



THE SIGMA GUIDELINES- TOOLKIT

SIGMA BUSINESS CASE TOOL



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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 peers¹. 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

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 organisations 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

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

Table 2. An example format

Business plan or strategic objective area	
Strategic Element	An explanation of the business plan area or strategic objective
Strategic Initiatives	Details of how the organisation plans to respond to each business plan area or strategic objective
How does sustainable development management help ensure our organisation meets this specific business plan or strategic objective?	
<p>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</p>	<p>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.</p>
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	
<p>Questions to consider:</p> <ul style="list-style-type: none"> • 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)
- 'Winning With Integrity - Business Impact Task Force' -www.business-impact.org
- 'Buried Treasure' - Sustainable development Ltd – www.sustainabledevelopment.co.uk/business-case
- 'Conversations with Disbelievers' – Weiser and Zadek – www.zadek.net
- 'Doing Good and Doing Well: Making the Business Case for Corporate Citizenship' – Simon Zadek, The Conference Board – www.conference-board.org
- 'Making the Business Case: Determining the Value of Corporate Community Involvement'. Boston College, Center for Corporate Community Relations
- 'Corporate Social Responsibility. Making Good Business Sense' (2000) World Business Council for Sustainable Development (www.wbcds.org).
- 'To Whose profit? Building a Business Case for Sustainable development' WWF-UK & project partners (2001)

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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 **Toolkit**, 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.

