

Corporate sustainability intangibles and competitive advantage

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Presentation outline

- Directors duty (to the company) as custodians of company's assets
- Sustainability emphasises a broader set of assets than balance sheets
- Materiality occurs at the overlap between competitive advantage, CSR and corporate sustainability
- Clearly there are major overlaps with business intangibles
- This requires a business strategy approach to corporate sustainability to identify what assets represent distinctive capabilities
- Project underway with DTI and a number of corporate partners

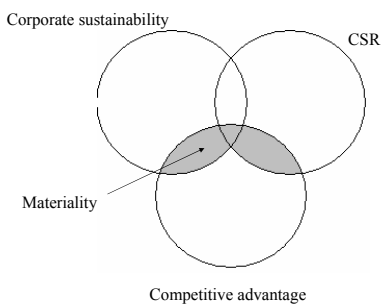
What are the assets of the company?

- Balance sheet tangible assets
- Balance sheet intangibles
- Sustainability 'capital assets'
- Resource-based business strategy 'distinctive capabilities'

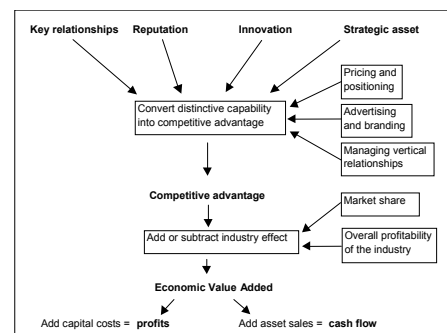
Overlapping concepts

- Corporate sustainability
 - Maintaining the size and quality of key assets (balance sheet assets, workforce, social and environmental assets)
- Corporate social responsibility
 - Concern for equitable outcomes in key stakeholder relationships (customers, workforce, local communities, suppliers, government)
- Corporate competitive advantage
 - Ability to create Economic Value Added from distinctive capabilities (key internal and external relationships, reputation, capacity to innovate, strategic assets)

Materiality exists at the overlap with competitive advantage



Distinctive capabilities or assets enable a company to create Economic Value Added



Clear links between distinctive capabilities and sustainability capital assets (and CSR)

- Distinctive capabilities
 - Key internal and external relationships
 - Reputation
 - Capacity to innovate
 - Strategic assets
- Sustainability capital assets
 - Balance sheet tangible assets
 - Workforce
 - Social assets
 - supplier relationship
 - investor relationship
 - local community relationship
 - regulator relationship
 - Environmental assets
 - energy and material sources
 - clean water and air
 - local environment

Key internal and external relationships

- How is competitive advantage derived from key relationships?
 - E.g. Marks and Spencer and its employee and supplier relationships
- How can key relationships be enhanced by corporate sustainability?
 - Objectives in their own right or an instrumental approach?

Reputation

- How is competitive advantage derived from reputation?
 - E.g. Anderson's reputation value pre and post-Enron
- How can reputation be enhanced by corporate sustainability?
 - Good environmental management, product safety, relationships with workforce, suppliers, local communities, government

Capacity to innovate

- How is competitive advantage derived from capacity to innovate?
 - E.g. GSK and new drugs
- How can capacity to innovate be enhanced by corporate sustainability?
 - Networks, diversity, workforce quality
 - Is CSR like Total Quality Management in its impact on innovation?

Strategic assets

- How is competitive advantage derived from strategic assets?
 - E.g. British Airways slots at Heathrow, Shell oil concessions
- How can strategic assets be enhanced by corporate sustainability?
 - Licence to operate and barriers to entry
 - Issues of instrumentality and legitimacy

DTI workshop on 13th May launched 'Sustainability and competitiveness' project

- Aims to understand how sustainability can drive business competitive advantage, and how it can be measured
- Workshop at the DTI on 13th May
 - Support from the Minister for Competitiveness, Stephen Timms MP
 - Chaired by DTI's Chief Economist, Vicky Pryce
 - The academic view from Prof. John Kay
 - The sustainability expert view from Centre for Tomorrow's Company, Sustainability, Accountability, Work Foundation and Forum for the Future
 - The business view from British Airways, Vodafone, Carillion, BT
 - The intangibles view from the PRISM project and Cap Gemini E&Y
- Now working with the DTI and 8-12 large cap corporate partners to:
 - Develop a sustainability intangibles model in association with SAM
 - Develop a balanced scorecard management tool and valuation tools through working in partnership with corporates



Summing up

- Directors duty (to the company) as custodians of company's assets
- Sustainability emphasises a broader set of assets than balance sheets
- Materiality occurs at the overlap between competitive advantage, CSR and corporate sustainability
- This requires a business strategy approach to corporate sustainability to identify what assets represent distinctive capabilities
- We look forward to building upon the work already undertaken on the value of business intangibles by the PRISM project