

## From the why of corporate sustainability to the how - the SIGMA Project's management guidelines for organisations

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### Abstract

*From the why of corporate sustainability to the how- the SIGMA Project's management guidelines for organisations.*

*The SIGMA project is developing an integrated approach for organisations to manage sustainability issues to improve their social, economic and environmental performance. It is a partnership of AccountAbility, British Standards Institution and Forum for the Future, and is backed by the British Government's Department of Trade and Industry. The project has been working directly with a number of leading companies to test and refine the guidelines.*

*The SIGMA guidelines consist of three main components:*

- *A set of principles concerning sustainability*
- *A management framework setting out key activities for organisations*
- *A tool kit of practical approaches for organisations to use.*

*More details on the project are available on project's website: [www.projectsigma.com](http://www.projectsigma.com).*

## Sustainable development

Creating a sustainable future, economically, socially and environmentally requires governments, society, organisations and individuals to rethink how we use our resources, how we interact, and what we want to achieve. There is increasing recognition that we are all part of a complex and interdependent system. Some of our behaviours are causing irreparable damage that threatens the continued survival of our species and planet. Sustainable development<sup>1</sup> offers the opportunity of a new course, towards a better future.

### Understanding sustainability and sustainable development

Sustainability: *the capacity for continuance into the long term<sup>1</sup>*

Sustainable development: *development that meets the need of the present without compromising the needs of future generations to meet their own needs*

UK Government's sustainable development strategy identifies four objectives to be met at the same time:

- social progress which recognises the needs of everyone;
- effective protection of the environment;
- prudent use of natural resources;
- maintenance of high and stable levels of economic growth and employment.

## The organisational contribution to a sustainable world

Organisations are part of our increasingly complex and global system, drawing on and impacting on that system. Sustainable development poses a challenge to the traditional mindset of organisations. Increasingly their performance is judged not just by the services, products and profits they make but also by the impacts they have on human and social well-being and on the

natural environment on which we all depend for life. Expectations are changing, bringing both risks and opportunities.

## Opportunities

### Growing evidence of a business case

There is an increasing body of evidence that companies which take a more sustainable approach enjoy positive benefits<sup>2</sup>. The nature of these rewards vary for different organisations and is dependent on their particular sector, strategy and stage of development.

*Table 1. Business Benefits*

Business benefits <sup>3</sup>	
Improved operational efficiency	Preservation of licence to operate
Enhanced brand value and reputation	Promoting and increasing innovation
Customer attraction	Improved access to capital
Enhanced human and intellectual capital	Building and sustaining shareholder value
Improved management of risk	Generating increased revenues
Attracting and retaining talented staff	

**A values case.** More responsible business practices often deliver traditional business benefits, more fundamental however is the prospect of being architects of a better future for ourselves, for others and for generations to come.

## Risks and threats

There are growing pressures on organisations to take greater responsibility for their social, environmental and economic performance:

- New communication technologies that allow the fast spread of information about what is happening around the world, including the performance of individual organisations
- A growing sense that corporate social and environmental behaviour is a source of business risk, particularly to brand, reputation and

shareholder value - but also to operational efficiency, access to capital, licence to operate, attractiveness to customers and employees

- Increasing Governmental interest and action
- Increasing power of multi-national companies - with greater power comes greater responsibility
- Raised awareness that corporate responsibility includes consideration of behaviour and performance both up and down the supply chain
- Increasing influence of NGOs (non governmental organisations)<sup>4</sup>

## SIGMA – helping organisations to take action

A key problem for organisations who want to respond to the challenge posed by sustainable development is how to take effective action.

The SIGMA Project – *Sustainability - Integrated Guidelines for Management* - was launched in 1999 by the British Standards Institution - the leading standards organisation, Forum for the Future - a leading sustainability charity and think-tank, and AccountAbility - the international professional body for accountability, with the support of the UK Department of Trade and Industry (DTI).

The SIGMA project was set up to develop guidelines for organisations to enable them to make a meaningful contribution to sustainable development.

The SIGMA Project has involved a unique range of leading practitioners, thinkers and opinion formers to ensure they are as effective and credible as possible. The guidelines were developed by:

- Research into best practice and by commissioning new work
- Practical piloting of different drafts of the guidelines by leading companies and public sector organisations<sup>5</sup>
- Input from stakeholders particularly from the wide range of organisations represented on our Project Steering Group<sup>6</sup>.

## The SIGMA Guidelines

SIGMA provides a clear, practical, integrated framework for organisations. It allows organisations to build on what they have, to take a flexible approach according to their circumstances

and to reduce duplication and waste by showing how different elements can fit together. The SIGMA guidelines point the practitioner towards the important questions to ask and the actions necessary.

**Table 2. How SIGMA helps your organisation**

SIGMA content	How it helps your organisation
SIGMA Guiding Principles	Help organisations understand how they can contribute to sustainable development and offer a framework to help organisations develop their own robust principles
SIGMA Management Framework integrates sustainable development issues into core processes and mainstream decision-making.	Four systematic phases, broken down into detailed sub-phases to allow you to develop, plan, deliver, monitor and report on your sustainable development strategy and performance. This explains clearly and concisely activities you need to take, the anticipated outcomes, and lists further resources should you need them. It also help you understand how you can build on what you already have in place
SIGMA Toolkit	Advice and guidance on specific management challenges e.g. reviewing your performance, assessing opportunities and risks, and stakeholder <sup>7</sup> engagement

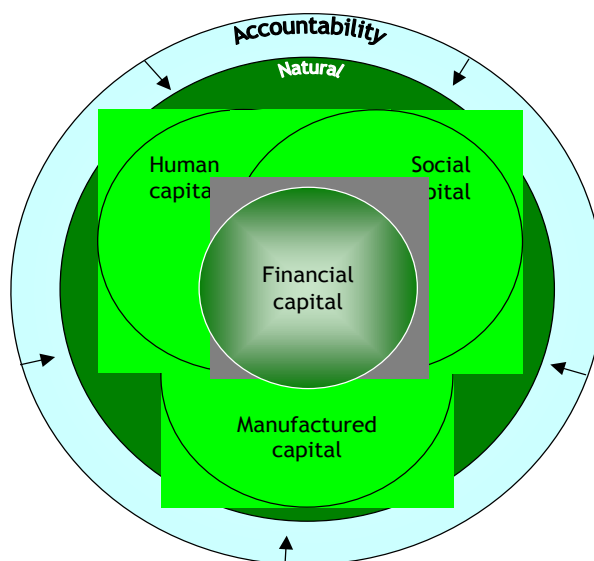
### SIGMA Guiding Principles for a sustainable organisation

The SIGMA Guiding Principles consist of two core elements:

- holistic management of five different types of capital that reflect an organisation’s overall impact and wealth (in the broadest sense)

- the exercise of accountability, by being transparent and responsive to stakeholders and complying with relevant rules and standards

The following diagram shows how the core elements of the SIGMA Guiding Principles work together in organisations.



**Figure 1: The SIGMA Guiding Principles**

Natural capital (the environment), encompasses the other capitals as natural resources and ecological systems form the basis of life, on which all organisations (and wider society) depend. Social (social relationships and structures), Human (people), and manufactured capital (fixed assets – facilities, machinery, infrastructure and other assets that facilitate the delivery of a product or service but do not end up embodied in it) are critical components of an organisation and its activities. High levels of these capitals deliver value to both organisations and society, not to mention quality of life for stakeholders. Financial Capital (profit and loss, sales, shares, cash, etc), which is crucial to the ongoing survival of an organisation, is simply derived from the other four capitals. All of the capitals are heavily inter-linked and there is some overlap between them. This whole system is then encircled by the principle of accountability, [link to 4.2] representing the relationship that an organisation has with the

outside world - with its stakeholders and for its stewardship of the five capitals.

The capitals need to be managed for the long term, not just for immediate return, building up stocks of capital and living off the interest that this creates. They also need to be recognised as interdependent, where changes in one are likely to cause an impact on another. Likewise, one form of capital cannot simply be traded against another.

The SIGMA Guiding Principles are compatible with other approaches that organisations may wish to pursue, most notably the triple bottom line concept, that has widespread popularity<sup>8</sup>.

### SIGMA Management framework

The SIGMA Management Framework describes a four phase cycle to manage and embed sustainability issues within core organisational processes. Organisations may enter the cycle at different points and work through the phases at different speeds according to their particular circumstances and existing systems.

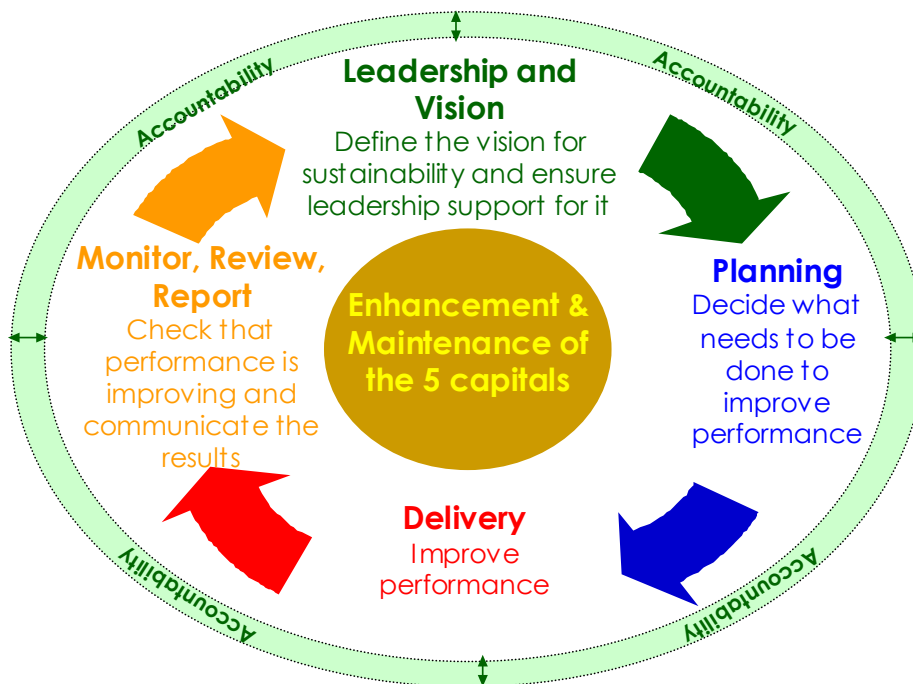


Figure 2: SIGMA Management Framework

These four phases are divided into detailed sub-phases:

*Table 3. Phases and sub phases of Management Framework*

Phases and sub-phases of Management Framework	
Management Phase	Purpose
<b>Leadership and Vision</b> Sub-Phases: Business case and top-level commitment Vision, mission and operating principles Communication and training Culture change	Developing a business case for addressing sustainability Securing sufficient top-level management understanding and commitment to integrate sustainability and stakeholder engagement into core processes and decision-making. Formulating the organisation’s long-term sustainability mission, vision and operating principles and a high-level strategy that supports them and revisit them periodically. Establishing the organisation’s training and development requirements; launching training programmes as appropriate. Raising awareness on sustainability 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 sustainability.
<b>Planning</b> Sub-Phases: Performance review Legal and regulatory analysis and management Actions, impacts and outcomes Strategic planning Tactical planning	To ascertain the organisation’s current sustainability performance, legal requirements and voluntary commitments. To identify and prioritise the organisation’s key sustainability issues. To develop strategic plans to deliver the organisation’s vision and address its key sustainability issues. To formulate tactical short-term action plans to support the agreed sustainability strategies with defined objectives, targets and responsibilities.
<b>Delivery</b> Sub-Phases: Change management Management programmes Internal controls and external influence	To align and prioritise management programmes in line with strategic and tactical planning and the organisations sustainability vision. To ensure that identified actions, impacts and outcomes and current and future legal and self-regulatory requirements are managed. To improve performance by delivering sustainability strategies and associated action plans.
<b>Monitor, Review and Report</b> Sub-Phases: Monitoring, measurement, auditing and feedback Tactical and strategic review Reporting progress Assurance of reporting	To generate and maintain efficient internal and external feedback loops to monitor progress against stated values, strategies, performance objectives and targets. To engage with internal and external stakeholders via reporting and by incorporating feedback into effective strategic and tactical reviews culminating in appropriate change.

## SIGMA Toolkit

The toolkit provides a range of practical tools that organisations can use to help them improve their management of sustainability issues and their overall performance e.g. a business case tool, a performance review tool, a process for

stakeholder engagement, and a sustainability scorecard. The table below summarises key tools for practitioners, many of them developed as part of the SIGMA Project. These are at varying stages of development and will be placed on the Project's website as they are completed.

**Table 4. Summary of SIGMA toolkit**

<b>SIGMA Tools and Resources</b>
<p><b>AA1000 Assurance model</b></p> <p>The <i>AA1000 Assurance Standard</i> is a generally applicable standard for assessing, attesting to, and strengthening the credibility and quality of organisations' sustainability reporting, and their underlying processes, systems and competencies. It provides guidance on key elements of the assurance process. This tool provides a simple summary of the standard. It includes an explanation of the principles to be applied in an assurance process undertaken using the <i>AA1000 Assurance Standard</i>: materiality, completeness and responsiveness.</p> <p>This tool is aimed at managers and practitioners with responsibilities for sustainability within organisations.</p>
<p><b>Compatibility tool</b></p> <p>The SIGMA Compatibility Tool provides organisations with an understanding of how their existing management systems and approaches both map on to the SIGMA Management Framework and help organisations to achieve the desired outcomes and outputs envisaged in the Management Framework without duplicating effort. The tool maps SIGMA against EFQM, AA1000, Investors in People, EMAS, ISO14001<sup>9</sup>, Best Value, ISO14031, OHSAS 18001, ISO 9000, SA8000, AS/NZS 4581, The Natural Step (TNS) and the Charter Mark.</p> <p>This tool is aimed at managers and practitioners with responsibilities for sustainability within organisations, and also operational managers who are using any of the standards described.</p>
<p><b>Business Case Tool</b></p> <p>The SIGMA Business Case Tool provides a simple process to develop an organisation-specific case for addressing sustainability. By taking a pragmatic approach that recognises the language and core priorities of the organisation, users can build a strong business case that incorporate real-life examples. This will highlight what sustainability means to the organisation and how improved sustainability performance can maximise the opportunities this may bring and minimise the potential risks.</p> <p>This tool is aimed at managers and practitioners with responsibilities for sustainability within organisations</p>
<p><b>Environmental Accounting Tool</b></p> <p>The Environmental Accounting Tool provides an introduction to accounting for 'internal' environmental related expenditure (expenditure already incurred and captured within a company's accounting system but perhaps lost in general overheads) and 'external cost accounting' (the internalisation of environmental externalities). A pro-forma set of external environmental cost accounts focusing on external cost accounting is presented together with a practical step by step guide to help individual organisations to begin the task of developing and drawing up their own external environmental cost accounts.</p> <p>This tool is mainly aimed at users with a good level of environmental and financial knowledge.</p>

**Global Reporting Initiative Sustainability Reporting Tool**

The GRI Sustainability Reporting Tool is designed to provide guidance for an organisation of any size to produce a sustainability report. Based on the Global Reporting Initiative Guidelines, it provides a set of reporting principles that organisations should follow. The guidelines also provide a set of core indicators for economic, environmental and social performance that organisations should include in their report, and a list of additional indicators that organisations should include where relevant. Both the principles and the indicators have been developed over the past five years, involving input from a wide range of stakeholders around the world.

This tool is aimed at managers and practitioners with responsibilities for sustainability and communication within organisations.

**Marketing and Sustainability Tool**

The Sustainability and Marketing Tool provides an introductory bridge between the two specialist fields of marketing and sustainability and suggests some initial steps in developing a sustainability marketing plan. By first providing the marketer and the sustainability practitioner with an understanding of the other's field and how the two can support each other, the tool lays the foundations for collaboration. It then provides a number of practical steps towards identifying key opportunities, through understanding customers and the market, assessing the sustainability attributes of the organisation's products and services and determining which sustainability issues have the greatest potential for use in a marketing campaign.

This tool is aimed at managers with responsibility for sustainability and marketing department professionals.

**Performance Review Questionnaire**

The Performance Review Questionnaire is a review checklist that assesses organisational performance against the SIGMA Management Framework.

The Performance Review Questionnaire consists of 22 questions, each broken down into sub categories. It is recommended that organisations complete this questionnaire when setting out on implementing the SIGMA Management Framework to lay down a benchmark of current performance. It can then be used throughout the process to review progress and track trends. Having completed the questionnaire, organisations are able to score their performance, which provides them with a picture of how well they are doing in terms of sustainable development performance. The questionnaire can also be used to benchmark performance between different parts of an organisation.

This tool is aimed at managers and practitioners with responsibilities for sustainability and operations within organisations.

**Risk, Opportunity and Sustainability Guide**

The Risk, Opportunity and Sustainability Guide provides basic information and simple tools to enable organisations to improve their understanding and management of sustainability risks and opportunities. By providing an explanation of social, environmental and economic risks from stakeholder perspectives, organisations can build an understanding of a fuller range of threats to organisational success, which includes not fully realising opportunities. A generic risk and opportunity process, supported by tools and assessment guidance enables users to enhance their existing processes or develop new ones.

This tool is suitable for experienced risk professionals or new users alike.

**Stakeholder Engagement Tool**

The Stakeholder Engagement Tool provides organisations with two ways to improve their stakeholder engagement practices. The first approach is based on the AA1000 Accountability Framework, which incorporates stakeholder engagement as a core element of the process of managing, measuring and communicating performance. This process helps an organisation capture different stakeholder aspirations and needs, and balance and manage the interlinked elements of social, environmental and economic performance.

The second approach is a set of tools that help organisations explain and evaluate their stakeholder engagement. The first tool looks at the drivers of engagement and the second, provides a set of key questions on the who, what, where, when and how of engagement and the best techniques to use.

This tool is aimed at managers within an organisation, especially those with responsibilities for stakeholders.

**Sustainability Accounting Guide**

The Sustainability Accounting Guide summarises the current state of research and availability of tools and approaches that help organisations account for organisational sustainability performance. Recognising that this is at an embryonic area, and that there are many inadequacies in current financial accounting, the guide explores the latest sustainability thinking around resource flows and assets and liabilities in the context of Generally Accepted Accounting Practice (GAAP). Users can understand the drivers for change and benefits of sustainability accounting and see real-life examples of organisations adopting these approaches. Different ways of bringing the information together are presented to help organisations understand options for new accounting frameworks. Users that are already implementing changes in their accounting practice, data sources for environmental coefficients and values are provided.

This guide is mainly aimed at financial professionals and users with good sustainability knowledge.

**Sustainability scorecard**

The Sustainability Scorecard builds on the concept of a Balanced Business Scorecard. The approach allows organisation to identify key drivers and how they are linked and use these to develop targets and measures.

This tool can be used by managers across an organisation to understand their sustainability impacts.

**Vision and Principles Tool**

Using Northumbrian Water as a case study, the Vision and Principles Tool provides experience based guidance on developing an organisation's long-term vision for sustainable development. The tool outlines an approach to developing a vision and describes the outcomes and key lessons learnt.

This approach is for use by the senior team, alongside those with responsibility for sustainable development in the organisation.

## Improving performance

Improved performance is the key aim of the SIGMA Guidelines. This is achieved not by prescribing levels of performance in the Guidelines themselves, but by setting out how organisations should set performance targets, which are consistent with the operating principles they have adopted; measure their performance against these targets over time and report against them - taking

action to remedy any situations where the level or speed of performance improvement is insufficient to achieve the targets that have been set.

### Further information

The Guidelines are available in full from the SIGMA Project website:

<http://www.projectsigma.com/> They can be downloaded free of charge.

## Notes

- <sup>1</sup> Corporate Social Responsibility, corporate citizenship, triple bottom line are some of the terms variously used by companies to describe their non-financial performance. We prefer to use the term 'sustainable development' as explained above, to encompass an organisation's economic, social and environmental performance.
- <sup>2</sup> See for example: Sustainability Pays, op cit -a report by Forum for the Future, which draws on almost 400 separate research papers dedicated to developing or measuring the business case.
- <sup>3</sup> This is based on: Buried Treasure – Uncovering the business case for corporate sustainability produced by Sustainability with the support of the United Nations Environment Programme, 2001. Although described as business benefits they are relevant for other sectors.
- <sup>4</sup> NGOs should not of course be thought of just as a threat. Many NGOs take a constructive solutions oriented or partnership approach. Engagement with NGOs and others can add valuable insight and aid innovative thinking by organisations.
- <sup>5</sup> Piloting organisations have included: British Airways, BAA, Boots, Bovince, Co-operative Bank, DEFRA, Durham County Council, Jaguar, Innogy, Landrover, London Borough of Southwark London Borough of Waltham Forest, Marks and Spencer, Northumbrian Water, Powergen, RMC, TNT, Txu, Horizons South West, Vauxhall Motors, Wessex Water.
- <sup>6</sup> These include: The Association of Chartered Certified Accountants (ACCA), Business in the Community, CELE –Centre for Ethics Law and Economics, Centre for Sustainable Design, Centre for Tomorrow's Company, Confederation of British Industry, Department for International Development, Department of the Environment, Food and Rural Affairs, Department of Trade and Industry, Federation of Small Businesses, New Economics Foundation, S/- British Standards Institution, SustainAbility Ltd, The Citizen Brand Company, The Natural Step, Trades Union Congress, Traidcraft; WWF.
- <sup>7</sup> Stakeholders: Those individuals and groups that affect and/or are affected by an organisation and its activities.
- <sup>8</sup> The triple bottom line is an idea developed by John Elkington. See the full SIGMA Guidelines (Section 4) for further explanation of the triple bottom line and how the SIGMA Guiding Principles build on this concept.
- <sup>9</sup> ISO stands for International Organisation for Standardisation. A federation of over 130 national standards bodies based in Geneva, Switzerland.
- ISO 9001 The international specification (certifiable) standard for quality assurance and management systems.
- ISO 14001 The international specification (certifiable) standard for environmental management systems.
- For further information see: [www.iso.ch](http://www.iso.ch)

## References

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