporting Initiative (GRI):
- It is **Non-Profit Organization** based in Amsterdam
- It is a **multi-stakeholder network** of thousands based globally
- Its **mission** is to “Create conditions for the transparent and reliable exchange of sustainability information through the development and continuous improvement of its Sustainability Reporting Framework”
- They use and contribute to **developing the Reporting Framework** – both formally and informally



4.3 Global reporting Initiatives

Materiality – Information in a report should cover topics and Indicators that reflect the organization’s significant economic, environmental, and social impacts or that would substantively influence the assessments and decisions of stakeholders.

Completeness – Coverage of the material topics and Indicators and definition of the report boundary should be sufficient to reflect significant economic, environmental, and social impacts and enable stakeholders to assess the reporting organization’s performance in the reporting period.

Stakeholder inclusiveness – The reporting organization should identify its stakeholders and explain in the report how it has responded to their reasonable expectations and interests.

Sustainability Context – Information on performance should be placed in context. The underlying question of sustainability reporting is how an organization contributes, or aims to contribute in the future, to the improvement or deterioration of economic, environmental, and social conditions, developments, and trends at the local, regional, or global level.



4.3 Global reporting Initiatives

Accuracy - The reported information should be sufficiently accurate and detailed for stakeholders to assess the reporting organization's performance.

Timeliness - Reporting occurs on a regular schedule and information is available in time for stakeholders to make informed decisions.

Comparability - Issues and information should be selected, compiled, and reported consistently. Reported information should be presented in a manner that enables stakeholders to analyse changes in the organization's performance over time, and could support analysis relative to other organizations.

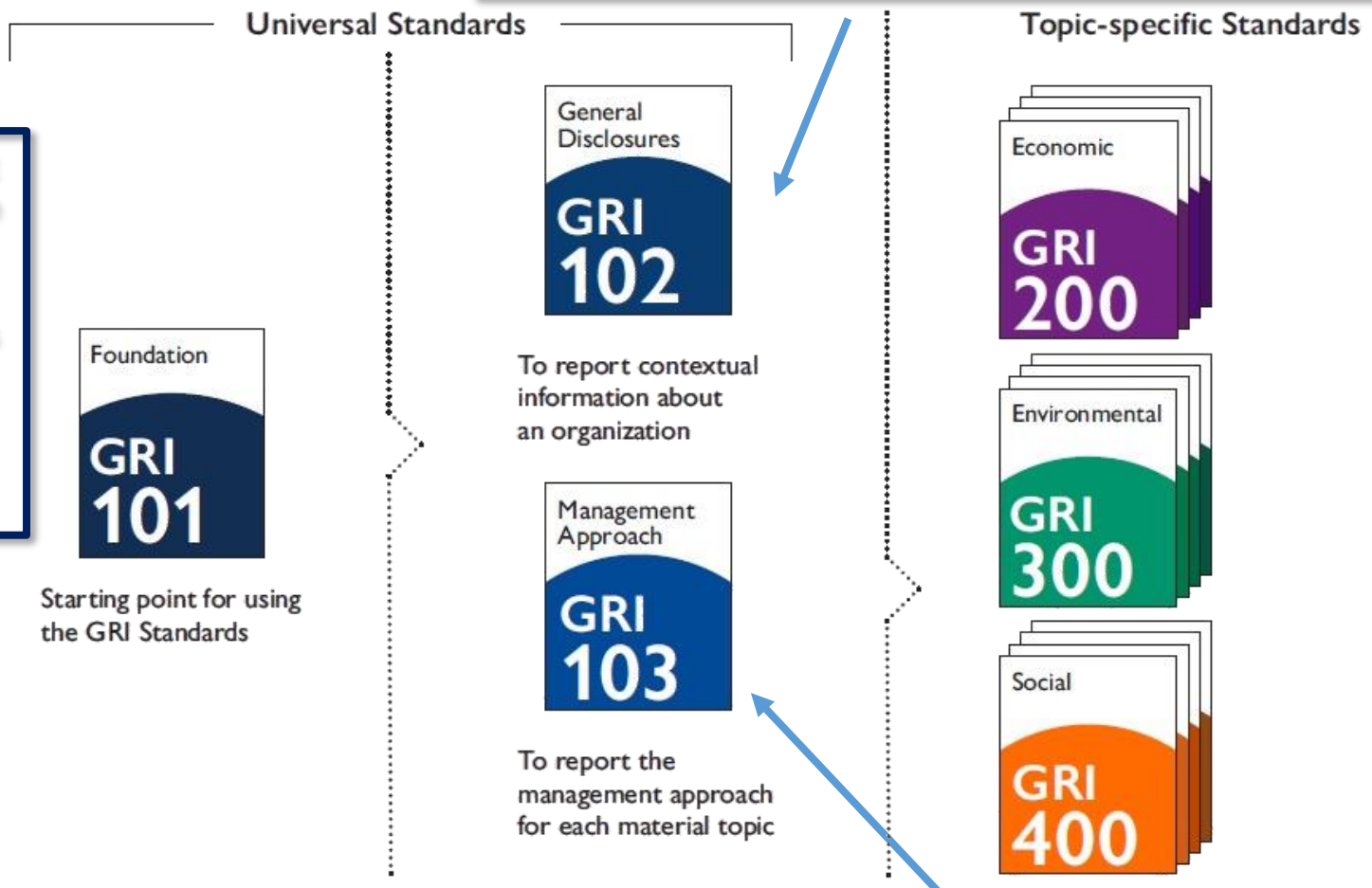
Reliability - Information and processes used in the preparation of a report should be gathered, recorded, compiled, analysed, and disclosed in a way that could be subject to examination and that establishes the quality and materiality of the information.

Clarity - Information should be made available in a manner that is understandable and accessible to stakeholders using the report.

Balance - The report should reflect positive and negative aspects of the organization's performance to enable a reasoned assessment of overall performance.

GRI 102: General Disclosures → sets out reporting requirements on contextual information about an organization and its sustainability reporting practices. This Standard can be used by an organization of any size, type, sector or geographic location.

It is the starting point for using the GRI Standards. *GRI 101* can be used by an organization of any size, type, sector, or geographic location that wants to report about its economic, environmental, and/or social impacts.



GRI 103: Management Approach → sets out reporting requirements about the approach an organization uses to manage a material topic. This Standard can be used by an organization of any size, type, sector or geographic location.

4.4 Practical application

- Structure of the Report
- Applied methodologies
- Analysis and comparison of chosen indicators

Analyze sustainability reports according to these three main issues

<https://database.globalreporting.org/>

Module 5. Sustainability reporting literature

5.1 Individual phase of analysis

} 1h

5.2 Individual presentation according to specific requests

} 1h

5.3 Collective research design exercise

} 1h

5.1 Individual phase of analysis: instruction

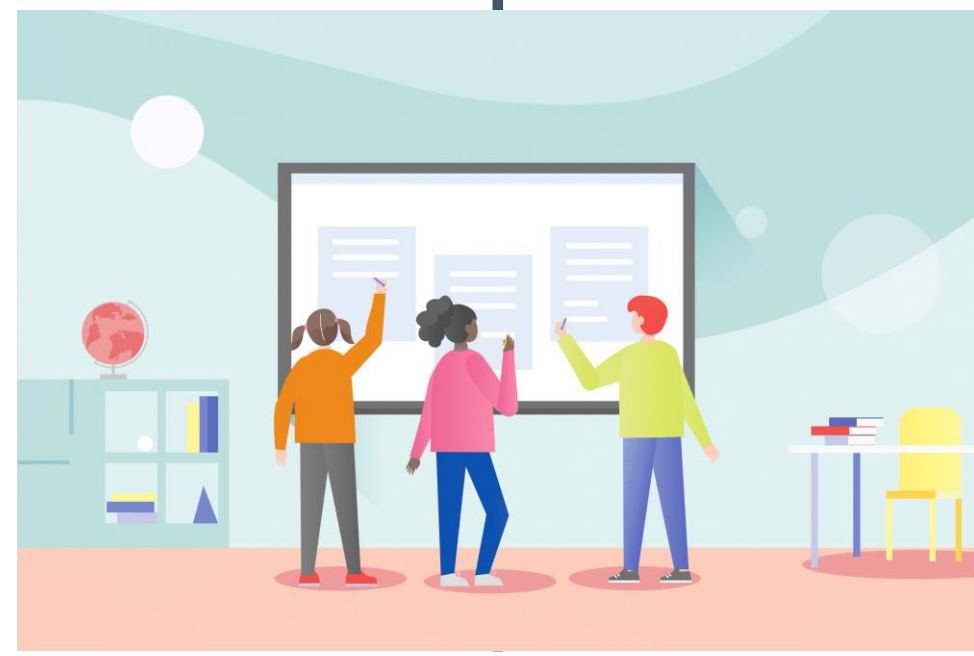
- **Read** the paper
- Identify the main **literature branch** used to frame the paper
- Identify the three **main authors** cited within the paper
- Identify the **case study** (if the paper has a case study) in term of kind of organization (public, private, ...), country, ...
- Identify **used data** and **sources**
- Identify the **limits of the research**
- Identify the **declared gaps** of the literature
- Identify the **gaps** according to the **knowledge acquired** in the previous modules
- Analyse the **references section** in order to identify the main journals interested to the topic

5.2 Individual presentation according to specific requests

- Each student has to present a paper according to all the requested information

5.3 Collective research design

- According to collected evidences, collectively design research opportunities related to each topic
- For each research topic define two Research Questions



Module 6. Stakeholders: why, who, what and how

6.1 Introduction to stakeholders and their role

} 1h

6.2 Stakeholder theory

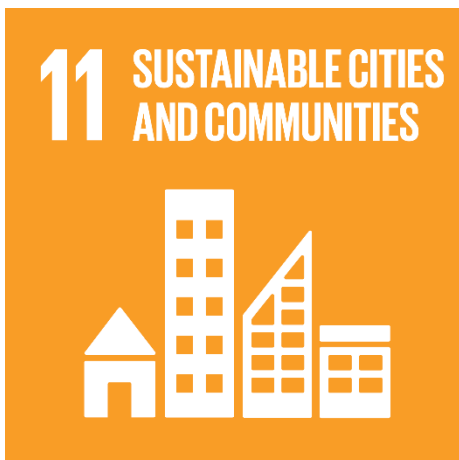
} 1h

6.3 Stakeholder theory readings: from the theory to the publish goals

} 1h

6.1 Introduction to stakeholders and their role

The connection between sustainability and stakeholders



11.3

By 2030, enhance inclusive and sustainable urbanization and **capacity for participatory**, integrated and sustainable human settlement planning and management in all countries

16.7

Ensure **responsive, inclusive, participatory** and representative decision-making at all levels

16.8

Broaden and strengthen the **participation of developing countries** in the institutions of global governance

6.1 Introduction to stakeholders and their role



Stakeholder: “Any **group** or **individual** who can affect or is affected by the achievement of the **organization’s objectives**” (Freeman, 1984)

- Employees
- Unions
- Owners (shareholders)
- Suppliers
- Customers
- Community (local)
- Governments (from local to supernatural)
- Environment
- Control bodies
- Etc.

6.1 Introduction to stakeholders and their role

CATEGORIES	AUTHORS
Those who are influenced by the company	Rehnman, 1964; Ahlstedt, Johnukainen, 1971
Those who influence and are influenced by the company	Freeman, Reed, 1983; Freeman, 1984; Savage, 1991; Starik, 1994
Those who have a strong juridical relationship with the company	Evan e Freeman, 1988; Carroll, 1984; Evan, Freeman, 1990; Clarkson, 1995; Donaldson, Preston, 1995
Those who have a mutual relationship with the company	Thompson, 1991; Hill, Jones, 1992; Brenner, 1993; Nasi, 1995
Those who have participated to the creation of value	Freeman, 1984; Clarkson, 1994



6.1 Introduction to stakeholders and their role



Producing economic value is one of the main objectives of a business,

BUT

Players (business, communities, authorities, control bodies, customers...) are increasingly asking themselves to whose **advantage** such a value must be created, and to **whom this value should be addressed**.

Such aspects depend directly on the destination of the value produced, and on the role assigned to the business in **society**: theories aiming at studying and framing the relationship between **business and society** refer to Corporate Social Responsibility (CSR) theories.

6.1 Introduction to stakeholders and their role

Owners have a financial stake in the corporation and expect a return on their investment.

Employees & Unions have their jobs and usually their livelihood at stake.

Suppliers provide raw materials to the corporation, thus the corporation is vital to the supplier's success.

Customers exchange resources for the products or services of the firm and in return receive the benefits of the products or services.

Local community grants the corporation the right to build facilities in their area; in turn, the community benefits from the tax base and economic contributions of the corporation.

Governments enact regulations and establish priorities, that have to be respected

Environment (natural) must be adequately managed, and in particular the potential effects of processes and actions must be considered in strategy

6.2 Stakeholder Theory

It's one the **theoretical frames of CSR** developed in mid '80s by **Freeman Principle**:

“overcoming the individual finalism of the entrepreneur in favour of an enlarged one, with extension of the interests beyond the shareholders.

Relevance of the relationships with employees, customers, suppliers, and financiers, as well as public administration, environmental or social associations (NGOs) and committees, trade associations and unions, consumer groups,....”

→ In order to define its decision making, the economic actor must consider the interests, rights and expectations of those that are influenced by the organization's objectives and those who can influence its pursuit (Freeman, 1984).

6.2 Stakeholder Theory



Shareholders

M. Friedman

VS

Stakeholder

R. Freeman



Corporation's primary and perhaps sole purpose is to maximize profits for the stockholders
("business of business is business")

Friedman says to maximize profit a) within the law and b) without violating social standards.

Both the stockholders and stakeholders have a right to demand certain actions from management because all have a vested stake in the corporation

Freeman says to a) identify stakeholder groups and b) make a decision that "takes them into account".

6.2 Stakeholder Theory

CONVERGENT STAKEHOLDER THEORY

THOMAS M. JONES
ANDREW C. WICKS
University of Washington

We describe two divergent approaches to stakeholder theory—a social science approach and a normative ethics approach—and examine their differences and similarities. Since neither approach is complete without the other, we propose a new way of theorizing about organizations: the development of normatively and instrumentally sound convergent stakeholder theory. This form of theory is explicitly and unabashedly normative, demonstrating how managers can create morally sound approaches to business and make them work.

Among academics in general and management scholars in particular, there appears to be a growing interest in what has been broadly termed the *stakeholder concept*. In 1995 Donaldson and Preston reported that over 100 articles and about a dozen books on the stakeholder concept had appeared in the management literature alone. A majority of the October 1994 issue of the *Business Ethics Quarterly* is devoted to the topic, and the first two articles of the October 1997 issue of the *Academy of Management Review* also focus on stakeholder issues.

The term *stakeholder concept*, however, is relatively vague and, thus, gives little direction to either the study or the practice of management. Fortunately, the recent article by Donaldson and Preston (1995) has added considerable coherence to the stakeholder concept as theory and has provided a taxonomy of stakeholder theory types. However, in the disciplines in which stakeholder theory has struck the most responsive chord—business and society and business ethics—a significant divergence of perspective seems to be gathering momentum. One group of scholars views stakeholder theory as a potential foundation for the growth of social science-based research; another views stakeholder theory as an umbrella term describing a class of narrative accounts, each based on its own moral principles.

We presented the original version of this article at the Society for Business Ethics annual meeting in Quebec City in August of 1996. We are indebted to Lori Versteegen Ryan, Shawn L. Berman, Dennis P. Quinn, and three anonymous

One purpose of this article is to examine the nature of this divergence and propose a means of unification of these two perspectives. Our central argument is that neither of the emergent forms of stakeholder theory is complete without the other and that convergent stakeholder theory, which combines normative and instrumental elements, meets many of the criteria for successful integration of normative and empirical theory. We also argue that convergent stakeholder theory, by being explicitly and unabashedly normative, represents a new way of theorizing about organizations; in the terminology of Bacharach (1989), it is fundamentally transformational. Unlike other theories of organization, it demonstrates how managers can create ways of doing business that are both moral and workable.

Our argument involves discussions of the following:

1. recent developments in stakeholder theory research,
2. the emergence of two divergent approaches to stakeholder theory (a social science approach and an ethics-based approach),
3. areas of agreement and disagreement between adherents of the two approaches,
4. a proposed convergent approach to stakeholder theory development,
5. the extent of integration of normative and empirical theory in convergent stakeholder theory, and
6. the relationship of convergent stakeholder theory to other theories of organization.

Because the discussion that follows applies to theory in a relatively primitive stage of develop-

Jones and Wicks (1999):

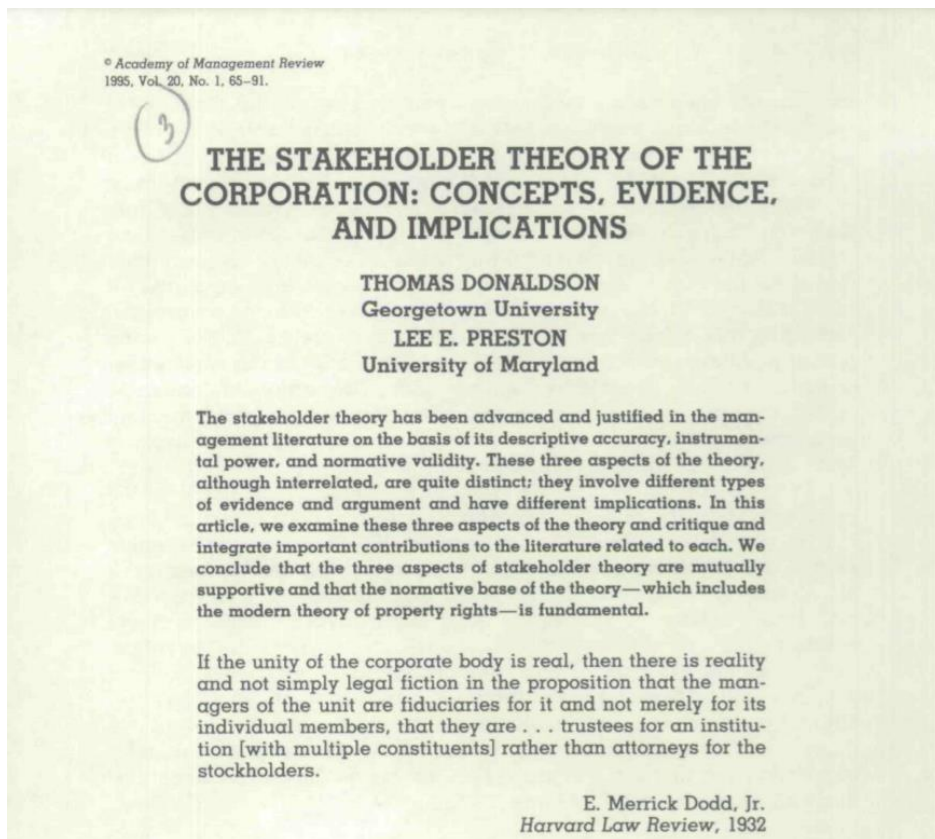
- the corporation has relationships with many constituent groups (stakeholders) that affect and are affected by its decisions,
- the theory is concerned with the nature of these relationships in terms of both processes and outcomes for the firm and its stakeholders,
- the interest of all (legitimate) stakeholders has intrinsic value, and no set of interests is assumed to dominate the others,
- the theory focuses on managerial decision making.

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6.2 Stakeholder Theory



Donaldson & Preston (1995) categorize Stakeholder Theory from 3 points of views:

Descriptive: organizations have stakeholders, and their role is to satisfy a wide range of them, and not just the shareholders.

Instrumental: firms that consider their stakeholders' interests will be more successful than those that do not. In this area the relationship between stakeholder management and organizational performance is relevant

Normative: analysis of “WHY” firms should consider their stakeholders. Their interests are relevant in company's strategies beyond the fact that their role is relevant for firm's shareholders. This is the most relevant area of research in the field of ST.

6.2 Stakeholder Theory

v

MOVING BEYOND DYADIC TIES: A NETWORK THEORY OF STAKEHOLDER INFLUENCES

TIMOTHY J. ROWLEY
University of Toronto

Stakeholder theory development has increased in recent years, in part because of its emphasis on explaining and predicting how an organization functions with respect to the relationships and influences existing in its environment. Thus far, most researchers have concentrated on dyadic relationships between individual stakeholders and a focal organization. Using social network analysis, I construct in this article a theory of stakeholder influences, which accommodates multiple, interdependent stakeholder demands and predicts how organizations respond to the simultaneous influence of multiple stakeholders.

One of the most popular trends in business and society literature is the identification and management of stakeholders, which many scholars have used as a framework for integrating and organizing research in the field. Since Freeman published his seminal piece (1984), *Strategic Management: A Stakeholder Approach*, a number of researchers even have proposed a stakeholder "theory of the firm" (Brenner, 1993; Brenner & Cochran, 1991). Those developing stakeholder theory have concentrated on classifying stakeholders into useful categories that provide an understanding of how individual stakeholders influence firms' operations. However, a comprehensive theory of the firm requires not only an explanation of stakeholder influences but also how firms respond to these influences. Furthermore, to describe how organizations respond to stakeholders, scholars must consider the multiple and interdependent interactions that simultaneously exist in stakeholder environments.

One approach for understanding stakeholder environments is using concepts from social network analysis to examine characteristics of entire stakeholder structures and their impact on organizations' behaviors, rather than individual stakeholder influences. Employing social network concepts will generate an explicit theory of stakeholder influences

Phillips, Freeman & Wicks, (2003) and Freeman & Philips (2002), stress its character of equity stakeholder theory can redesign the system of relationships between enterprises and stakeholders on the basis of a principle of equity.

Equity should provide that those who have made the biggest contribution to the growth of the organization receive the most benefits.

Engaging stakeholders means evaluate them and prioritize their demands (**Rowley**, 1997); they act by means of participation, consultation, cooperation and information exchange (**Grafe-Buckens & Hinton**, 1998; **Green & Hunton-Clarcke**, 2003)

6.3 Stakeholder Theory readings: from the theory to the publish goals

During the Ph.D. path, young researchers can face or take part to experiences that can be transformed in opportunity of research and for publishing.

Several scientific contribution have been selected.

In the first ½ hour read the «case study» and the «results» section

In the second ½ hour discuss with your colleagues about:

- The validity of the chosen case
- the level of interests of emerged results

Module 7. The engagement of stakeholders


7.1 Designing an engagement strategy: Communicating vs Engaging stakeholders

7.2 Stakeholder Mapping

7.3 Preparation: tools and strategies to involve stakeholders

7.4 Action plan

7.5 An international framework



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7.1 Designing an engagement strategy: Communicating vs Engaging stakeholders

STEP 1: Engagement Strategy

STEP 2: Stakeholder Mapping

STEP 3: Preparation

STEP 4: Engagement

STEP 5: Action Plan

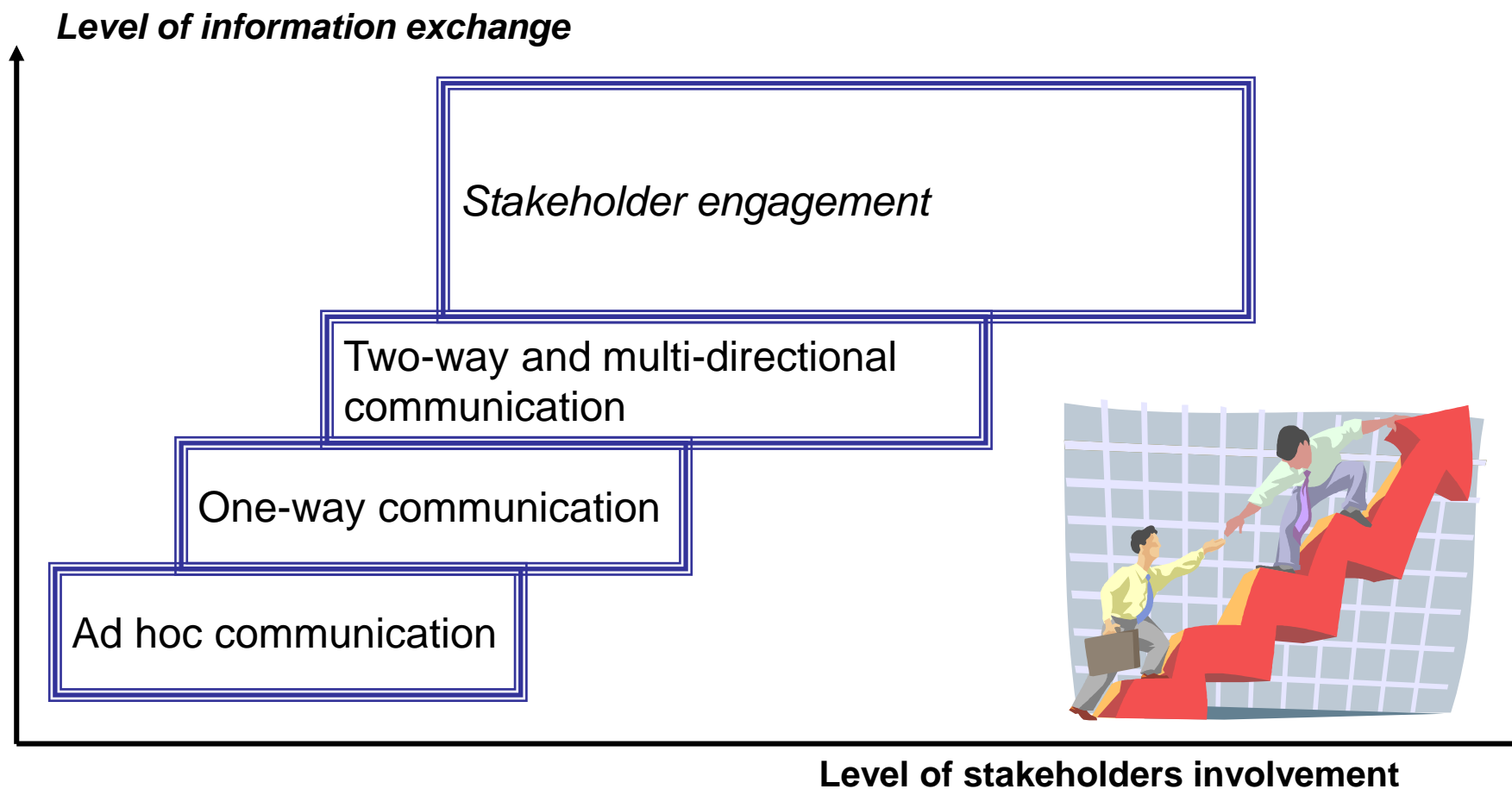


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7.1 Designing an engagement strategy: Communicating vs Engaging stakeholders



7.2 Stakeholder mapping



7.2 Stakeholder mapping

- Is our list focused on relevant stakeholders who are important to the company **current and future** efforts?
- Do the company have a good understanding of where stakeholders are coming from, what they may **want**, whether they would be **interested** in engaging with our organization, and **why**?
- How can the company further understand and qualify these stakeholders? Through discussions with internal colleagues? Reading reference reports? Analyzing their public profile and opinions?
- Have the company given thought to what type of resources (expertise, people, and budget) we need to support our engagement strategy and follow-up activities?

7.2 Stakeholder mapping

	Stakeholder 1	Stakeholder 2
Centrality	1	3
Weight	2	1
Intensity	1	1
Tot. Relevance	4	5

The weight can be assigned using the concept of “relevance”
 Relevance is composed by at least three elements:

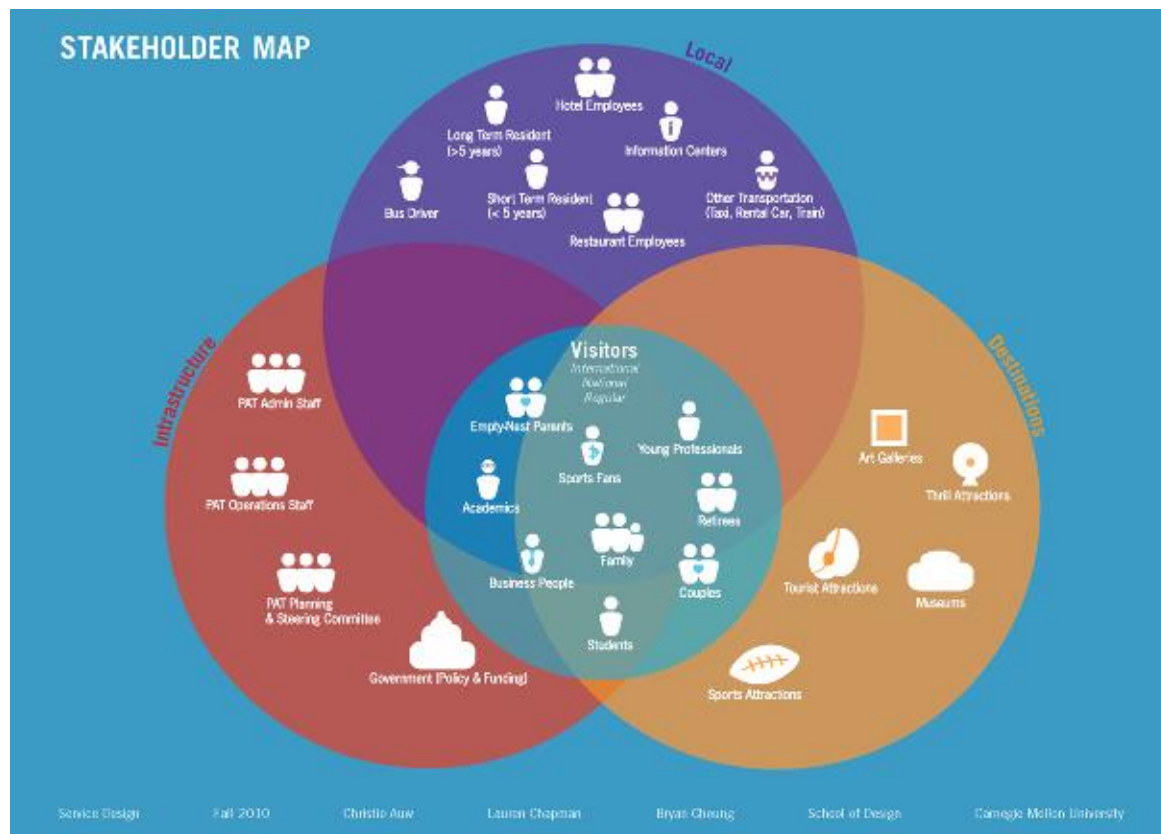
Centrality: how much is important the STKH with respect to the mission and operations management of the organization?

Weight: which is the interference level caused by the STKH for the organization?

Intensity: how frequent are the relations kept with the STKH?

Based on these criteria, STKHs can be classified following levels of relevance
 (e.g. high, medium, and low)

7.2 Stakeholder mapping



Sirgy (2002):

Internal stakeholders: employees, executive staff, board of directors

External stakeholders: shareholders, suppliers, creditors, local community, natural environment

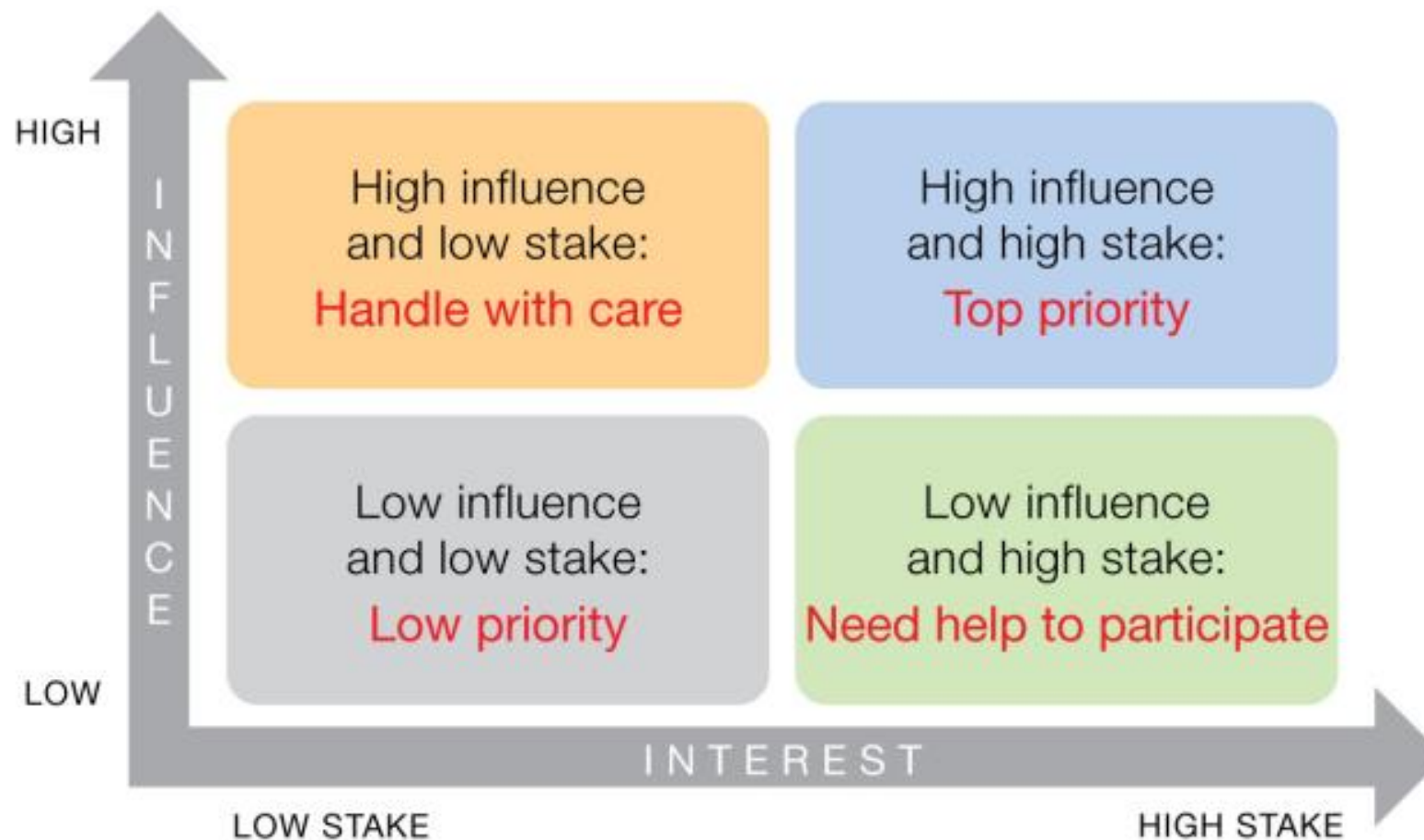
Distal stakeholders: rival firms, consumers, governmental agencies, voters, unions.

Clarkson (1995):

Primary stakeholders: high level of interdependence; essential for company's existence (shareholders, investors, employees, customers and suppliers).

Secondary stakeholders: not engaged in transactions with the enterprise and not essential for its survival.

7.2 Stakeholder mapping



7.3 Preparation: tools and strategies to involve stakeholders

OWNERS/INVESTORS

- Correct use of capital, and correct information
- Managing business effectively, with attention to increase image and reputation

EMPLOYEES

- Fair compensation for their work
- Regular payments
- Safe and healthy working conditions
- Training and careers opportunities
- Safeguarding of workers' rights

7.3 Preparation: tools and strategies to involve stakeholders

CUSTOMERS

- Ensuring consistent quality of product/service
- Increasing customer satisfaction

SUPPLIERS

- Giving regular orders
- Fair terms and conditions
- Reasonable terms of credit and payment
- Helping suppliers to increase their quality

7.3 Preparation: tools and strategies to involve stakeholders

COMPETITORS

- Not to defame competitors directly or indirectly
- Not to offer too high discounts to the consumers

SOCIETY and GOVERNMENTS

- Protection of the environment and rational use of natural resources
- Payment of taxes
- Obeying rules and regulations
- Financial help and contribution to local and global development (voluntarism, associations, philanthropy)



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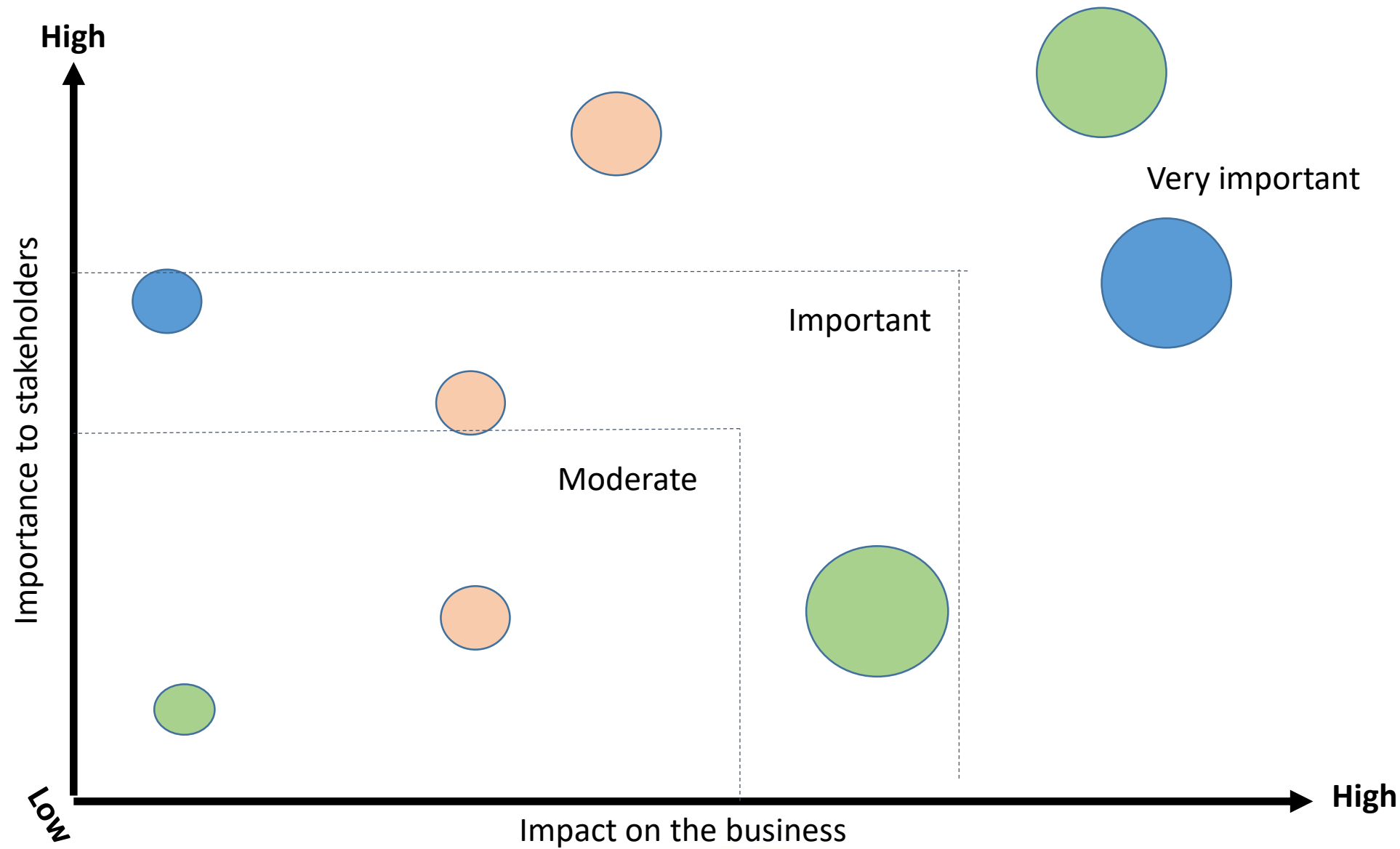
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7.3 Preparation: tools and strategies to involve stakeholders

Level of interest:

-1=low 0=medium 1=high

	According to your category, give a score about the level of centrality	Internal stakeholders 1	Internal stakeholder n	Internal Stakeholder total score	External stakeholder 1 (*2)	External stakeholder n	External stakeholder total score	Total score
Environmental	Quality of water	0	0	0	1 (*2)	1	3	3
	Amount of emission	1	0	1	0 (*2)	-1	-1	0
	Level of noise	1	1	2	1 (*2)	1	3	5
Social	Cultural initiatives	1	-1	0	1 (*2)	0	2	2
	Health and Safety	...	...	...	... (*2)	...	...	...
	School support	..	...	...	... (*2)	...	...	...
Economic	Income	...	...	...	... (*2)	...	...	...
	Stock market changes	...	...	...	... (*2)	...	...	...
	Customer service	...	...	...	... (*2)	...	...	...
...	...	...	..	...	... (*2)	...	...	...



7.3 Preparation: tools and strategies to involve stakeholders

Advisory group/ task force → Advisory groups can be multi-year or indefinite arrangements, while task forces usually complete a single task and then disband.

Charrette → Intense, multi-day effort to design something or solve a problem.

Field trip → Trip to specific location organized so that participants can match their mental images to real, on-the-ground conditions.

Focus group → Small discussion group led by a facilitator who draws out in-depth stakeholder input on specific questions.

7.3 Preparation: tools and strategies to involve stakeholders

Hotline → Widely advertised telephone number that directs callers to someone in an agency who can answer caller questions and collect input

Internet → Dialogue between agencies and stakeholders using Internet technology such as chatrooms, online bulletin boards, e-mail, and Web conferencing.

Interview → Face-to-face or telephone interaction with stakeholders conducted by the agency or by a third-party representative.

Large group/small group meeting → After an opening presentation, the group is broken into smaller groups to discuss an issue or complete a specific task.

Open house → Event in which the public is invited to drop in at any time during an announced period.

7.3 Preparation: tools and strategies to involve stakeholders

Poll or survey → Written or oral lists of questions to solicit community impressions about issues at a specific moment in time.

Public hearing → Formal, single meeting where stakeholders present official statements and positions, and those ideas are recorded into a formal record for delivery to the agency.

Public meeting → A large public comment meeting where the participants stay together throughout the meeting and make comments to the entire audience.

Referendum → A direct vote by the whole electorate on its support of specific proposals or courses of action.

7.3 Preparation: tools and strategies to involve stakeholders

Retreat → A concentrated yet informal meeting away from the typical work setting that emphasizes social interaction as well as discussion of issues.

Town meeting → A less formal public hearing where all stakeholders have the opportunity to speak and may vote on an issue.

Workshop → Small stakeholder gathering, typically fewer than 25 people, designed to complete a specific assignment in a short time period.

7.4 Action plan

Turn results
into actions

Transparency → share the action plan

Feedback → collect feedbacks

Adjust → re-align the action plan according to feedback

Communication → communicate the action

Monitoring → monitor the results

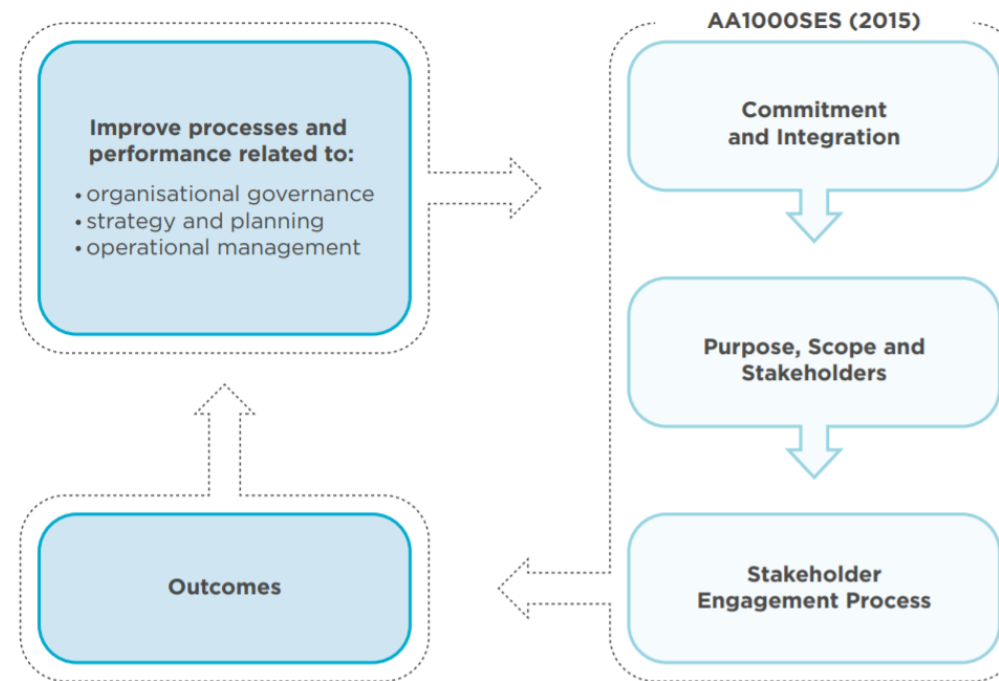
7.5 An international framework

AA1000 SES (Stakeholder Engagement Standard)

Applicable to:

- functional involvement (e.g. customer care)
- involvement on specific issues (e.g. human rights)
- involvement across the entire organization (for example the reporting and verification).

Figure 2: Purpose and Scope of AA1000SES (2015)

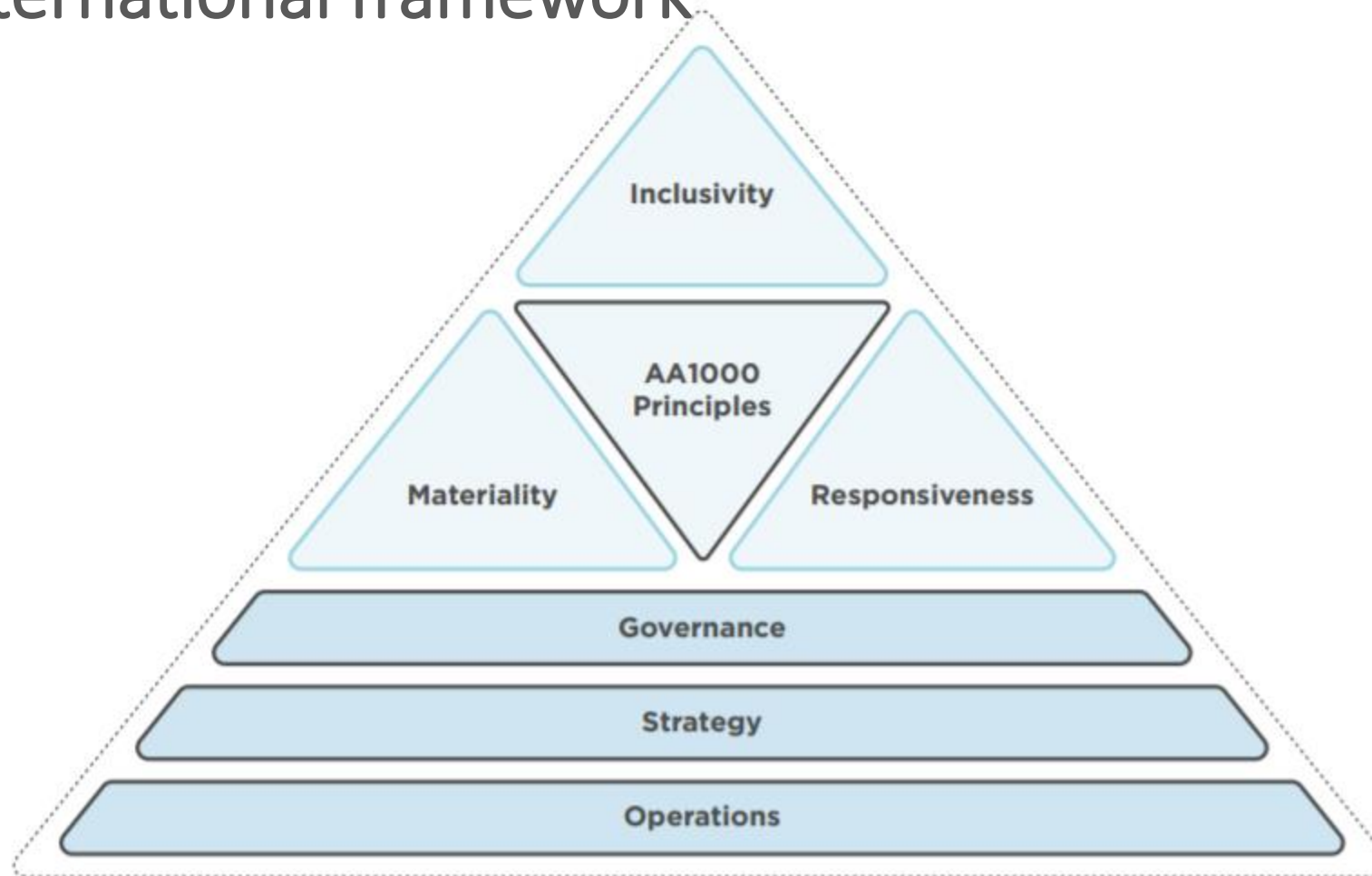


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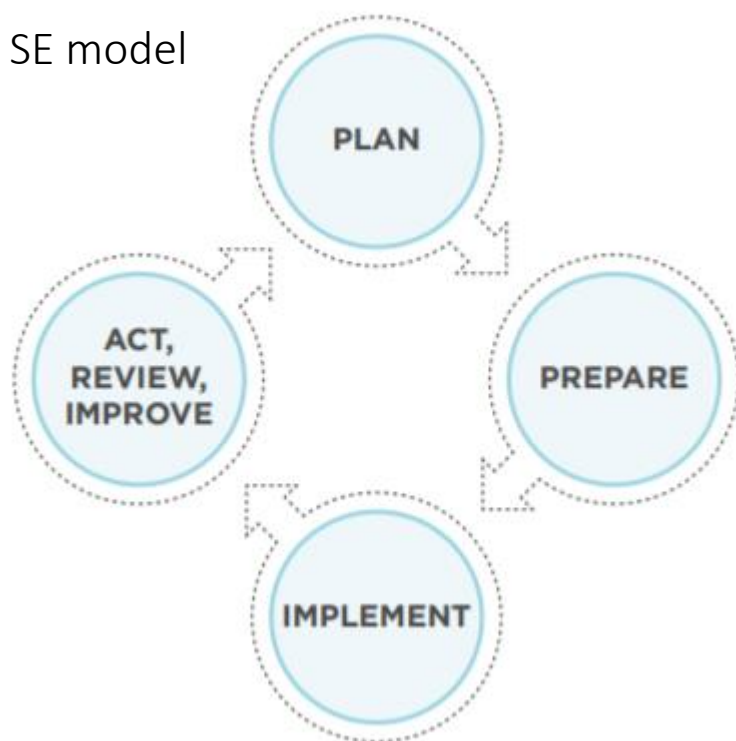
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7.5 An international framework



7.5 An international framework

AA1000 SE model



Plan: profile and the map of stakeholders have to be developed.

Prepare: identify the required resources, the interests, the connected risks.

Implement: provide briefing materials, define rules, document the engagement and its output, develop the action plan and communicate it and its outputs.

Act, review, improve: critically analyse the engagement process and define areas to be improved.

7.5 An international framework

Some tips that can improve the engagement process are:

- the accessibility and neutrality of the engagement location;
- capacity to travel;
- availability of Information and Communication Technologies (ICT);
- timing;
- the need for anonymity;
- social hierarchies (e.g. caste, gender, wealth);
- local conflicts;
- lack of shared understanding of expectations, customs, conventions;
- culture-specific communication styles;
- family and other responsibilities (e.g. harvest times, childcare)
- need for language translation;
- special needs of those with disability;
- inclusion of those who represent children's interests;
- illiterate stakeholders.

Module 8. Written exam

8.1 Resolve the 17 tasks

} 2h

8.2 Discuss the answers

} 1h

Module 9. Group work

1. ORGANIZE INTO GROUPS
2. READ THE CASE STUDY AND ANSWER THE QUESTIONS
3. PREPARE A POWER POINT PRESENTATION
4. PRESENT YOUR RESULTS
5. DISCUSSION WITH ALL GROUPS ABOUT RESULTS EMERGED → MODULE 10