A STRATEGIC SUSTAINABILITY FRAMEWORK

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ABSTRACT

While there is increasing agreement that business needs to embrace sustainability, research in the management field on sustainable development theory still provides only limited guidance for how this should be done. In an effort to apply theory to practice; we set out to complete a strategic sustainability analysis in a Western Canadian natural gas utility making use of the Sustainable Value Framework advanced by Hart and Milstein. While theory initially informed our practice; soon practice began to inform theory. We found it necessary to revise and broaden Hart and Milstein’s framework in way that builds upon the spirit of the four quadrants but is more generally applicable to a range of organizations and sectors. We did so by removing the ‘drivers’ and revising the vertical axis to represent the challenge of getting things done (actions) and the horizontal to represent the varied application of knowledge and perspective (competencies) and redefining the quadrants accordingly. We also stress the importance of assessing capacity, constraints, and readiness and focusing on continuous renewal during the implementation of our framework. The resulting
Strategic Sustainability Framework is grounded in the experience of this research but is defined in a way that will find application in a broad range of settings.

INTRODUCTION

While there is increasing agreement that business needs to embrace sustainability, research in the management field on sustainable development theory still provides only limited guidance for how this should be done. In an effort to apply theory to practice; we set out to complete a strategic sustainability analysis in a Western Canadian natural gas utility, SaskEnergy. The project was undertaken as a partnership between a senior manager in this firm and an academic. We based our initial investigation on the Sustainable Value Framework advanced by Hart and Milstein (2003), which has as its core the development of a sustainable value portfolio.

Our goal was to take stock of the firm’s current sustainable value portfolio; understand how and why the portfolio may need to change over time; and consider the resources and competencies that may be needed to facilitate this shift. We conducted interviews with representative subject matter experts, senior management and the executive leadership. Our interviews probed well beyond current activities seeking insight into ideas specific to future challenges and how the firm could develop economically sound social, environmental, and governance solutions.
While theory initially informed our practice; soon practice began to inform theory. During our initial round of interviews, we found that it was difficult for the interviewees to provide responses that were meaningfully related to this framework and consequently, it was difficult to gather information of strategic business value. We suspect that the drivers and quadrant definitions of Hart and Milstein's (2003) sustainable value framework may be more applicable to multinationals with broad reach, especially those with a product focus. In response, we revised and broadened Hart and Milstein's (2003) framework in a way that builds upon the spirit of the four quadrants but is more generally applicable to a broad range of organizations and sectors.

This article traces our efforts to apply the framework and our rational for revising and broadening it. The resulting Strategic Sustainability Framework is grounded in the experience of this research but is defined in a way that will find application in a broad range of settings. When we returned to apply the Strategic Sustainability Framework in subsequent interviews, respondents were better able to identify strategic sustainability issues; understand the benefits and implications of strategic sustainability planning and decision-making; and recognize the resources and competencies necessary to prepare for a sustainable business future. As a result of the research project, SaskEnergy was able to identify some major strategic business opportunities and implications for present and future business planning purposes.
BACKGROUND

This project was undertaken in response to a recognized need to engage in discussions within SaskEnergy on the topic of business sustainability.

SaskEnergy is Saskatchewan's natural gas distribution, transmission pipeline, and storage company. In addition, it also owns and operates other Canadian and international business interests. It has successfully built one of the longest per capita natural gas utility infrastructures in North America, and has penetrated more than 90% of Saskatchewan communities with natural gas service.

SaskEnergy is a financial and utility business success. However, SaskEnergy operates a mature natural gas utility that has penetrated much of the Saskatchewan market place with its current service offerings. The infrastructure is substantial and the business generates the most significant portion of its income from this infrastructure. During the last decade, SaskEnergy has taken steps to broaden its income generating business outside of Saskatchewan. Much of the income from these operations is built upon regulated returns on infrastructure assets.

In addition to operating in a mature market, SaskEnergy must contend with a changing market, decreasing energy supplies, and geopolitical uncertainties which may put upward pressure on commodity price. It also operates in an industry that is increasingly pressured to find alternatives to major developments that may impact the environment. In recent years, SaskEnergy's many stakeholders have directly and indirectly demanded that increasing social and
environmental expectations be met within the confines of a well governed and economically viable business. SaskEnergy sought an integrated and comprehensive analysis of sustainability options from which to consider key strategic planning decisions that included:

- Enhancing its awareness of strategic business issues as they relate to sustainability;
- Assessing the changing global business environment and the resulting linkages to its business strategy;
- Understanding the benefits and implications of strategic sustainability planning and decision-making;
- Leveraging current knowledge area expertise while clearly identifying current and future “blind spots”; and
- Recognizing the resources and competencies necessary to implement options over time.

**Method**

This project was designed to respond to the challenges identified above by gathering and synthesizing information and analyzing sustainable value options that would provide SaskEnergy valuable insight from which to consider their future planning and actions. An important first step was to take stock of SaskEnergy’s current sustainable value portfolio to provide company leadership with an idea of where the organization is, where it needs to be, and the resources and competencies that may be required for it to reach its full potential.
We employed a grounded theory approach (Glaser, 1992; Glaser & Strauss, 1967; Goulding, 2002) conducting interviews with representative subject matter experts, senior management, and executive leadership. The primary form of data collection was a series of interviews with the senior management and executive leadership of the firm. In collecting the data, we used a theoretical or purposive sampling design (Glaser & Strauss, 1967). The data collection started with two initial interviews. The initial interviews provided the opportunity to clarify and reframe our line of questioning to ensure that pertinent data was gathered. Shortly after the first two interviews, a Senior Vice President was interviewed. This interview provided a strong guiding direction for the strategic nature of the discussions to follow. Successive interviewees were chosen to extend the information that had already been obtained. Special attention was given to the thought leadership of the senior executive currently engaged in strategic planning initiatives. Our interviews probed well beyond current activities seeking insight into ideas specific to future challenges and how the firm could develop economically sound social, environmental, and governance solutions. Interviewees provided the needed background and understanding of current and planned activities by SaskEnergy focused on creating sustainable value. Each interviewee also provided insight to ideas specific to SaskEnergy’s future challenges and how SaskEnergy could develop or enhance existing economically sound social, environmental, and governance solutions.
The interviews occurred in stages and analysis was undertaken along the way. In parallel to the interviews, we conducted a review of the literature focused on identifying theory and practices relevant to each quadrant of the framework. Interviews were compared with interviews as they progressed and the patterns that emerged were then assessed for similarity and differences. The themes were then categorized using language understandable and meaningful to the participants.

**THE LIMITATIONS OF THE SUSTAINABLE VALUE FRAMEWORK IN THIS CONTEXT**

Hart and Milstein’s (2003) sustainable value framework was developed to help firms link the challenges of global sustainability to the creation of shareholder value. Their framework is divided along two major sources of creative business tension: The vertical axis “reflects the firm’s need to manage today’s business while simultaneously creating tomorrow’s technology and markets” (2003:57). The horizontal axis “reflects the firm's need to grow and protect internal organizational skills and capabilities while simultaneously infusing the firm with new perspectives and knowledge from the outside” (2003:57). The resulting framework is divided into four quadrants each with their own strategy and intended corporate payoff: Pollution Prevention (Cost & Risk Reduction); Product Stewardship (Reputation & Legitimacy); Clean Technology (Innovation & Repositioning); and Sustainability Vision (Growth Trajectory). These quadrants are motivated by a set of global ‘drivers’.
As we noted above, during our initial round of interviews, we found that it was difficult for the interviewees to provide responses that were meaningfully related to the framework proposed by Hart and Milstein (2003) and consequently, it was difficult to gather information with true strategic business value. We suspect that the drivers and quadrant definitions of Hart and Milstein’s (2003) sustainable value framework may be more applicable to multinationals with broad reach, especially those with a product focus. As we attempted to apply the framework to SaskEnergy, we found that the framing of the quadrant definitions tended to be directed towards and correlated against the multinational enterprise. Some of our respondents were confused by the language used in the framework or by the drivers that were associated with particular quadrants. We saw value in the portfolio approach and the fundamental message of the framework; consequently, we worked to revise it and broaden it to make it more relevant to the participants.

We attempted to broaden the generalizability of the framework by removing the ‘drivers’ and revising the vertical axis to represent the challenge of getting things done (actions) and the horizontal axis to represent the varied application of knowledge and perspective (competencies). In addition, the quadrants have also been reworked to: remove reference to the limiting concept of pollution and extend the concept of waste to people, product, and process (waste prevention); remove reference to the limitations of “clean technology” and replace it with the concept of expanding opportunities that position the business for the future; and
remove the references to obligations for resolving social problems and replace it with the concept of business opportunities.

Each of these changes is described in more detail in the next section. Each change is grounded in the experience of this research and in the context of a wide spectrum of business operations. The result is a new framework, the **Strategic Sustainability Framework**, figure 1, which builds upon the spirit of the four quadrants in the sustainable value framework but is more generally applicable to a range of organizations and sectors.

**THE STRATEGIC SUSTAINABILITY FRAMEWORK**

![Figure 1: The Strategic Sustainability Framework](image-url)
**REMOVAL OF THE DRIVERS**

Hart and Milstein identified four sets of global drivers for sustainability that, for instance, included pollution, a civil society, clean technology, and poverty. In many cases these drivers were abstract and unconvincing to our participants or they found them to be ideal and grand motivators that at times appeared to be well outside of their perception of the role of business. Removing the drivers in the framework does not diminish the multi-dimensional challenge that business faces; however, it does remove the drivers from the debate over sustainable value. In time, a new set of sustainable business drivers could be reformulated that better resonates with business leaders. Until then, removing the drivers provided focus on the framework content. The Strategic Sustainability Framework reflects this and does not include specific drivers.

**REFRAMING THE AXES**

Hart and Milstein (2003) developed their framework around a two dimensional tension between managing today’s business while creating tomorrow’s and growing internal skills while growing new perspectives from outside. This represents a common tension within any business and should not be overlooked. The axes in the Strategic Sustainability Framework were reframed in terms more understandable and suitable for business. The vertical axis in our model represents the challenge of getting things done (actions), which we describe as a tension between producing immediate results and preparing for the future. The horizontal axis represents the varied application of knowledge and perspective.
(competencies) within business, which we describe as a tension between applying existing core knowledge and leveraging/integrating new and varied perspectives of others. The new axis descriptors more clearly define the tensions in understandable business terms. However, the most important outcome of this modification is the clarity that the axes now lend to the new sustainable value quadrant definitions.

THE FOUR QUADRANTS OF THE STRATEGIC SUSTAINABILITY FRAMEWORK

WASTE PREVENTION: THE CONCEPT OF WASTE REVISITED

Hart and Milstein (2003) explain that the bottom left quadrant “focuses on those aspects of performance that are primarily internal and near-term in nature” However, they outline the concept further with specific focus on pollution. This limits the reader to focus on pollution as the singular and most significant waste stream from operations. While pollution and emissions reduction is important to reducing risks, there is a much greater ‘social waste’ that requires consideration. The waste associated with the social aspects of sustainability is very real in business. As an example, the waste generated from unproductive work affects the economic well being of the business and in turn the growth of jobs, pay, and benefits. Similarly, the waste generated from an unwillingness to optimize the work that must be done affects the competencies of the organization to grow and stretch the business beyond its current role. The sustainability of the business must be focused on “Waste Prevention” that addresses environmental risks and
the costs of inefficient use of personnel. Only then can cost and risk reduction
occur. This expanded definition of Waste Prevention is also aligned with the
application of existing core knowledge competencies and producing immediate
results from the actions taken. The lower-left quadrant of our model, which we
call waste prevention, now includes a wide spectrum of environmental,
economic, and social wastes applicable to both the goods and services
industries.

**BROADENING THE NOTION OF STEWARDSHIP**

It is important to create quadrant descriptors that align with the creative business
tensions and are applicable to a range of businesses regardless of their focus,
type or size. In line with our redefinition of the axes, the focus of this quadrant is
in on making decisions that actually integrate external perspectives. Thus, our
framework extends the concept of ‘integrating stakeholder views’ as described by
Hart and Milstein (2003) to ‘integrating external perspectives’. Our new model
also broadens the stewardship concept beyond the wording of “product”. While it
appears to be a minor change, the wording is more applicable to a range of
businesses including services.

**EXPANDING OPPORTUNITIES**

The concept of clean technology as described by Hart and Milstein refers to
incremental improvement and leapfrog innovations associated with pollution
prevention that position the business for “exploitation of future markets” (2003:
However, we have defined this quadrant in terms of matching existing core competencies to plans and actions that prepare the company for the future. Therefore, instead of referring to ‘Clean Technology’, our framework refers to ‘Expanding Opportunities’ which we describe as re-envisioning core competencies. The result (or payoff) remains as innovation and repositioning; however, the application of the competencies can be more broadly applied to non-technological innovation or advances. For many businesses existing core competencies can build social capital unrelated to technological advances and, in turn, can reposition the business to offer new products or services. This social capital can be considered an investment in people and society. The Strategic Sustainability Framework acknowledges the social contribution and strength of people and how their competencies can be re-envisioned and applied to create sustainable value. This will enable business to consider all aspects of sustainability without limitations to environmental and technological considerations alone.

**Unmet Needs & Opportunities: A Counterpoint to Social Obligation**

Hart and Milstein’s (2003) final quadrant, referred to as ‘Sustainability Vision’ created much concern during the course of the interviews and required considerable modification for the results to be meaningful to SaskEnergy. Most notably, Hart and Milstein focused primarily on the social obligation of business and the resulting opportunities that business can then exploit. There was concern that in one breath the altruistic concerns for social needs are expressed
with passion and in the next breath the opportunities for business to exploit them for profit arise. Clearly, business must be profitable to sustain itself. However, harmony arises when new and varied perspectives are leveraged and/or integrated into business competencies and actions are taken to prepare the business for a future yet unknown.

Rather than refer to a 'Sustainability Vision' that is difficult for a firm to envision in light of the uncertainty of the future, we have chosen instead to refer to 'Unmet Needs & Opportunities'; highlighting the results-oriented nature of the quadrant. Similarly, we refer to flexible new growth pathways instead of rigid growth trajectories. These changes may appear to be minor; however, the difference is much more fundamental. Specifically, the Strategic Sustainability Framework links actions and competencies focused on the future to paradigm shifts in industry, society, and the natural world that are focused on all businesses—not only multinationals. Furthermore, while these unmet needs and opportunities may reside at the base of the pyramid, this need not be the case. Our framework acknowledges that sustainable value comes, in part, from being aware of what is going on around you and preparing for the paradigm shifts that inevitably will come. All business operates with the ambiguity of what the future has in store. This quadrant provides business with an indication of the importance of proactively building competencies to prepare for a future much different than it is today.
IMPLEMENTING THE STRATEGIC SUSTAINABILITY FRAMEWORK

CAPACITY, CONSTRAINTS AND READINESS

We found during our interviews that we needed to probe deep within the organization to understand the range of the organization’s existing and potential competencies and actions (the two axes). Our original questions focused on "examples of" and "ideas" from the interviewees. However, we found that the results were often subjective and vague. These were senior managers that were well able to assess capacity, constraints, and readiness. Therefore, our questioning turned to the capacity of the organization, management, and employees to embrace competencies or take actions. Similarly, the constraints and readiness of the organization, management, and employees were also explored. These explorations of capacity, constraints, and readiness of the organization, management, and employees in each quadrant area generated fruitful information regarding both the current activities in each quadrant and the ability of the company and its people to address future challenges and opportunities.

BALANCING THE PORTFOLIO THROUGH CONTINUOUS RENEWAL

Hart and Milstein (2003) underscore the importance of creating sustainable value in a balanced manner. They explain that significant imbalance between quadrants “suggests missed opportunities - and vulnerability”. Similarly, the Strategic Sustainability Framework requires a balance of actions and
competencies which lead to strategies that position the business to compete today and in the future. We propose that a single ‘snapshot’ measure of sustainable value is limiting because it provides no means to assess the effects of sustainability strategies over time. We propose that the framework should be applied repeatedly, over time, to ensure that progress can be measured and adjusted for changing external and internal influences. A quadrant by quadrant assessment of sustainable value can be conducted to continuously renew the organization and reposition it to consistently create sustainable value over time.

**CONCLUSION**

When we returned to apply the Strategic Sustainability Framework in subsequent interviews at SaskEnergy, respondents were better able to identify strategic sustainability issues; understand the benefits and implications of strategic sustainability planning and decision-making; and recognize the resources and competencies necessary to prepare for a sustainable business future. Making use of the Strategic Sustainability Framework, SaskEnergy was able to engage in meaningful discussion on the multi-dimensional topic of sustainability; an important first step for any business. The process identified strategic sustainability priorities and important emerging themes that will assist the company in building a sustainable organization.

A sustainable business balances economic growth and viability with a commitment to address the many facets of Waste Prevention; integrate
Stewardship into business decision making; re-envision competencies to act on Emerging Opportunities; and prepare for Unmet Needs & Opportunities yet unknown. The Strategic Sustainability Framework presented here serves as a useful tool to help a broad range of organizations to develop an understanding of their sustainable value portfolio and to take the actions and develop the competencies required to consistently create sustainable value over time. The fundamental contribution of this process has been in applying management theory in a real setting and the subsequent enhancement of that theory through its practical application. This intersection of theory and practice will be vital to generating a better understanding of how firms can develop and implement innovative strategies to pursue a sustainable future.

**REFERENCES**


