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**THE
GREEN CANVAS**

**CO-CREATE YOUR
SUSTAINABILITY STRATEGY
IN 5 STEPS**

A practical framework for defining a sustainability strategy and linking it to concrete short term actions.



fronteer

White paper # 3

WE AIM TO BE MORE SUSTAINABLE, BUT WHERE ON EARTH DO WE START?

DEAR READER,

In the last decade there has been a paradigm shift in how organisations face the challenge of Corporate Responsibility (CR). We have gone from asking 'why be sustainable', to measuring the impact of green initiatives, to developing sustainable strategic frameworks and finally to market & communicate sustainable practices, applying enterprise mechanisms to sustainability.

In this paper we propose a way to look at the relation between business strategy, sustainability and innovation through co-creation. We present a strategic framework to come to a sustainability definition & vision, and activate these through the relationship with stakeholders.

This is our third white-paper on co-creation

This white-paper was born from the cooperation of Fronteer & Green Inc. in several co-creation projects in the field of sustainability for industry leaders. It reflects recent discussions, learnings, insights and recommendations we have given to our clients.

Who will benefit from reading this

Managers, CEOs and employees who are dealing with - or are interested in - corporate (social) responsibility strategy and sustainable innovation, but don't know how or where to start.

This white-paper discusses the following topics

- 3 Levels of ambition for businesses in the field of sustainability
- involvement of stakeholders to co-create a sustainability strategy with
- The Green Canvas to link short term initiatives to a long term sustainability strategy

We hope this white-paper offers you inspiration as well as guidance towards initiating your sustainability strategy through co-creation.

This white-paper was distributed by Fronteer & Green Inc.

Authors are Nicole van de Velde, consultant at Fronteer; Martijn Pater, partner at Fronteer and Ynzo van Zanten, founder of Green Inc.

Fronteer helps brands, small and big, to grow in a wide range of fields: Communications, FMCG, Financial Services, Consumer Electronics, Internet Services and Consumer Durables.

Green Inc. coaches companies in sustainable entrepreneurship, improving and incorporating sustainability into their business processes.

'YOU CANNOT SOLVE A PROBLEM WITH- THE SAME THINKING THAT CREATED IT'

Albert Einstein

SETTING THE STAGE: SUSTAINABILITY AND BUSINESS

Sustainability is an important and urgent topic on any organisation's agenda. CSR rankings attract considerable publicity and green businesses deliver added value from a cost perspective as well as a revenue angle in increasingly shorter timeframes. Recent studies have shown that a clear competitive advantage can be achieved through sustainability and it should not be seen as a cost or restraint anymore, but as a source of opportunity, innovation and competitive advantage. Sustainability, in any form or definition, is an inescapable priority and can no longer be a separate element of any organisation's strategy; it has become fundamental and integral.

Businesses play a special role with respect to sustainability. They are (in)direct contributors to the environmental problems, however they are also more than any other institution, focused on innovation and change. In addition, businesses are more powerful in today's world than governments, in terms of financial power and the potential for creating momentum.

WHY CO-CREATION AND SUSTAINABILITY

If a company does not align its sustainability goals with its business goals, any program in itself will prove to be unsustainable in the longer term. The key to a successful sustainability strategy lies in 'integrating sustainable practices' into the core business strategy of an organisation and determining in what way Corporate Responsibility (CR) can add value to those business goals. This is not only better for the longer term future of a company, it can also improve the bottom line by creating business value, drive both customer and employee loyalty and lead to increased productivity.

Wicked Problem

Unfortunately, this sounds a lot easier than it is done. One of the reasons is that there is no one clear definition of the term sustainability. It is a dynamic and multidimensional topic with no concrete meaning nor solution, a so called 'wicked problem'. Its principles are universal, but practical application for specific business and brand circumstances requires a unique approach. Should it relate to the products of an organisation, the way they are produced, the resources that are used in the process or to the viability of the organisation in general? No company is the same and no market is a clear copy of another. Conclusion: It is not clear at all what CR looks like, however finding the right definition and objectives in the right context is crucial to be able to act upon it.

Moving Target

Therefore we believe that one should not (and cannot) aim to reach one single, all encompassing definition of the term. It's a moving target, determined by an organisation its ambition, market, environment and its stakeholders.

CO-CREATE WITH STAKEHOLDERS

What sustainability can mean for a company is well described several years ago by Porter (HBR, 2006). Both business decisions and social policies must follow the principle of shared value: 'The essential test that should guide CSR is not whether a cause is worthy, but whether it presents an opportunity to create shared value'. The relationship between business strategy & sustainability is partly shaped and influenced by a company's stakeholders and by how they perceive the company and brand. Involving stakeholders in developing a CR strategy is essential in finding and giving meaning to this shared value. This can be done through co-creation; co-creation with stakeholders can help give meaning to sustainability, speed up strategy development, raise commitment within

SUSTAINABLE AMBITIONS MUST BE ALIGNED WITH CORPORATE STRATEGY

the organisation and channel initiatives into a clear strategy to achieve maximum added value.

The Framework

To guide the process of developing a CR strategy with your stakeholders, we use a practical 'Sustainable Framework' to map sustainable initiatives based on 2 dimensions (inspired by Stuart Hart's Sustainable Value Framework).

Time. Initiatives that can be realised on the very short term within the current situation ('Today'), or that are part of a future ambition on the longer term ('Tomorrow').

Reach. Focus on the organisation and current resources that are available ('Internal'), or focus more on the outside world, needing external sources and stakeholders to realise it ('External').

The above Framework will form the basis of the 'Green Canvas' and the 5 steps to co-create your sustainability strategy. How this can be put into practice, will be explained in the coming pages of this white-paper.

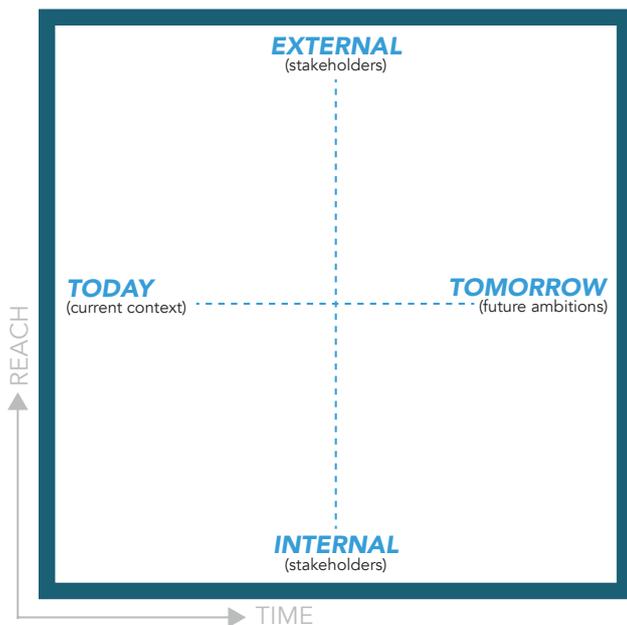


Fig. 1: 'Sustainable framework'

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STEP 1: DEFINING A COMPANY'S LEVEL OF AMBITION

It is clear that there is a fundamental shift going on towards a more sustainable future. In the past, sustainability often consisted of scattered well-meant initiatives throughout the company, mostly disconnected from the business and strategy (and often from a philanthropic point of view). But 'in the future, only companies that make sustainability a goal will achieve competitive advantage' (Prahalad, HBR, 2009). There will always be leaders and there will be followers, the question any organisation needs to ask herself is: do I want to (or can I) be in the forefront of that shift, or do I follow the crowd?

Figure 2 shows several roles a company can play when it comes to sustainability ranging from Comply to Inspire. It can be a choice to comply to the minimum required environmental regulations for as long as possible and play a more responsive role. However, it's perhaps smarter to comply with the most stringent rules and to do so even before they are enforced. This yields more strategic first-mover advantages or even strong differentiation from competition (Prahalad, HBR, 2009). Some examples of these different roles are presented below.

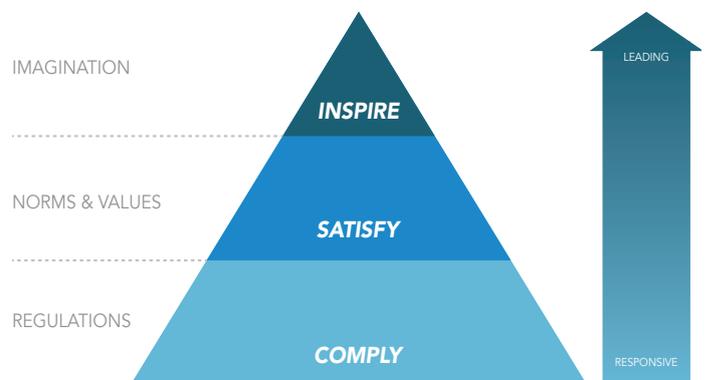


Fig. 2: Three levels of ambition in CR

Comply

A company complies to the legislation and regulations set by governmental institutions, and passively responds to the actions of pressure groups.



CASE | In 2010 Nestlé has been at the centre of a PR firestorm after Greenpeace alleged the company was involved in illegal rainforest clearance for palm oil. Nestlé responded to this by researching the accusation and adjusting production. However, "only as soon as quantities are available, we are not going to promise things we can't deliver."

Satisfy

A company takes a step further than compliance to the required rules and lives up to the societal norms & values; it fulfils desired expectations in a positive sense.



CASE | In the early '90's HP realised that lead is toxic and governments would one day ban lead solders. They started experimenting with alternatives, found new solutions and even tackled additional problems in the process. They could comply with the EU rules by 2006 as soon as they took effect.

Inspire.

A company that has sustainability integrated in its business strategy and mind, can go beyond the first two levels and really excel in its field, inspire consumers and use sustainability as a differentiator from other brands.



TESLA

CASE | Tesla Motors was the first to build a sleek designed zero- emission sports car, not afraid to aim for the top end of the market as a way to get its technology on the street. The company has won several innovation awards and is expanding its portfolio.

DEFINE AMBITION VS CURRENT SITUATION

The left and right side of the Canvas are framed by the 'Today' (Current Context) and 'Tomorrow' (Future Ambition). Defining these two boundaries is the starting point of filling in the Canvas. The ambition of an organisation can range from Comply to Inspire and will always be linked to the current context.

Key questions that are relevant in this first step are:

- 1a. Where are we now?
- 1b. Where do we want to go?

Both the context and situation of a company will change over time, which automatically implies the ambition can and should be adjusted along the way.

Additional triggering questions to define the situation are:

- What are the key aspects that have impact on us, or we have impact on in our environment?
- What ambition is in line with our corporate strategy?
- What role do we want to play as a company and as a brand?

CO-CREATION WITH STAKEHOLDERS CONSIDERABLY SHORTENS LEAD TIMES

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STEP 2: DETERMINE KEY STAKEHOLDERS

Depending on the stage or the goal of developing a sustainable strategy, different stakeholders can be involved in the process. This can range from a carefully selected and hand-picked team (e.g. expert co-creation) to inviting a large group of stakeholders who are interested in sharing their ideas (e.g. crowd-sourcing). Important to know is who to identify & select to co-create with at what time. (For more information, you can read the white-paper on 'Co-creation's 5 Guiding Principles' by Martijn Pater)

The bottom and top of the Canvas are framed by 'Internal' and 'External' (stakeholders). Some things are within a company's direct span of control and require internal alignment of employees internally. Some things are more dependent on the external environment, partnerships can be needed to accomplish certain goals and create the desired external identity. These two aspects are strongly related and interdependent.

Internal Stakeholders:

The board, management teams, internal departments, employees, close (supply chain) partners

Goal: create awareness among employees, commitment & internal alignment

External Stakeholders:

Current and future consumers, clients, competitors, partners, NGOs, category leaders, start-ups, game changers, (sustainability) experts, etc.

Goal: gain knowledge, credibility, license to operate & commitment

Key questions in this step are:

- 2a.** Who are the key internal stakeholders that can help us get things started?
- 2b.** Who are key external parties that we need or can learn from?

Stakeholder engagement is not a new insight in this topic. Although some companies feel it is about giving away control over the CR agenda to outsiders or just trying to 'satisfy' them, this is not the case. It's about creating a longer term relation and involving stakeholders to find the desired shared value. Firstly, they can share knowledge and experience to help understand the key environmental and social impact and identify the risks or opportunities of a company's competitive context and more global (societal) environment. Secondly, it helps to establish credibility and support in finding innovative solutions. Stakeholders can help you find the right definition for your company & brand and identify the right priorities for your CR strategy in the current or future context.

Additional triggering questions when involving stakeholders, are:

- Who are currently involved with our business and who can be in the future?
- Who are the game changers that we need to make things happen within and outside our organisation?
- Who can we learn from inside and outside our industry?

'OPEN INNOVATION IS THE BEST WAY TO STIMULATE SUSTAINABLE INNOVATION'

Mike Parker, CEO Nike

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STEP 3: SKETCHING THE 'GREEN' CANVAS

The 'Green Canvas' provides a strategic and inclusive framework on which to map your initiatives and strategy. Defining the 'Green Canvas' (Figure 3) and filling it with initiatives can be done by a company independently, however doing this with stakeholders will lead to the best results.

DRAW YOUR GREEN INITIATIVES

Once a company has determined its ambition and identified which stakeholders to involve, it's time to translate these ambitions into a strong vision and concrete actions. Focusing both on a long term CR vision and on short term actions often seems hard, not to say incompatible. Additionally, some things can be initiated or solved by a company itself and other things can only be realised with the help from external parties. The 'Green Canvas' provides a strategic framework based on these 2 dimensions, offering a way to map sustainable initiatives (preferably

together with stakeholders). This will give an overview of all possibilities and help to filter the ones that are in line with a company's current context and ambition.

A. Make it happen ourselves today

Key question: What can we do ourselves today?

As sustainability has been a hot topic for quite a while now, many organisations already have engaged in several 'sustainable activities'. Some more than others and some in a more relevant way than others. In this quadrant one maps out the more immediate and internally focussed initiatives, to create a clear starting point and define opportunities for improvement. Co-creation with different departments and employees can considerably shorten the timeframe to map this.

Results (examples): Awareness and involvement among employees & partners; waste reduction; risk management; logistic improvements.



CASE | TNT aims to be the world's first zero-emission transport company. Employees are actively engaged in this process through initiatives like the 'Drivers Challenge', a competition for drivers to prove their level of fuel efficiency, road safety and customer excellence.

B. Make a change ourselves in the future

Key question: What can we change in our products, processes or people in the future?

To truly incorporate sustainability in a company takes time and it has to be on the agenda of both employees and higher management. All levels in an organisation should be on the same page when it comes to the sustainable ambition and success in translating these in concrete business goals. Discussing sustainability opportunities for the future with stakeholders and having their support for green initiatives, emphasises the relevance for business and leads to a higher level of commitment internally.



Fig. 3: The 'Green Canvas'

Results (examples): Clear expectations, business goals and actions (metrics); internal commitment; competency development, new business models, sustainable technologies.



CASE | Being the biggest ICT provider in the Benelux, Getronics realises this comes with great social responsibility. In a recent co-creation project, Getronics has involved several departments and close partners to find new solutions for becoming more sustainable in the future.

C. Make it happen together today

Key question: What can we achieve with our current stakeholders?

Over the past decades an enormous amount of knowledge has become accessible. As sustainability is moving from niche to mainstream, the knowledge and experience in this field are expanding rapidly. With the input of your stakeholders, you can map the business context and its developments and identify a range of risks and opportunities relevant to your company (especially the risks that go beyond compliance).

Results (examples): Acquire knowledge; learn from and build on other's experiences; social responsibility; lifecycle analysis; transparency.



HEINEKEN CASE | In a co-creation project in 2010, Heineken involved external stakeholders like sustainability experts, industry leaders & game changers to work together on green initiatives that can be implemented both on the short & long term.

D. Make a change together in the future

Key question: Who do we need in the future to achieve our long term ambitions?

Credibility is key when it comes to sustainable initiatives. Consumers are becoming more knowledgeable and critical, resulting in a fine line between true solutions and green washing. It's important to be transparent and to show the outside world what you're doing and where you're going. Show that you take sustainability seriously and incorporate your ambitions in your brand & strategy. One way to do this is by inviting & involving the outside world to think along.

Results (examples): Share and define ambitions; gain credibility; a license to operate; organisational change; societal transformation; address global issues.



CASE | Walmart's environmental goals are simple and straightforward: To be supplied 100 percent by renewable energy, to create zero waste and to sell products that sustain people and the environment. They do so by strongly focussing on their suppliers and their supply chain.

JUST TAKING SHORT TERM STEPS IS LIKE GOING ON A JOURNEY WITHOUT A GOAL

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STEP 4: CREATE PLATFORMS FOR SUSTAINABLE GROWTH

An organisation aiming to be successful in their sustainability (and business-) strategy, needs to be able to fill all quadrants of the 'Green Canvas'. Merely focussing on the future may lead to paralysis and inertia, due to fear for change. The step may simply be to great for people to act upon. Early success, through 'low hanging fruit' in the implementation of a CR strategy will help motivate and inspire people towards the necessary change. Focussing on just short term activities in its turn is how CR was often implemented in the past; scattered philanthropic actions without a clear goal, nor a clear connection to the overall business strategy.

Initiatives in the 4 quadrants that are related (e.g. through same topic, same department, etc.), can be clustered into concrete growth platforms (figure 4). Next step is to translate these platforms into concrete projects with their own roadmap, people and targets to work on.

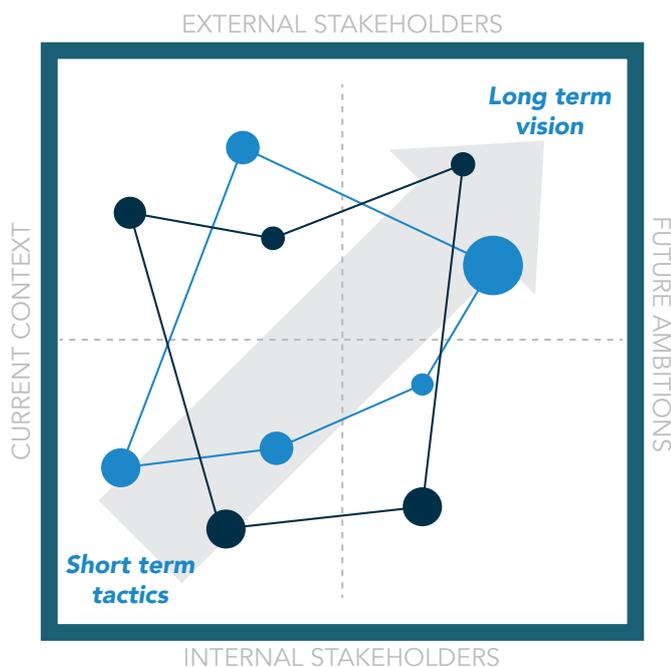


Fig. 4: Sustainable Growth Platforms

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STEP 5: APPLY 9 GREEN IMPERATIVES FOR IMPACT

Once the framework is filled it is time to make a choice and set priorities. What is right for your brand, in your situation and what will make your sustainability strategy a success? Based on our experience with expert co-creation in the field of sustainability we have distilled a set of '9 Green Imperatives'. These imperatives are common denominators when it comes to the majority of successful companies. The imperatives can be used as a guideline to translate initiatives in all 4 quadrants into actionable, attractive and promising platforms that are relevant for your company, the ones that will contribute to the ambition and make it a well balanced strategy.

1. Inspire change

Dull ideas rarely get any crowds. Inspire change by showing passion and commitment. Focus on the positive side, nurture imagination by making sustainability sexy, smart and fun.



CASE | Volkswagen has started 'The Fun Theory', an initiative dedicated to the thought that something as simple as fun is the easiest way to change people's behaviour. 'Fun Theory awards' are handed to people with the best (most fun) initiatives that make a change for the better.

2. Be authentic and positive

Be true, authentic and consistent in what you say and do. What fits your company? What is the ultimate synergy between your company ethics, culture, strategy & brand? Focus on positive messaging and find the popular touch to engage consumers and other stakeholders.



CASE | Innocent was founded with the ambition to become a global, natural, ethical food and drinks company: 'the earth's favourite little food company'. Their smoothies are marketed with folksy eco-friendly messages on the bottles that put a smile on your face.

3. More stories, less science

Experience over numbers: Reduce complexity, touch upon emotions, shared ambition and consumer experience, not on numbers and technicalities.



CASE | Levi's aims to influence not only what people wear but the way people think and act. With water as one of the main issues the company took initiatives to involve consumers, like the 'water<less jeans' program and the 'care to air-contest': a call for the most innovative, sustainable air drying solutions.

4. Commit to tangible action

Once defined your ambition, translate it into concrete and visible actions, no matter how small or big they are. Show that you're moving forward.



CASE | Amazon introduced 'Frustration-Free Packaging', a multi-year initiative designed to alleviate "wrap rage," featuring recyclable boxes that are easy to open and free of excess materials such as hard plastic clamshell cases, plastic bindings and wire ties.

5. Aim high

Less bad is not good enough. Aim high and show commitment to your ambition, without compromising the product.



CASE | Unilever has developed the Sustainable Living Plan, decoupling growth targets from sustainability goals. "Our impact goes beyond our factory gates. Our plan is designed to reduce our impacts across the whole lifecycle of our products."

6. Face it: Change

As sustainability wasn't always on our radar, not every company has sustainability in its roots. This doesn't mean sustainable initiatives are less sincere. To make it a success, an integrated approach for change is necessary through the entire value chain, including (senior) management commitment.



CASE | Coca Cola has started the 'Live Positively Platform', representing their commitment to making a difference in the world, making sustainability part of everything they do. An entire visual identity was created to communicate that message to Coca-Cola's employees and to the world.

7. Engage and empower your audience

A small act to empower the consumer can make a huge difference, creating a win-win-win situation for business, the consumer and the environment.



CASE | Designed by Marcel Wanders, the Wattcher displays a home's total electricity consumption in an appealing way. When switching on any electrical device it shows the extra power consumption, giving insight into your energy behaviour and helps consumers to actively save energy.

8. Communicate your objectives and actions

Be transparent, communicate about what you want to achieve and how you want to achieve this, both internally and externally.

MARKS & SPENCER CASE | In 2007 Marks & Spencer launched 'Plan A', setting out 100 commitments to achieve in 5 years. They've now extended Plan A to 180 commitments to achieve by 2015, with the ultimate goal of becoming the world's most sustainable major retailer. It's called Plan A, because there is no Plan B.

9. Don't wait, just start

Don't wait, just start step by step. Showing your intention to improve will gain credibility and trust: it's work in progress.

Mars CASE | Mars commits to to use sustainably grown cocoa in all of its chocolate by the year 2020. Investments and resources will be put into working with certifying partners, cocoa farming communities, cocoa sector governments and national institutes.

'NO MATTER WHO YOU ARE, MOST OF THE SMARTEST PEOPLE WORK FOR SOMEONE ELSE'

Bill Joy, Sun Microsystems

ABOUT FRONTEER

Fronteer is an Amsterdam-based strategy consulting firm. Our key areas of expertise are innovation, co-creation and brand development. We have diverse backgrounds. Our inquisitive nature is supported by entrepreneurial experience and solid business sense. We believe that co-creation is a long-term engagement between clients and people from outside their company. It's success is expressed in inspiration, enthusiasm and action.

ABOUT GREEN INC.

Green Inc. links sustainability, strategy & communication. Sustainability is innovation and is (or should be) mostly fun and inspiring. Green Inc. coaches companies in sustainable entrepreneurship, helping them to improve and incorporate sustainability into their business processes.

ABOUT ROOFTOP GARDEN CO-CREATION

Rooftop Garden is an expert co-creation tool developed by Fronteer Strategy & Green Inc. Rooftop Garden brings together a client's team and outside experts for a specific sustainability challenge, that demands expertise and breakthrough ideas. A group of people working together 1 day, no interference from day-to-day hassles, delivering clarity & inspiration.

Contributors are hand-picked, based on the challenge at hand. Rooftop Garden is always customised to client's needs. The output: richly detailed concepts and roadmaps, buy-in and excitement. Rooftop Garden projects vary from single high-energy sessions to series of connected Rooftops and workshops embedded in larger strategic sustainability projects.

INFORMATION

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The logo for Fronteer, featuring the word "fronteer" in a bold, lowercase, blue sans-serif font.

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