Through the looking glass

The emergence, evolution and embedding of sustainability accounting in a family business

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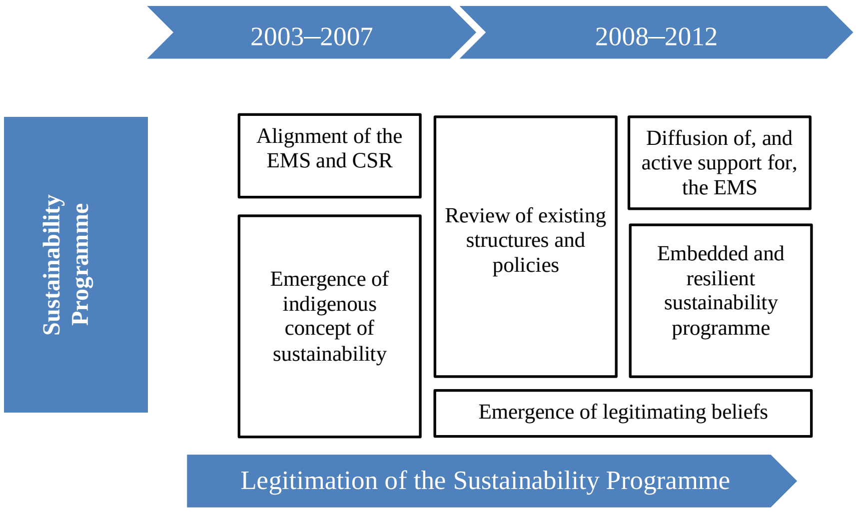
Chapter 8: The Emergence, Evolution and (Partial) Embedding of the Sustainability Programme

8.1 Introduction

This chapter considers the second research question for the study: why and how did a sustainability programme evolve and embed between 2003 and 2012? The question is addressed by tracing the emergence, evolution and embedding of the CC Group's sustainability programme over a nine–year period (2003 to 2012). The chapter traces the alignment of the environmental management system (EMS) with the Group's existing CSR (corporate social responsibility) activities and the subsequent emergence of a sustainability programme. It also charts the evolution of the structures, policies and activities within this programme. The chapter then discusses the continual legitimation and embedding of this evolving programme. Figure 8.1 represents the section of the chronology that relates to these aspects of the sustainability programme. Each phase of the diagram is then discussed in the following sections.

Figure 8.1 Chronology of the Emergence, Evolution and Embedding of the Sustainability programme 2003–2012



8.2 Alignment of the Social and Environmental Activities

Following on from the appointment of the environmental executive, the environmental management system was aligned with the company's existing CSR activities. The environmental executive expanded the external reports and policies to include social issues. A new social and environmental accountability policy was developed and published in 2006. The Group's external reports now included extensive narratives on its CSR activities, including ethical trading, charitable fundraising, community sponsorships, employee training, consumer awareness programmes (e.g. healthy eating programmes in stores) and supporting local suppliers (CC Group, 2003, 2006, 2008). Many of the CSR activities pre-dated the company's involvement with environmental issues and were seen as part of the company's existing patterns of behaviour. On the basis of this alignment the environmental executive was able to say that this was something the company had always done:

> *I often say at presentations and at meetings and things like that, you know, CC were doing CSR before the word CSR, the phrase CSR was really coined (I1, R1)*

The environmental executive began to expand the CSR activities beyond the Group's traditional activities (charitable donations, community sponsorship and employee volunteering) into emerging CSR areas such as ethical trading. For example, the CC Group was the first Irish company to sign up to the principles of the UN global compact (CC Group, 2003).

8.3 Emergence of a Concept of Sustainability

Following on from the alignment of the CSR and environmental activities, the company's sustainability programme emerged. The titles and content of the external reports reflect the emergence of the sustainability programme. The first external report in 2001 was titled an Environmental Report; the 2002 and 2003 reports were called Environmental and Social Accountability Reports. It is within the 2003 report that discussions of sustainability first appear. The report includes four independent commentaries, three of which are concerned with sustainability. From 2006 onwards, the external reports were titled Sustainability Reports. Case studies of sustainability projects in individual stores or towns, statistics on direct and indirect employment and examples of community and charitable initiatives became more common in the later reports (2008 and 2010).

There is also a notable change in the terms used in the interviewees' accounts over time. In the first round of interviews in 2007, the terms *CSR* and *environment* were far more prevalent than *sustainability* and interviewees generally referred to the Group's environmental or CSR activities. The use of the term *sustainability* and references to the company's *sustainability programme or process* were more prevalent in the second round of interviews between 2010 and 2012. This no doubt reflects the emergence, at a societal level, of concepts of sustainability, but it is accompanied by the emergence of a concept of sustainability that incorporated some of the Group's OI (organisational identity) claims and enacted identity. Both the interviewees' discussions of sustainability and the external sustainability reports reflect this indigenous concept of sustainability.

The interviewees' conceptions of sustainability drew on the Group's community-based OI claims, "sustainability isn't just about green issues. It's about communities and, you know, building local vibrant communities" (I1, R2). The CEO's statement in the 2008 Sustainability report sought to articulate the Group's distinctive approach to sustainability and referenced both its business model and long-term perspective OI claims:

> *We look at sustainability differently to other businesses. For us, sustainability means living up to the core responsibilities that any good business should have: to look after its people and customers, to minimise its impact on the environment, to produce sustainable wealth so that it benefits all its stakeholders in the long-term – and not just for short-term financial gain. Above all, it's about making a positive contribution to people's lives, to their communities and to society as a whole. (CEO, CC Group, 2008, p. 1)*

This indigenous concept of sustainability provided a foundation for the legitimating beliefs that emerged around the sustainability programme (see Section 7.8). Concurrent with the emergence of this concept, the existing structures and policies for the programme were reviewed.

8.4 Evolving Structures and Policies

In 2007, the environmental executive and the divisional and group directors undertook a review of the existing structures and policies around the environmental management system and CSR activities. The (current) CEO indicated that the motivation for this review was a desire to gain further internal support for the programme, in particular from the divisional boards:

> *I think the big motivation is that, and the analogy I would give you is something like health and safety, you don't delegate health and safety to a small group of people and say, you're responsible. I think you come back to the responsibility of directors which is the way we run our business, what's their accountability, what's their responsibility, what are their fiduciary responsibilities and so on. And basically in defining our governance we said, well, actually sustainability is a key part of taking the business forward and it's the accountability of each board to do that and it can't be delegated. (I12, R2)*

As part of the review, the environmental action teams were disbanded in 2007. One of the team leaders indicated that the teams were a bottom-up process, and one that had done all it could:

> *When the EAT [environmental action team] was there, it was a kind of bottom-up process. And, even though it worked to some degree, it probably fulfilled all they could fulfil in terms of the smaller environmental aspects, if you like. In terms of driving CSR on the agenda of the board, it needed to be managed from the board perspective, if you like. (I5.2, R2)*

The environmental executive also indicated that the teams had run their course: "It was a case of a recognition that we had taken this to the level, the furthest level we could. It was now time to look at a new way of doing things" (I1.3, R2). As the sustainability projects grew larger and a set of five-year targets were put in place, the environmental action teams were seen as lacking sufficient authority and influence to manage these projects and achieve these targets and too disconnected from the strategic decision-making process within the Group:

> *They were brilliant of their time if you like. They achieved things like better recycling rates and better waste avoidance rates and all of this kind of stuff. But when it came to things like large transport projects or energy projects or whatever, the individuals themselves were at a level with the interviewees that first of all they were perhaps slightly disconnected from*

> *what the business strategic plan was. But also their level of influence in terms of influencing departmental strategy was probably fairly limited. (I1.2, R2)*

The environmental executive also believed that removing the teams would help to gain further staff support and ensure that sustainability activities were further embedded into day-to-day, normal behaviours:

> *There was a danger that these people kind of left their day roles for a period of time, talked environment and then came back to the real world afterwards. So there was a degree of abdication as well. So my view was that, for this to work properly, it needed to be something that was not seen as a separate or parallel process but something that happened in people's normal behaviours. So that was probably why we moved in that direction. (I1.2, R2)*

As part of the review, a new set of internal sustainability-related policies, a five-year plan and targets were devised at group board level. The new policies cover: Energy and Emissions (Transport and Buildings); Waste Management; Stakeholder Engagement; Packaging; Consumer Choice; Being a Good Neighbour; Regulatory Compliance; and Ethical Trading. A set of five-year targets by division were outlined for each policy at group board level. They are internal (external policies were not reviewed at this time), unpublished, short documents (one to two pages) that set out for each area: the issues that can arise; CC's sustainability principles; policy requirements and strategic direction. The targets were discussed, amended and agreed upon at workshops with the divisional directors. A quarterly performance report on these targets is now presented at the divisional board meetings and a summarised version of this report is presented at group board meetings. The environmental executive believed that they now had a "very good set of metrics" (I1.2, R2) that allowed the sustainability programme to be managed "strategically" (I1.2, R2) and in a similar manner to any other activity in the organisation:

> *What we're trying to do is we're trying to manage sustainability as we manage any other business process that we're serious about … I think that's what we've done, we've put shape, we've put numbers, we've put processes in place and now we're able to say, "Well, at any point in time*

how are we getting on?" The other thing I think is we now have a strategy. We tended to manage sustainability very tactically before, we kind of did a lot of projects that were great and very positive and ground-breaking and everything else, but the project delivered; there was no real vision of where that was going to take you in the longer term. Whereas now, we have a much more strategic view of where we want to be in terms of sustainability, we know we want to take our emissions down by 25% in five years. So, we now have a process in place to deliver that and it isn't until you have that strategic view that you recognise what the resource issues are. So, it has been important as well to help us to get resources in place to deliver those targets. So, positive I would argue over all. Very positive. (I1.2, R2)

These new structures also contributed to the legitimation of the sustainability programme with the senior management of the Group.

8.5 Legitimating the Sustainability Programme with Senior Management

The environmental executive indicated that the aim of the new five-year targets and reporting system was to ensure that the senior management of the Group, the "big hitters" (I1.2, R2), actively supported the programme:

I think a lot of that [structural changes] precipitated out of the whole five-year plan. That looking at the aspirations and the requirements of the five-year plan you could easily see that you needed a lot more big hitters involved, and you needed accountability and you needed a lot more clout, let's say, than you knew could be delivered through the older process, if you like. (I1.2, R2)

The new structure was (and still is) based on each divisional board having a sustainability champion, either the trading or the logistics director, who monitors the programme in each division. The five-year targets are divided between the divisional directors. The sustainability champion has direct responsibility for the targets in his own area and the other targets are delegated to the relevant directors and monitored by the sustainability champion:

My role from that point forward [being appointed a sustainability champion] really has been one of owning some of the specific targets but *being a champion round the table to encourage everybody else to own their own targets and to deliver on their own targets so that as a division reporting into the Group we hit the targets that we set. (I10, R2)*

Each year the sustainability targets are reviewed and set for the following 12 months. Targets and actions are then delegated down to the relevant staff members and teams. The environmental management accounting system was reviewed as part of the restructuring of the sustainability programme in 2007 and now includes quarterly divisional board performance reports on the annual targets (as part of the company's overall set of KPIs, and each divisional director reports on the sustainability projects in their division. The group board also receives a quarterly dashboard report. The dashboard is a summarised version of the divisional board reports showing progress on the targets as green, amber or red. The divisional board champion will usually prepare an annual standalone report on the sustainability programme within the division:

I mean it's included as a section in my board report each quarter and I'd say probably once a year it warrants a separate sort of paper or run through when we're resetting the targets the following year. Outside of that, it's part of the reporting every quarter and everybody runs through their own report and gets questioned by the rest of the board. But invariably X [the Group CEO] will ask questions around it because he's keeping it front of mind with everybody in terms of moving it on. (I10, R2)

Thus, the environmental management accounting now includes established management accounting techniques (KPIs and performance reports) that were already accepted within the business:

CC is KPI driven and target driven. So, if it becomes a KPI which a person knows is being actively monitored by a director, it then becomes a key process that has to be implemented and there is more attention paid to it through the lines of command. (I5.2, R2)

The alignment of the environmental management accounting with these existing structures put the sustainability programme "on the agenda of the relevant director teams" (I4, R1). It was now in the best interests of the directors, particularly the sustainability champions, to ensure that sustainability targets were met as performance on these targets now had an impact on performance evaluations and bonuses for directors as well as staff. Staff performance on targets is monitored by the directors and, in turn, the directors' performance on targets is monitored by the CEO. If the sustainability KPIs are not being met, the Group CEO indicated that he would initiate a "good conversation" around those targets:

> *I mean from the divisional board point of view, which I chair every quarter for each of our businesses, it's absolutely on the agenda and it's traffic lighted and, you know, we have a good conversation if we're not actually moving forward on things. (I11, R2)*

In addition, the interviewees' accounts suggest that a number of legitimating beliefs (O'Dwyer et al., 2011) had started to emerge concerning the pragmatic (best interest of the Group and group members) legitimacy, moral legitimacy and comprehensibility of the sustainability programme.

8.6 Legitimating Beliefs

The interviewees' accounts indicate that a number of legitimating beliefs had emerged around the economic and moral value of the sustainability programme to the Group and its comprehensibility. Many of the interviewees indicated that the programme was economically valuable to the Group, "sustainability … it delivers on lots of fronts in terms of cost" (I10, R2). Proponents of the programme had "proven time and time" (I10, R2) that the environmental management system could deliver cost savings and the sustainability programme was perceived as economically "self-sustaining" (I1.2, R2). Environmental project appraisals had become more common throughout the business. Several examples of these appraisals for buildings, logistics and purchasing were discussed by the interviewees. These appraisals were perceived not only as justifying individual environment projects or the inclusion of environmental considerations in projects, but also as helping to create the "belief" (I1.2, R2) that sustainability was economically beneficial for the business. The environmental executive used the example of a project appraisal for bulk shipping wine from Australia to demonstrate how this belief had developed:

> *So, there were all these kinds of contingent benefits around costs, less glass, hugely important from a carbon footprint point of view but equally important from a costs benefit. Customs is clearly a costs benefit, container shipping, halving your number of containers, the same volume. Huge*

carbon benefit but also it happens to be a costs benefit. Now, this is one of the things that we've had to do along the way, we have had to create a link and demonstrate to people that doing things in a sustainable way very often brings you costs benefits as well. Now, we have got belief because people have discovered it. They now believe it and now they want to do it. (I1.2, R2)

This belief in the economic sustainability of the programme contributed to its resilience to adverse external events. Sitting alongside of this pragmatic belief was the belief that the programme had moral value when evaluated against the Group's OI claims. It was both "doing the right thing and helping the business" (I11, R2). One of the directors suggested that everything that comes along with sustainability was consistent with the Group's community-based business model:

I mean I absolutely think it should be part of and is part of our DNA in terms of local business, local community and looking after the community and looking after ... everything that comes along with sustainability plays to that then I don't ... I can't see a situation where it wouldn't be part of ... a major part of what we do, absolutely. (I10, R2)

The family director indicated that there was a "general perception" within the business and among the family directors that "it is the right thing to do by the values in the company and it makes sense to be leading in this" (I7, R1). The environmental executive suggested that sustainability was now "inextricably linked" to the Group's values:

Now, sustainability is seen as being, I suppose – inextricably linked to values. Because if you have values, then it is only right that you would do things in a sustainable way. Because our values talk about, you know, long-term stable relationships, ... not being greedy ... if you are greedy and use up the planet's resources, that is not very sustainable. If you don't look to the long term – that is not sustainable. So, so many of the subtleties of the values could actually be euphemisms or could be translated into a sustainability approach. So, in that sense, I would say that sustainability exists in this business because of the values of the business. But it also – it exists because on an ongoing basis it helps us to live our values. (I1.2, R2)

From the family director's perspective, the sustainability programme gave the family confidence that group members were "trying to do the right thing" (I7, R2) and that the values and shared history were being maintained:

> *The sustainability piece, from the point of view of family ownership, is, is sort of taken as a given in that it probably is a much more tangible emphasis on the way we have been trying to manage, ok like, in the early years manage the company and then fits in very well with the ethos and the values of ownership so that the actual sustainability like a lot of the actual sort of detailed stuff and the detail that X [the environmental executive] does is obviously sort of captured here, and from a family perspective we would have confidence that the people are and the people responsible are trying to do the right thing and we want to be seen to be leading in the field. (I7, R2)*

In addition, these beliefs contributed to the comprehensibility of the sustainability programme. The interviewees could both understand and provide a plausible explanation for their collective engagement with sustainability as they believed these activities were commercially justifiable, expected by the CC family, the right thing to do and part of what they had always done and would continue to do. Arguably, the programme had also started to build an organisational level form of taken-for-granted cognitive legitimacy as it was becoming an expected aspect of how the business should be managed. The family director expressed the view that sustainability was "an integral part of managing the company well, having a well-managed and well-structured business" and "means living up to the core responsibilities that any good business should have" (I7, R2). Many of the group member interviewees suggested that the sustainability programme was now part of the DNA of the Group and embedded to the extent that it was becoming resilient to adverse external events or changes to individual activities (such as the decline in external reporting).

8.7 Partially Embedding the Sustainability programme

> *It's an embedded process now. We've gone through all of the birthing pains as far as getting the strategy right, getting the targets right, getting the responsibility and the accountability right. (I1.2, R2)*

The interviewees perceived the sustainability programme as embedded into the company in terms of: its integration within the structures and decision-making processes of the business; receiving active CEO, top management and staff support; and the constituent environmental and CSR activities spanning the company's operations and divisions. The CEO indicated that sustainability was now a "key part" of the business:

> *Basically, in defining our governance we said, well, actually sustainability is a key part of taking the business forward and it's the accountability of each board to do that and it can't be delegated. So that's why it sits at the board table and clearly the people who are doing it are within the organisation. But in setting our governance, we said that this is a key criterion for us. (I11, R2)*

The original environmental activities were perceived as a bottom-up process led by the environmental action teams, in contrast, the sustainability programme was perceived as having substantial and active support from the senior management, in particular the CEO:

> *The championing of it from X as a CEO, he's very, very strong and he insists on it being reported at every board and he will challenge it at every board meeting. So it does give a real sponsorship and championing from the top in terms of an awareness of it as well, which is good because often people pay lip service to it at that sort of level and then you can fall fairly flat fairly quickly, but I think that helps it as well. (I10, R2)*

As the top-down support had grown, the bottom-up support had continued. The Group's staff continued to actively support the programme's constituent (CSR and environmental) activities and projects:

> *The employees get involved in the projects. The projects are driven, really, from the bottom up point of view. They are also scrutinised, and the pressure is put on by the directors to make sure that, you know, results are achieved, but essentially, the work is done in the divisions not really at manager level, it's done at employee level. (I2.2, R2)*

The environmental management system had become part of the staff's day-to-day activities and was seen as part of the "way of working" (I4.2, R2). "It is not seen as another thing to do.

It is actually seen as part of what you do." (I4.2, R2). "Mini champions" or "believers" (I1.2, R2) who initiated sustainability projects had emerged throughout the company:

> *….. now there are people within the business who are themselves mini champions, if you like, of sustainability … what they're doing is in doing what they do they're asking themselves, "Is there a better way that I can do this?" …. And that's very gratifying because it means that the message is getting out there that we need to think more sustainably, that we need in our activities, in the way we operate, you know whatever area we're responsible for. (I1, R2)*

Even those who did not buy into to sustainability were participating in the process:

> *Dissent is rarely practised in the open. … the guys who probably don't buy into it as strongly do it enough to keep themselves safe, you know. But that's fine because they deliver what is asked of them. But there are other people out there who work at it a little bit harder. (I1.2, R2)*

The company continued with a variety of environmentally related training programmes for both its own staff and its retailers. New environmental management activities were initiated continually. Figure 8.2 (p.130) gives an overview of the projects implemented by the Group between 2007 and 2013[11] (Appendix 1 provides further detail on the projects). The interviewees maintained that environmental issues were now being considered at the onset of new projects, such as store and building development, capital purchasing, packaging redesign and logistics projects:

> *They are more focused on it and it becomes part of the plan of doing instead of just going afterwards ... It is actually part of the process of driving through the initiatives. It has been successful. (I4.2, R2)*

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[11] The table is based primarily on the external reports produced during that period, supplemented by the interviewees' accounts. Given the decline in external reporting over this period, the apparent decline in the number of new projects in comparison with the 1998 to 2007 period cannot be taken, per se, as a sign of decreased activity in the area.

Figure 8.2 Overview of Environmental Activities from 2007 to 2013

- Five-year sustainability strategy and targets
- Integration of targets into existing KPI and performance management systems
- Disbanding of environmental action teams
- Appointment of divisional board champions
- Support of first sale process with Enterprise Ireland and Bord Bia for start-up food companies
- Internal policies: Being a Good Neighbour; Consumer Choice; Energy and Emissions (Buildings); Energy and Emissions (Transport); Packaging; Regulatory Compliance; and Waste Management Policies

2007

- Detailed sourcing policies for all own-label products
- Construction of second sustainable office building
- New eco-store opened in the ROI
- Centralised data capture and management system to record the amount and type of energy used throughout the building stock
- Publication of *Sustainability Report 2008* – GRI compliant and independently assured

2008

- No reported developments

2009

- Extension of green electricity contract to all ROI facilities in March 2010.
- 300 retailers participated in Energy Map course.
- Publication of Web-based Sustainability Report 2010 – GRI compliant
- Publication of *Sustainability Report Key Facts 2010*

2010

- Water usage research
- Publication of *Communication on Progress 2011* (UN Global Compact) and *Performance Update*

2011

- Merging of environmental activities and processes across the Group
- Publication of web-based Sustainability Report Key Facts 2012

2012

- Sustainability targets for the 2013 to 2017 cycle
- Publication of *Communication on Progress 2013*

2013

Active support for the newer environmental management activities extended in some cases to the retailers, some of whom were seen as pro-active in the area and initiating their own environmental projects – installing energy converters, in-store farmers' markets, or building a roof garden to supply herbs, for example. Much of the engagement with the retailers was still around waste and energy contracts. The company staff faced a "challenge to … make it economic for them to be able to implement some of these things", but were "absolutely leveraging our expertise and our scale" to make the projects affordable for individual retailers. From the retailers' perspective, the sustainability programme was now "very much [part and] parcel of their ethos, and absolutely in everything that they do" (I18, R2). It was continually communicated through training and at the annual retailer conferences: "It's just constant. I suppose if you keep throwing mud at a wall it will eventually stick, do you know what I mean?" (I19, R2).

8.7.1 Limitations to Embedding

The interviewees' discussions of the embedding of the sustainability programme were not naïve or uncritical as there was an acknowledgement that the company's capacity for sustainability was tempered by its economic function, available resources and technological limits:

> *The business has a primary objective which is to operate, to run, to grow, to make a return on investment. To increase stakeholder value, shareholder value rather than stakeholder value. But to do all the things that a company does but at the same time sustainability runs as an activity that's embedded within the process of running the business. But it's not the sole reason for our existence ... The business is about being the business but operating sustainably. (I1.3, R2)*

Despite these limitations to the embedding of the sustainability programme, the interviewees' accounts suggest that the process was somewhat resilient to the cost cutting that followed the onset of a recession in Ireland in 2008.

8.7.2 Impact of the Recession

Several of the interviewees acknowledged that the sustainability programme suffered because of the recession; however, it was not perceived as having been targeted for extra cuts in comparison to other areas of the business. The environmental executive and the environmental action team leaders felt that sustainability projects that were simply nice to do rather than being economically beneficial were less likely to get approval and that there was more caution around trialling untested new technologies. New projects were perceived as being subjected to greater scrutiny in terms of their costs, benefits and payback periods. The environmental executive indicated that a few projects and targets had been "dialled down" or "put on the back burner" but were "still in the grand plan … it's something that we'll come to when conditions change" (I1.2, R2). One or two projects had not gone ahead as originally planned. For example, a planned standalone ethical trading training and auditing process did not go ahead, instead a module on ethical trading was incorporated into an existing training process.

Due to the constraints on internal funding, alternative funding sources for new projects, in particular, government grants were being more actively pursued. The store development director indicated that his department had secured the first Sustainable Energy Authority Ireland (SEAI) grant for an Irish franchise company. The availability and approval of these types of grants for new projects had become a more significant consideration when projects were being evaluated. Yet, the environmental executive suggested that overall the sustainability programme was relatively unscathed by the recession:

> *We are now probably two years into the worst recession that anybody can remember and there is no, no sort of reduction in our approach to sustainability. We are still doing the same things, I don't mean that in a repetitive way but we're doing, our focus is as it was and we're living up to our values, we're living up to our policy, and we are putting the resources to that. (I1.2, R2)*

The environmental executive indicated that this resilience was inextricably tied to the belief that the programme was economically sustainable – protected by virtue of the cost savings it generated. In addition, the programme was built from the "bottom up" (I1.2, R2) to deal with the environmental impacts of the business and consequently was still relevant to the company:

> *We've not walked away from anything. We've not said, look, let's just forget that. I think the reason that that's not happened – when we first looked at our sustainability process or developed it, we worked from the bottom up. We started with impacts, we looked at what are our impacts and how do we deal with those impacts. Those impacts haven't changed, they are exactly the same. The scale may have changed, you know, but they are exactly the same as they ever were. So because it is impact-based and the business hasn't fundamentally altered, then all these elements of our sustainability process are still relevant. And there is none of them that we would not want to focus on. So, I think that's why we are not walking away. (I1.2, R2)*

At the close of the study, new sustainability projects and activities continued to be trialled and rolled out throughout the Group and a new set of five-year sustainability targets was being finalised. However, although the Group still had plenty of good news to report, the extent of the external reporting of these activities had significantly declined. The following chapter discusses the evolution of the Group's external reporting.

8.8 Chapter Summary

This chapter traces the emergence, evolution and embedding of the CC Group's sustainability programme from 2003 to 2012. The first section looks at the alignment of the environmental management activities with the existing CSR activities and the emergence of a concept of sustainability amongst group members that references some of the Group's OI claims. The second section looks at the evolution of the structures and policies within the process and, building on this, the third section considers the internal legitimation of the process. The final section considers the partial embedding of the process.