1. Introduction

1.1 Uses of the business case

The SIGMA business case tool provides a simple process to develop an organisation-specific case for addressing sustainable development. By taking a pragmatic approach which recognises the language and core priorities of the organisation, users can understand how to build a strong business case that incorporates real-life examples. This will highlight what sustainable development means to the organisation and how improved sustainable development performance can maximise the opportunities this may bring while minimising the potential risks.

There is a growing body of evidence suggesting a positive correlation between elements of sustainable development and long-term financial performance – organisations that are pro-actively managing sustainable development issues relevant to them tend to be better managed and are outperforming their peers\(^1\). This is not to say that there is always a strong sustainable development business case for every organisation. Many will find significant challenges and inconsistencies with their current strategy and also

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\(^1\) For example, the research report ‘Do socially responsible equity portfolios perform differently from conventional portfolios? If so: how and why?’ by ABN AMRO Asset Management’s Global Consulting Group (2003), reviewed 18 major studies over a 20 year period which examined this issue. It concluded that there is a positive relationship between sustainable development and financial performance although causality is still difficult to determine.
restrictions on the speed of transition towards becoming more sustainable and on the best timing for implementing change.

This tool is aimed at managers and practitioners with responsibilities for sustainable development within organisations. A complete business case can inform strategic decision making, whilst elements of the business case can inform business units, helping employees understand how sustainable development issues impact on their area. It is intended to develop cohesive arguments to persuade organisations to become more sustainable.

1.2 Limitations
A business case is a very useful tool for promoting and communicating commitment to sustainable development, but this isn’t the only justification for taking action. Another reason is to meet organisational commitments to sustainable development principles, values and policies, for example, the SIGMA Guiding Principles.

1.3 How it works
The tool provides a step-by-step guide on building your own case. Starting with a series of simple tasks to build your own case, it moves on to cover some of the key topics to be considered in building a generic case, followed by a suggested format. It then takes you through some guidance on its use within the Sigma Management Framework four phases. The tool ends with five key lessons for building and maintaining a strong sustainable development business case and links to further useful business case resources.

2. Building a Business Case – the process
The following 5 steps provide a simple process for developing a tailored business case. They are a guide only and should be used as necessary in developing your own business case.

2.1 Understand your Significant Impacts
Understand the organisation’s significant impacts on the environment, society and the economy and what opportunities and risks they represent. There are many tools available to carry out appraisals, for example see the SIGMA Opportunity and risk guide. The most obvious impacts, detailed in existing information, may well be the most significant and offer a good starting point, however a systematic assessment across the full range of organisational activities provides greater confidence that all impacts will be identified.

2.2 Identify key stakeholders issues
Remember that the management of perceptions is as important as the management of actual impacts and will influence organisational ability to maximise the opportunities and minimise the risks as listed above. Consulting stakeholders on what they consider to be the key sustainable development impacts of an organisation will significantly strengthen the business case. The SIGMA Stakeholder Engagement Tool for example, can be used to do this.
2.3 Make it relevant
Link the opportunities and risks identified in steps 1&2 above to core business. If your organisation has a business plan, or key strategic objectives, map the issues and impacts to them. Use a style and language that is easily understandable to the intended audience, e.g. follow the language and style of the business plan. This ensures that any business case is fully aligned to the core purpose of the organisation and will enhance the credibility of the business case.

2.4. Back it up
Provide examples, data and supporting information for each opportunity or risk, both from outside and within the organisation. In particular, wherever financial costs and benefits can be calculated or are available, include them.

2.5. Keep it dynamic and updated
Ensure the business case is dynamic and develops as organisational priorities, sustainable development understanding and best practice changes. A considered and up-to-date business case helps communicate and raise awareness of the strengths and weaknesses of improved sustainable development management and keeps it relevant for its intended audiences.

Can the business plan or strategic objectives be improved?

Significant sustainable development risks and opportunities may not always be reflected in the priorities detailed in the business plan or strategic objectives. Where this is the case this should be highlighted so that improvements can be considered.
3. **Key Impacts**

There are a number of generally applicable impact areas on which the business case can be built.

**Table 1. Impact areas for consideration in building a business case**

<table>
<thead>
<tr>
<th>Impact area</th>
<th>Explanation</th>
<th>Examples of Opportunity</th>
<th>Examples of Risk</th>
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</thead>
<tbody>
<tr>
<td><strong>Operational cost</strong></td>
<td>Improved process or eco-efficiencies (the delivery of more value or service</td>
<td>Process improvement due to environmental consideration</td>
<td>Not implementing cheaper eco-efficient processes</td>
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<td></td>
<td>with fewer resources), waste and energy reduction, improved pollution</td>
<td>producing cost savings</td>
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<td>prevention and improved compliance management.</td>
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<tr>
<td><strong>Anticipation and management of</strong></td>
<td>Pro-active management of sustainable development issues reduces the chances</td>
<td>Taking action to minimise impacts of forthcoming</td>
<td>Local reputation damage through local campaign or adverse publicity by not sufficiently taking into</td>
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<tr>
<td><strong>risk</strong></td>
<td>of non-compliance with legislation, pollution incidents and the potential</td>
<td>legislation</td>
<td>account concerns of people living near operational sites</td>
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<td></td>
<td>for poor media coverage.</td>
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<tr>
<td><strong>Stakeholder relations</strong></td>
<td>With increasing stakeholder scrutiny of organisations, engaging and acting</td>
<td>Improved relations with people living near operational</td>
<td>Local reputation damage through local campaign or adverse publicity by not sufficiently taking into</td>
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<tr>
<td></td>
<td>on perceptions of stakeholders is essential. Organisations improve their</td>
<td>sites or by strengthening lobbying position with</td>
<td>account concerns of people living near operational sites</td>
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<td></td>
<td>ability to retain a ‘licence to operate’; from the communities they operate</td>
<td>government</td>
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<tr>
<td></td>
<td>in, governments, civil society and other stakeholders through diligent</td>
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<td></td>
<td>sustainable development management.</td>
<td></td>
<td></td>
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<tr>
<td><strong>Productivity</strong></td>
<td>Productivity and organisational effectiveness can be raised through good</td>
<td>Cross functional working reducing workload</td>
<td>Poorly trained employees</td>
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<tr>
<td></td>
<td>sustainable development management. For example, higher standards, better</td>
<td></td>
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<tr>
<td></td>
<td>understanding of stakeholder needs, better trained staff.</td>
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<tr>
<td><strong>Staff recruitment and retention</strong></td>
<td>Organisations adopting sustainable development approaches find it easier to</td>
<td>Improved employee retention due to introduction of</td>
<td>Graduates not wanting to work for a company with a poor social responsibility reputation</td>
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<td></td>
<td>attract and retain the best staff as they feel they are contributing to a</td>
<td>family friendly policies</td>
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<td></td>
<td>societal good rather than degrading it. Not only are recruitment costs reduced</td>
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<td></td>
<td>but also talented, socially and environmentally aware employees help to</td>
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<td></td>
<td>encourage new product and service innovations and ways of operating</td>
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<td><strong>Financial</strong></td>
<td>There are widespread moves towards including sustainable development</td>
<td>Meeting social and environmental considerations that</td>
<td>Failing to provide social and environmental information required by tender</td>
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<td>criteria in organisational and project assessments, be it for lending,</td>
<td>are included in tenders</td>
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<td></td>
<td>insurance premiums or investment decisions. Organisations with good</td>
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<td>sustainable development management will be at an advantage over their peers</td>
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<td>through lower insurance premiums, fewer liabilities and improved access to</td>
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<tr>
<td></td>
<td>capital.</td>
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<tr>
<td><strong>Market differentiation and sales</strong></td>
<td>Organisations can grow revenue from new markets for sustainable products</td>
<td>Through effective responses to environmental or social</td>
<td>Losing ground to a competitor after they introduce a environmental preferable product</td>
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<td></td>
<td>and services. An example is moving from the manufacture of a product to the</td>
<td>market conditions, such as an introduction of a new</td>
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<td></td>
<td>delivery of a service that meets the same need. Innovation driven by</td>
<td>service</td>
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<td></td>
<td>sustainable development issues can create considerable new opportunities.</td>
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<tr>
<td><strong>Brand and Reputation</strong></td>
<td>Systematic sustainable development management helps to retain and improve</td>
<td>Positive media coverage from introducing a new</td>
<td>Negative media coverage</td>
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<tr>
<td></td>
<td>brand equity and corporate reputation through increased loyalty and trust</td>
<td>product or service</td>
<td></td>
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<td></td>
<td>across a range of stakeholders.</td>
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</tbody>
</table>
Table 2. An example format

<table>
<thead>
<tr>
<th>Strategic Element</th>
<th>An explanation of the business plan area or strategic objective</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Initiatives</td>
<td>Details of how the organisation plans to respond to each business plan area or strategic objective</td>
</tr>
</tbody>
</table>

**How does sustainable development management help ensure our organisation meets this specific business plan or strategic objective?**

- **Provide details**
  This section contains information that is relevant to the organisation based on the operational and organisational opportunities (from the list in Table 1 above) of good sustainable development management. This section gives details on those elements that affect the success of this part of the business plan or strategic objective. Note: there may be none or many relevant initiatives for each sustainable development opportunity.

- **Provide details**
  This section contains information that is relevant to the organisation based on operational and organisational risks (from the list in Table 1 above) of not managing sustainable development issues well. This section provides details of the risks of not meeting the full potential of these opportunities. Note: there may be none or many relevant initiatives for each sustainable development risk.

**How have other companies’ costs been affected by sustainable development management?**

- **Provide** relevant examples (see links and references to some resources below). Use figures, costs and hard data wherever possible.

**What is the organisation doing already?**

- **Provide** examples of organisational success in this area. Use figures, costs and hard data wherever possible.

**Questions to consider:**
- Is the organisation doing enough?
- What will it need to do in future?

Table 2 shows how part of the business case for sustainable development can be developed based on each element of a business plan. To ensure usability in mainstream business planning, sustainable development issues and headings must be translated through the use of familiar language, style and formats that can be easily understood by senior managers and users of the business case. The outputs of this process will be a completed table for each business plan or strategic objective area that when combined provide a detailed business case.

**4. Using the business case following the SIGMA approach**

The business case should be treated as a dynamic document, which can be used in many ways. The following information illustrates how the business case maps to the four phases of the SIGMA Management Framework.

**4.1 Leadership and Vision**

Developing the business case is of primary importance in this phase of the SIGMA management framework. It supports:
• Securing sufficient top-level management understanding and commitment to integrate sustainable development and stakeholder engagement into core processes and decision-making
• High-level communication of sustainable development issues
• Formulating the organisation’s long-term sustainable development mission, vision and operating principles and a high-level strategy that supports them
• A learning / training needs analysis and establishing the organisation’s training and development requirements
• Raising awareness on sustainable development issues and how they may affect the organisation’s license to operate and future direction
• Ensuring that the organisational culture is supportive of a move towards sustainable development

4.2 Planning
The business case increases understanding of the breadth and range of impacts, potential costs and savings for the organisation. In particular it supports:
• Understanding the organisation’s current sustainable development performance
• Identification and prioritisation of the organisation’s key sustainable development issues
• Development of strategic plans to deliver the organisation’s vision and address its key sustainable development issues
• Formulation of tactical short-term action plans to support the agreed sustainable development strategies and how these link to the overall business plan

4.3 Delivery
The business case helps support delivery by:
• Providing information to align and prioritise management programmes in line with strategic and tactical planning and the organisation’s sustainable development vision. In particular elements of the business case can be tailored for use by different areas of the organisation to meet their specific objectives

4.4 Monitor, Review and Report
As a dynamic document, regularly reviewed by senior managers, the business case supports:
• Internal feedback loops to monitor progress against stated values, strategies and performance objectives

5. Using the business case - Five key lessons
A strong business case for organisational sustainable development:
1. Leads rather than follows - is part of the mainstream business strategy
2. Takes a long view – accepts that a stream of benefits over the long and short-term can result from a significant upfront investment
3. Takes a broad view - Investment in sustainable development management produces tangible and intangible returns across many different areas of business performance. The business case is strongest when multiple measures of business success are considered.
4. Is responsive - to changes in public opinion, technological development, competition and the regulatory environment and develops itself over business cycles
5. Emphasises opportunities as well as threats

6. Links and Resources

- ‘Sustainable development Pays’ provides information to help develop a sustainable development business case drawn from over 400 separate research papers. Forum for the Future (2002)
- ‘Buried Treasure’ - Sustainable development Ltd – www.sustainable development.co.uk/business-case
- ‘Making the Business Case: Determining the Value of Corporate Community Involvement’. Boston College, Center for Corporate Community Relations
About the SIGMA Project

The SIGMA Project - *Sustainability Integrated Guidelines for Management* was launched in 1999 with the support of the UK Department of Trade and Industry (DTI) and is led by:

- British Standards Institution - the leading standards organisation
- Forum for the Future - a leading sustainability charity and think-tank
- AccountAbility - the international professional body for accountability.

The SIGMA project has developed the SIGMA Guidelines and a series of tools to provide clear, practical advice to organisations to enable them to make a meaningful contribution to sustainable development.

The SIGMA Guidelines consist of:

- a set of **Guiding Principles** that help organisations to understand sustainability and their contribution to it.
- a **Management Framework** that integrates sustainability issues into core processes and mainstream decision-making. It is structured into phases and sub-phases.

The SIGMA Tool kit, consists of targeted tools and approaches to help with specific management challenges, and case studies explaining how organisations have used the SIGMA Guidelines and Toolkit to tackle real issues.

More information including the full SIGMA Guidelines and the accompanying SIGMA Toolkit are available at: [www.projectsigma.com](http://www.projectsigma.com).