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# **To Sustainability And Beyond. An Analysis of Restorative Approaches In Three Business Case Studies**

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**I certify that the work submitted is my own and that I have duly acknowledged any quotation from the published or unpublished work of other persons**

**Signed Zoe Le Grand**

**Date 13<sup>th</sup> September 2012**

## **Abstract**

### **Purpose of this Paper**

To explore whether three companies that have taken a leadership position in the sustainable business agenda are taking a restorative approach to their sustainability strategies.

### **Methodology**

I used three case studies to explore this subject. For each, I used a combination of publicly available information combined with interviews with sustainability managers to assess, firstly the sustainability of their current business models and secondly, look for evidence that they were taking a restorative approach. By assessing each element of their business model against the five capitals model (the five capitals are financial capital, manufactured capital, environmental capital, social capital and human capital) I established where the company's major sustainability impacts were, I then looked for evidence that any of the companies were taking a restorative approach-seeking to put more back into the community and the environment than they took out.

### **Findings**

I found that all three companies had major impacts on environmental capital as they all relied on natural resources to produce products and to run their operations. They contributed to social and human capital through being large employers and sought to engage their employees in sustainability issues. All the companies are seeking to include sustainability in their value proposition and are therefore engaging with their customers to try and reduce their sustainability impacts. There is evidence that all the companies are taking a restorative approach but they interpret this in a different way. One company has explicitly stated their ambition to put back more than they take out and have identified key work streams to help them achieve this. Another company believes that to take a restorative approach you need to analyse each product or service on a case by case basis and take action that will maximise the social utility of the product and minimise the environmental impact. The third company's restorative approach consists of seeking to influence beyond its organisational boundaries by engaging with suppliers, customers and the rest of the business world, and raising their awareness of sustainability issues.

### **Conclusions**

As this study is based on three specific case studies, it is not possible to make generalisations about the entire business sector. However, businesses may wish to learn lessons from the case studies which could help them form their own sustainability strategies. For instance, a restorative approach can be an overall ambition that is delivered through a product by product approach. Another lesson is that businesses have to invest in innovation and should seek to take a restorative approach across all of the five capitals.

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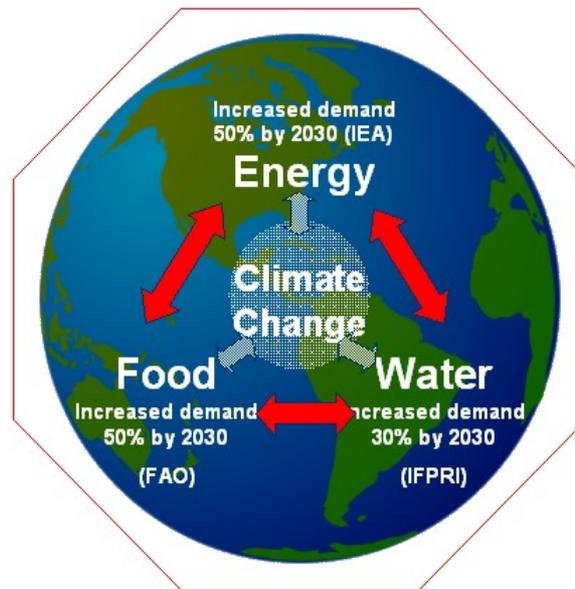
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## 2. Introduction

Environmental issues such as climate change, water scarcity and biodiversity degradation have risen up the business agenda in recent years. Businesses that rely on stable commodity prices, low oil prices and cheap labour are finding that the foundations of their business models are under threat as the population grows and demand for oil, food and water increases. The combination of growing demand for energy, water and food caused by an increasing population and the need to adapt to climate change has been referred to as a “perfect storm” of global events (Beddington 2009).



*Figure 2.1 “Perfect Storm” of demand and supply trends (Beddington 2009 pg 8)*

Businesses are being called upon by governments, civil society and citizens to respond to these pressures. These calls are getting more insistent as they are facilitated by new methods of communication such as social media. Businesses that may have once responded by simply complying with the relevant legislation are being called upon to innovate and lead the rest of society in overcoming these challenges. Where some businesses have previously seen social and environmental contributions as “nice to have” and additional to their core business, leading businesses are now integrating consideration of these issues into their core business strategy. A recent report from BSR and GlobeScan found that, in their survey of nearly 500 business leaders, 84% are optimistic that “global business will embrace CSR/Sustainability as part of their core strategies and operations in the next five years” (BSR/GlobeScan 2011). They recognise that pressures on food, water and energy as well as the desires and aspirations of an extra 2 billion people on the planet will create new challenges and opportunities; and, for their business to survive, they need to examine their business model and identify ways to make it more robust for the future.

Recent research by Rockstrom et al (2011) indicates that we have already used up more of the environmental resources in some areas than the planet can replenish. These stark warnings from Rockstrom (2011) and Beddington (2009) amongst others, could lead some companies to strive to go beyond a zero harm approach to the environment, aiming instead to give back more than they take out – a ‘restorative’ approach. This approach has been advocated by academics such as Paul Hawken and consultancies such as Deloitte. The scientific imperative for restoration is compounded by the fact that many (perhaps even the majority) of businesses will not seek to reduce their environmental impact at all, while others might claim to have sustainable business models but in fact make no positive contribution to the improvement of the environment. Therefore, businesses that are claiming a leadership position in the sustainable business agenda need to strive to overcompensate for their environmental impact to make up for those companies that are not seeking to reduce their environmental impacts at all.

Accordingly, in this study I ask the research question: “Where in an organisation’s business model do the major sustainability impacts lie and are some businesses taking a restorative approach?”. I examine three businesses that have made bold public statements and have sustainability strategies that are recognised by both their peers and sustainability NGOs as ambitious, and look for evidence that they are taking a restorative approach.

For the purpose of this study I define a restorative approach as: “giving back more than taking from the earth and society” (Deloitte 2012 p8). The literature in this area is mainly focused on the business case for sustainability and business sector response to the agenda. There is a gap in the literature on companies taking a restorative approach. In addition to this, the business sector tends to move more quickly than the academic process allows and therefore academic literature can quickly become out of date. I have therefore used a combination of academic reports, company websites, company reports, consultancy reports and government reports to examine this subject.

The structure of the study is as follows. Firstly, I examine the wider literature around sustainable business, looking specifically at the debate around restorative approaches, and consider whether it is appropriate for businesses to take this strategy. I then examine three companies in depth. The companies I have chosen have publicly taken a leadership position on sustainability through ambitious strategies and high profile statements that have produced a large amount of press coverage. As these companies are leading the sustainable business agenda I felt that they would be most likely to have evidence of a restorative approach. I assess elements of their business model using the five capitals sustainability framework (natural capital, manufactured capital, human

capital, social capital and financial capital) (Porritt 2007) and I look for evidence that they are taking a restorative approach. Finally, I comment on any similarities and differences between the companies, draw out possible lessons for the implementation of restorative approaches for these and other companies who may be interested in adopting them, and make some recommendations for further research.

### **3. Literature Review**

I have broken down the research question into a number of sub questions that I explore in my literature review:

- What are the drivers for a company to become more sustainable?
- What has been the business response to these drivers?
- Is there a need for companies to go beyond their current approaches and take a restorative approach? Is there any evidence of companies doing so?
- How can a company make its business model more sustainable and where are the opportunities for a restorative approach?

#### **3.1 What are the drivers for a company to become more sustainable?**

Over the last fifty years businesses have increasingly found themselves under pressure to acknowledge that they have responsibilities beyond delivering profit and need to address their environmental and social impacts (WWF and Cable and Wireless 2001). The impact that business operations have on the environment through exploitation of natural resources, habitat destruction and pollution and the impact their activities have on local communities have come under increasing public scrutiny. Businesses are not only being called upon to take responsibility for the direct impacts of their operations (such as the running of their factories and the health and welfare of their employees), but also of their supply chain (Spence and Bourlakis 2009) and increasingly, their customers' behaviour. In the following sections, I examine some of these drivers in more detail, looking at why a business might choose to address its environmental and social impacts. I also examine where companies have been called upon to address their impacts beyond their own operations and seek to make a restorative contribution to the environment and society - essentially, to put back more than they take out.

##### **3.1.1 Scientific evidence and societal response**

There is increasing evidence that the earth's resources are being depleted at a faster rate than the earth can replenish them (Sharmer 2009, Deloitte 2012). Human activity has led to a build-up of pollution, waste and increasing levels of carbon dioxide that are threatening to change the climate irreversibly (Footprint Network 2011). A study by Rockstrom et al (2009) identified nine environmental planetary boundaries (see Fig 3.1) and mapped how close the total levels of each element were to the boundary.

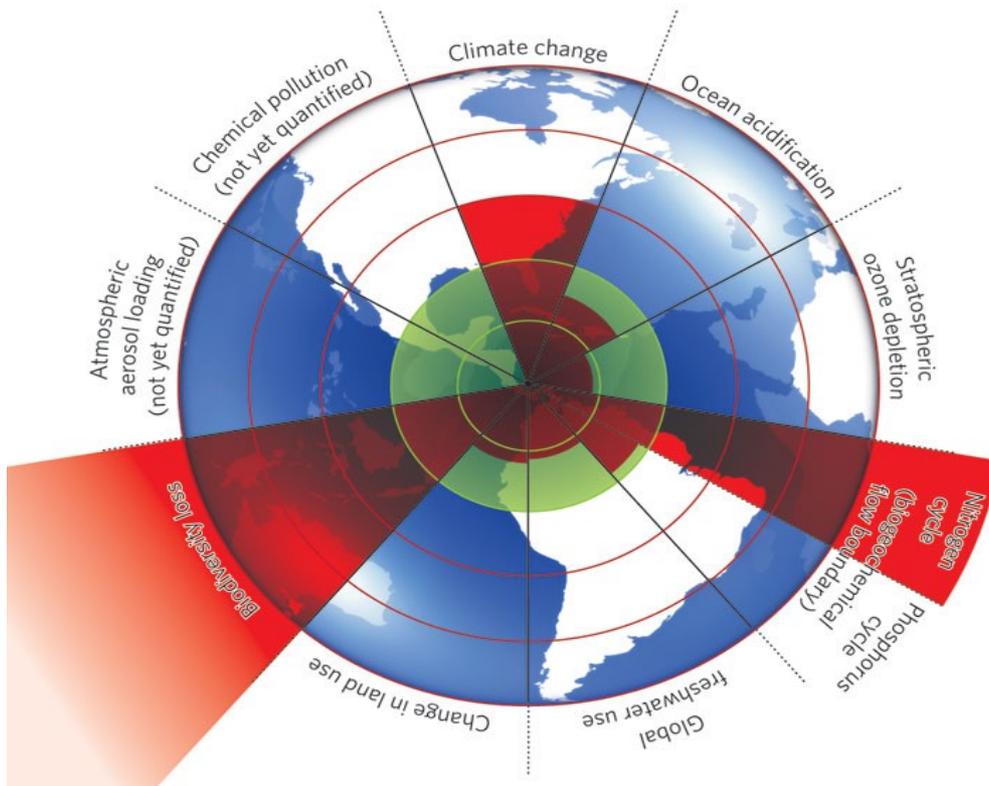


Figure 3.1 Planetary Boundaries (Rockstrom et al 2011, pg 472)

The green shaded areas represent the proposed safe operating space for the planetary boundaries

and the red wedges estimate current position of each variable. According to Rockstrom et al, the boundaries of biodiversity loss, nitrogen cycles and climate change have already been transgressed. This is supported by Jackson (2009) who found that the destruction of habitats and biodiversity has led to approximately 60% of the world's ecosystems being degraded over the last 5 years (Jackson 2009).

The population of the earth is also rising at an alarming rate. By 2050 it is estimated that we will have 9bn people on the planet which is 2bn additional people to those alive today (Beddington 2009.) As Deloitte (2012) explains: "Our footprints on this planet constantly expand, while the absorptive capacity and natural resources of planet earth - measured by the availability per head of population - continuously shrink" (pg 3). This combination of a depletion of the earth's resources and population growth has led to a call on businesses to reduce the amount of resources that they use.

However, the public response to the growing body of scientific evidence and the subsequent pressure on businesses has been variable. Elkington (2004) argues that it has taken the form of three waves. The first wave of public pressure began around 1960 and lasted to the early 1970s. At this stage, people began to understand that environmental resources were finite which led to environmental legislation. The second wave began with the publication of "Our Common Future" by the Brundtland Commission (UNWCED 1987). Concern for the ozone layer and the destruction of the rainforest fed into people's buying habits and Elkington sites this as the beginning of a "green consumerism" wave. The third wave began in 1999 and culminated in the UN World Summit on Sustainable Development which put governance of sustainable development on the global agenda.

It could be argued that Elkington's analysis assumes the homogeneity of society across classes, ages, races, religion and the developed and developing world. Elkington may be right to focus on the response of people in the West (as he appears to have done) until 2002 but as the locus of economic power begins to shift to the east and to the BRIC countries (Brazil, Russia, India and China) we may find that the response of those in the West becomes increasingly insignificant. As companies become increasingly globalised, pressures that companies in the West have experienced are starting to reach the developing world. In addition, Elkington assumes that people respond as information becomes available. Sadler (2002) argues that there are other factors at play, for instance, increasing affluence in the West has meant that people have been able to look beyond their own survival and job security to more global issues. He also argues that this has been assisted by increasing amounts of new technology which have facilitated deeper amounts of transparency.

### **3.1.2 NGO and Government pressure**

The above scientific evidence has led Non-Governmental Organisations (NGOs) to put pressure on companies to reduce their impact on the environment and improve their social impact. The failure of the international community to address sustainability issues and the global nature of the problem has meant that some NGOs are increasingly disillusioned with Governments and look to businesses, especially multinationals, to take a leadership role (Reed and Reed 2009). At the same time, NGOs are rising in prominence and in political power, demonstrated by the fact that many NGOs are now invited to UN conferences (Murphy and Bendell 1999) which has led many businesses to seek to work with them.

In addition to pressure from NGOs, businesses find themselves increasingly under legislative pressure. Traditional environmental legislation which focuses on pollution prevention has been supported by the imposition of new taxes. For instance, the Climate Change Act 2008 in the UK legally requires the country to reduce carbon emissions by 80% by 2050. This has resulted in increased business taxes such as the Carbon Reduction Commitment which requires companies to publish their carbon emissions in a league table and to pay for carbon “allowances” (Department for Energy and Climate Change 2011).

### **3.2 What has been the business response to those drivers?**

The business response to the pressure from civil society and government has been varied. Zadek (2004) outlines five different possible responses:

- *Defensive*

Businesses that deny their impact on the environment or try to shift responsibility from themselves to their supply chain. For instance, Royal Dutch Shell's initial denial of responsibility for the carbon emissions that resulted from their operations.

- *Compliant*

Businesses that make sure they are compliant with legislation but do not look for strategic advantage in going further than compliance. For instance, Nestle's response to public outrage over their sales of milk formula in the developing world. The powdered milk was sold to new mothers who mixed it with contaminated water, which put their baby's health at risk. Nestle's response was to put warnings on the packaging.

- *Managerial*

Businesses that take responsibility for their impacts and task their managers with addressing them. For instance, Nike responded in this way to the demands for them to monitor their supply chains more closely.

- *Strategic*

Businesses that recognise that the environmental agenda can give them a competitive edge. For instance, those such as Ecover that see the market for environmentally friendly products or sell to the environmentally conscious consumer.

- *Civil*

Businesses that want to do the right thing. For instance, the Body Shop was established not only to provide cosmetics and body care products but also to demonstrate sustainable production methods and champion social and political issues.

Most companies appear to have moved beyond the defensive response and are at least taking a compliant approach, with many taking a strategic approach. In a survey by McKinsey in 2007, nine out of ten of the corporate leaders said that they were doing more than they did five years ago to incorporate environmental, social and political issues into their firms' core strategies (McKinsey and Company 2007). A more recent survey of nearly 500 business leaders found that 84% are optimistic that "global business will embrace CSR/Sustainability as part of their core strategies and operations in the next five years" (BSR/GlobeScan 2011).

Mainstream companies such as Unilever and Kingfisher are taking a "strategic" approach and have made public statements accordingly:

*"We have ambitious plans to grow the company. But growth at any price is not viable. We have to develop new ways of doing business which will ensure that our growth does not come at the expense of the world's diminishing natural resources."* (Paul Polman, CEO, Unilever, 2010)

*"Infinite high resource intensity growth is simply not possible, and we are already living off our future capital"* (Ian Cheshire, CEO Kingfisher, 2011)

These statements are supported by ambitious targets to minimise their environmental impact while maximising their social impact. For instance, Unilever have committed to halving the environmental footprint of its products, helping 1 billion people improve their health and well-being and source 100% of its agricultural raw materials sustainably over the next 10 years (Unilever 2010). These ambitious targets tend to be aimed at reducing the company's environmental impact, often to zero. At the same time, companies seek to have a positive, additive effect on their local community. Puma, who were the overall winner at the 2012 Guardian Sustainable Business Awards (Guardian 2012), have targets to reduce CO<sub>2</sub> from their company operations by 25% by 2015 and reduce water use by 25% by 2015. They also wish to have a positive effect on their local community by sponsoring young people to attend youth leader forums and organising football tournaments (Puma 2011). Some businesses have already made impressive progress. For

instance, M&S announced in June 2012 that they were the first carbon neutral retailer (M&S 2012).

### **3.3 Is there a need for companies to go beyond their current approach and take a restorative approach?**

If environmental boundaries have already transgressed, as Rockstrom (2009) and Sharmer (2009) suggest, then the requirements for businesses to respond may be even higher than previously thought. So far, businesses have tried to be “less bad” but there is no proof that they have actually been “good” (Deloitte 2012). In the future, leading businesses may be called upon to go beyond the current paradigm of reducing their own impacts to zero and instead strive to make a restorative contribution to the environment and to society. In addition, as a result of the response to the sustainability agenda to date having been patchy, with some businesses taking a “defensive” or “compliant” approach, those that are taking a leadership stance may find that they are required to over-compensate for their own impacts to make up for the impacts of others.

Hawken (1995) was one of the first academics to argue that businesses need to revise their business models so that they become restorative and make a positive contribution to nature's capacity to regenerate. He suggested that business models should create products that are the source materials for future goods and that humans should strive to increase biodiversity. He went on to argue that businesses should seek to move from being manufacturers of products to “deliverers of service, providing long-lasting, upgradeable durables” (Hawken et al 1999, p. 16). At the same time he sees businesses still hiring more people and finding ways to sell the absence of a product or service (Hawken 1994).

The sustainable business agenda is fast moving and much of the new thinking is generated by the businesses themselves and thought leaders in the sector rather than academia. The main discussion on the subject of the need for a restorative business models appears more frequently in papers and articles than in books. For instance, Volans and Deloitte recently published a report entitled “Towards Zero Impact Growth” that suggested in the zero growth economy which they advocate, only those who intended to “give back at least as much as they take from planet earth and society” will stay in business (Deloitte 2012 pg 7.) Gabel (2012) also argues that sustainable development is not enough as it only seeks to maintain capacity, not to build new capacity. If we have already depleted the earth's capacity to regenerate itself then surely we should be seeking to rebuild this capacity not to maintain it at depleted levels. In Hawken's words, businesses should strive to “leave the world better than you found it, take no more than you need, try not to harm life or the environment. Make amends if you do” (Hawken 1994 pg 139). However, this remains a theoretical concept, and one which at present is hard to monitor.

Some companies have responded to this concept by setting out their own definitions and ambition. For instance, the Guardian Media Group has committed itself to a “Carbon Positive” approach, to “maximise the positive influence of our editorial content and commercial products in areas such as climate change and the use of limited resources, while minimising the negative impacts of our operations and business activities” (Guardian 2011). Kingfisher has also committed to taking a “Net Positive” approach which for them means to “go beyond neutrality, to no longer strive to 'do less' but to seek to make a positive contribution to the world's future” (Kingfisher 2012).

However, this approach can be difficult to quantify. Lynch (2011) identified a number of principles of a regenerative business including investment in regenerative assets, contribution to communities, collaboration, constructive competition and a focus on nurturing people. Hawken (1995) identified the following features of a restorative business:

- Products designed to be recycled and used as the source materials for future products
- Use of renewable energy
- Striving to increase biodiversity
- Seeking to influence beyond your own operations
- Seek a service orientated rather than product orientated economy
- Seek to make more money by selling less product

(Hawken 1995 p. 1).

Hawken's features provide a useful summary of some of the specific activities that a company may focus on if it is aiming for a restorative approach. However, they are quite broad and would need to be interpreted according to each company's core activities and value proposition. For instance, some companies may not be able to substitute their product offering for a service offering and may instead chose to focus on reducing the impact of that product whilst simultaneously producing more renewable energy than it uses.

### **3.4 How can a company make its business model more sustainable and where are the opportunities for a restorative approach?**

For many businesses, a restorative approach means they have to reassess their business model and how they deliver customer value. There is no single accepted definition of a business model. Osterwalder et al (2005) found that in a survey of 62 people, there were 54 different definitions. In the literature, definitions range from the simple: “Stories that explain how enterprises work” (Magretta 2002 p4) to the more complex: “a conceptual tool containing a set of objects, concepts and their relationships with the objective to express the business logic of a specific firm” (Osterwalder and Pigneur 2009 pg4.) Some writers have also produced a framework to support

their definition such as Osterwalder and Pigneur's (2009) business model canvas. Both Magretta (2002) and Osterwalder and Pigneur (2009) agree that there is a clear distinction between business model and strategy. A business model is most likely a combination of a "story" or narrative and of a conceptual tool. Whereas a strategy is the plan for how you reach your objectives.

### **3.4.1 What makes a sustainable business model?**

CEOs are increasingly recognising the "underlying tension between business models wedded to increasing patterns of consumption, and the reality of limited natural resources" (McKinsey and Company 2007 p 13). One can make easy generalisations about some business models and suggest that they are more sustainable than others: for instance, a company that creates customer value and shareholder profit by selling more and more consumer goods which are then thrown away will be inherently less sustainable than one that provides services that replace the need for consumer goods. However, the reality is that most business models are much more complex and are likely to have more or less sustainable elements that add up to a more or less sustainable whole.

Forum for the Future defines a sustainable business model as "one that is commercially successful by delivering social value within environmental limits" (Forum for the Future 2011). Willard (2010) takes this a step further. He outlines five distinct criteria for a sustainable business model including radical resource productivity, investment in natural capital, ecological redesign, service and flow economy and responsible consumption. However, these five criteria fail to mention either the need to remain commercially viable or to enhance society, either globally or locally. A business model built around the aforementioned five criteria would thus not qualify as "sustainable" according to Forum for the Future's definition.

Assessing the sustainability of a business model may need more in-depth analysis using a sustainability framework such as the triple bottom line: financial, economic and social, (Elkington 2004) or the five capitals model: financial, natural, manufactured, social and human, (Porritt 2007). However, both have their flaws. The triple bottom line has been criticised for leading to oversimplification as it does not acknowledge how these different elements interlink with each other (Sadler 2002). This criticism could also be applied to the five capitals model. In addition, it could be argued that referring to it in financial reporting language as a "bottom line" could be misleading as it implies that it is merely a report on previous performance rather than referring to forward planning or business purpose.

What might more sustainable business models look like in practice? Diane Osgood (2009) outlines

four business models which she argues are more appropriate for a world with less resources and more demand:

- The real value model- where the environmental costs of products are integrated into the price to the consumer
- The game-changer model- where goods are “de-materialised”. One example of this is Mp3 technology that replaces the need for physical CDs.
- The qualifying model- where businesses use their leverage with suppliers or customers to provide more sustainable products such as Marine Stewardship Council (MSC) fish or Forestry Stewardship Council (FSC) timber.
- The bikini model- shifting from providing products to providing services. One example of this is InterfaceFLOR who are moving from selling carpets to renting and recycling them (Osgood 2009 p2-3)

### **3.4.2 Where are the opportunities for a restorative approach?**

For some businesses, moving to a more sustainable business model will require a number of different steps. Uren (2011) recommends that businesses strive to change their business models by experimenting with different financing mechanisms. She also says that for some, especially those businesses that rely on volume, will have to change their value proposition and shift their product portfolio to a more sustainable one.

However, these new models don't include explicit opportunities for companies do “more good” rather than just “less bad”. There are some businesses that may have more direct opportunity to take a restorative approach. Gabel (2012), for instance identifies the agriculture sector as having an opportunity to take a restorative approach. Agriculture is often on the front line of sustainability issues such as water scarcity and climate change. Changes in climate may lead to the company being forced to reassess its business model and therefore it may seek to regenerate the soil to increase its productivity (Viljoen 2008). Other companies that are reliant on renewable resources such as timber could also find that it is in their interests to take a restorative approach. For instance, Kingfisher, realised that timber supply was essential to its business and has therefore set a target of “global reforestation” as part of its sustainability strategy (Kingfisher 2012).

However, overall there appears to be little academic literature around the concept of a restorative business model. Therefore, any analysis of whether companies are taking a restorative approach will need to include a combination of a qualitative analysis of the company's “story” or narrative combined with a more in-depth analysis of its business model.

## 4. Methodology

In this section I outline the research strategy that I have adopted. I look at the data required for a study of this kind, then go on to explain in more detail how I acquired the data, how I chose my sample and how I analysed the data. To conclude this section, I review the methodology that I used for the research and consider any problems or limitations of this approach.

### 4.1 Research strategy

The study of sustainability and sustainable business is not an exact science. The subject is vast and varied - including everything from waste management to community engagement. Some areas of sustainability are more quantifiable than others. For instance, it is possible to measure the amount of waste an organisation throws away; but it is more difficult to assess the outcome of, say, a particular community activity. In addition, it is an emerging field of study and therefore the reporting metrics and the boundaries of how to measure sustainability are still being refined and agreed, and not all companies are reporting on the same activities. For example, some companies choose to measure the carbon emissions produced only through their business operations whereas others include the carbon emissions produced by their supply chain and others include the emissions that their customers produce when using the company's products.

The literature in this area tends to focus on the business case for sustainability and there appears to be little research into restorative business models and whether leading companies are seeking to take a restorative approach. Therefore, there is a need for some qualitative analysis in this area. In addition, companies have multiple variables including size, geography, markets, costs etc and therefore it can be hard to make generalisations from quantitative data collection. For this reason, I have chosen to take a phenomenological rather than positivist approach and use the multiple case study approach advocated by Yin (2009)<sup>1</sup>. By using publicly available information such as annual reports, company websites and CSR reports, supplemented by interviews with key staff at each organisation I gather a picture of a company's business model, their sustainability approach and look for evidence of a restorative approach. This strategy allowed me to study multiple variables and assess the links between them and establish whether there are any lessons to be learnt between companies. By taking a more qualitative approach, I have been able to look at each company in more depth and make comparisons and recommendations across all three. However, the disadvantage of this approach is that I am not able to analyse trends or make recommendations for businesses as a whole.

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<sup>1</sup> Yin defines a case study as an "empirical enquiry that investigates a contemporary phenomena in depth and within its real life context especially when the boundaries between phenomena and context are not clearly evident." (Yin 2009 p 18)

## **4.2 Data collection**

I used a combination of publicly available information including annual reports, company websites, CSR reports and semi-structured interviews to gather insights from company staff. I undertook three interviews with senior members of staff - Corporate Responsibility Manager, Vice President and Global Director- Sustainability- that had responsibility for sustainability strategy and/or delivery. I chose these specific people as they had a good understanding and overview of the company's sustainability strategy and the challenges involved in delivering it.

I used the same questionnaire for each interview which was divided into two sections. By using the same questionnaire for each company I was able to then compare the results more easily to look for similarities and differences between the companies. I sent the questionnaire to participants in advance via email and then talked them through the questionnaire either face to face or via Skype. The interviews lasted between 30 and 40 mins.

The first section of the questionnaire was designed to obtain more information on the company's business model. These questions allowed me to gather information supplementary to that which was available on the website. Questions four to nine looked for more detail about the company's approach to sustainability such as the focus of the company's sustainability approach, the main areas of activity and the boundaries of that approach. I also asked interviewees whether they felt their company took a restorative approach; if not, what would this look like for their company; and whether they thought that businesses in general should take a restorative approach. The full questionnaire can be found in Appendix 1.

The limitations of using open questions and a questionnaire approach was that the phrasing of the questions such as "Do you think businesses should take a more restorative approach to sustainability"? could have been interpreted as leading my interviewee to agree with the premise that businesses should seek to take a more restorative approach. There is also the risk that, as the interviews were conducted during the working day and the interviewees were at their offices during the interviews (which were either conducted face to face or via Skype), they might feel compelled to confine their answers to those that the company might approve of. To overcome this, I made it clear to the interviewees that the companies and therefore their answers would be anonymised for the purposes of this study. The use of open questions also limited the amount of comparative analysis that I could do.

## **4.3 Discussion of sample**

I chose three companies that are all taking a strategic approach to sustainable business, according to Zadek's (2004) typology. Each has made public declarations of their sustainability strategies

and are recognised in their field by their peers and NGOs. For instance, they were all recognised in the Guardian Sustainable Business Awards 2012 (Guardian 2012) and are all partners of a leading sustainable development charity, Forum for the Future. They came from different company types - retailer, fast moving consumer goods and manufacturer and are of different sizes. It could be argued, that this limits the amount of cross company comparison. However, they are all global companies and are regularly compared through industry awards etc. As self-declared and externally recognised leaders they were more likely to demonstrate some evidence of aspiration to a restorative approach. However, it must be acknowledged that, they are small group and do not represent the business world as a whole.

#### **4.4 Data analysis**

I combined the publicly available information and the information I gathered through the interviews and then used an analytical framework to assess the company's sustainability and to look for evidence of a restorative approach. Osterwalder and Pigneur's (2009) nine element "Business Model Canvas" provides a comprehensive breakdown of the component parts of the business model. These parts are:

- Key partners - including partners, suppliers, resources that they acquire from partners, key activities that the partners perform.
- Key activities - including the key activities that their value propositions require, their distribution channels, their customer relationships.
- Value propositions - including which of the customer's problems are they aiming to solve, what bundles of products and services are they offering to each customer. Which of their customer needs are they satisfying.
- Customer relationships - including which types of customer relationships they have established, how integrated these are into the rest of the business model and how costly they are.
- Customer segments - including for whom they are creating value and who are their most important customers.
- Channels - including the channels through which they reach their customers and which ones work best.
- Revenue streams - including what value their customers are willing to pay for, what they currently pay and how much each revenue stream contributes to overall revenue.
- Key Resources- including what resources their value proposition relies on.
- Cost Structure- including where the most important costs lie and which elements are most expensive.

(Osterwalder and Pigneur 2009 p44)

As I began my analysis I found that the Osterwalder and Pigneur nine element business model canvas was extremely large and this led to the analysis being quite repetitive. Therefore, for the purpose of this analysis I decided to reduce it slightly. By combining the elements: “Customer Relationships” and “Customer Segments” and “Revenue Streams” and “Cost Structure” I was able to reduce Osterwalder and Pigneur’s nine element model to seven. During the course of my research I also found that companies published little information on their “Cost Structure”. I concluded that information on where a company’s main costs lie is commercially sensitive and therefore not usually in the public domain. Where the information was available I included it.

Due to the lack of consensus on the definition of a business model I decided to subject my case studies to additional test - a “narrative test”. That is, the story of their business model, or how they make their money. For instance, that might be a “take-make-waste” model (where a business extracts resources, adds value to them by processing them, sells them to customers or consumers who use and then dispose of them) or a service model (where a business provides customer value by delivering a service as opposed to a product). These are only light touch explanations but they provided further insight into the fundamental building blocks of business models in the case studies.

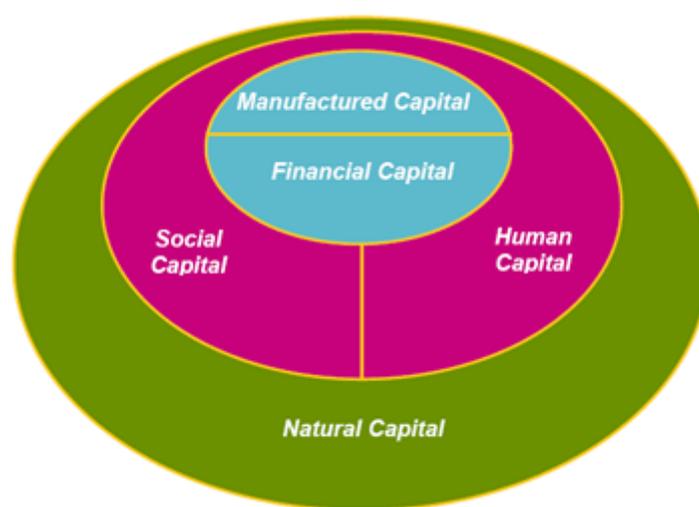
Each of the elements outlined above needed to be assessed to establish how sustainable the company’s current approach is and to identify opportunities for a restorative approach. To assess the sustainability of the business model element I conducted a high level analysis using Porritt’s (2007) five capitals model. According to Porritt there is not one form of capital (which we would usually think of in terms of financial capital) but five capitals – natural, human, social, manufactured and financial:

- 1. Natural capital** - (also referred to as environmental or ecological capital) is any stock or flow of energy and matter that yields valuable goods and services. Natural capital is the basis not only of production but of life itself.
- 2. Human capital** - consists of health, knowledge, skills and motivation (all of which are required for productive work), as well as an individual’s emotional and spiritual capacities.
- 3. Social capital** - takes the form of structures, institutions, networks and relationships which enable individuals to maintain and develop their human capital in partnership with others, and to be more productive when working together than in isolation. It includes families, communities, businesses, trade unions, voluntary organisations, legal/political systems and educational and health bodies.
- 4. Manufactured capital** - comprises material goods- tools, machines, buildings and other forms of infrastructure which contribute to the production process but do not become embodied in its

output.

**5. Financial capital** - reflects the productive power of the other types of capital, and enabling them to be owned and traded. However, unlike the other types, it has no intrinsic value. (Forum for the Future 2000)

Businesses should strive to maintain and increase stocks of capital so that society can exist on the “flows” or income (Forum for the Future 2000). However, not all of the capitals are equal. Natural capital forms the external boundary as it includes finite resources. Social and human capital are within that boundary and manufactured and financial capital are within that, as they are created by humans. This relationship is outlined in Figure 5.1.



*Fig 5.1: The Five Capitals (Forum for the Future 2011)*

Having looked at the sustainability of each aspect of the company's business model, I then look for evidence of a restorative approach. To do this, I looked for the elements described by Hawken (1995). Specifically:

- Products used as the source materials for future goods
- Use of renewable energy
- Striving to increase biodiversity
- Seek to influence beyond your own operations
- Seek a service orientated rather than product orientated economy
- Seek to make more money by selling less product

This combination of an analytical framework, a narrative test and evidence of Hawken's elements led to a comprehensive case study. Rather than include the full analytical framework (which can

be found in Appendices two, three and four) I have only included the most pertinent points in the results and discussion session. That allowed me to make comparisons across the three companies and identify the opportunities for a more restorative approach.

#### **4.5 Review of the methodology used for the research**

The combination of publicly available information and interviews provided a good source of data for this study. However, I found that not all the information that I wanted to find was available on company websites and interviewees were reluctant to give it - such as information on the company's biggest costs and revenue streams. During the interviews I was also limited to the knowledge of the interviewees and some of the questions fell outside their remit. To avoid these problems I could have conducted more interviews with people from different functions in the company.

If I were to conduct this study again, I may choose to review more companies so that I could make more widely applicable conclusions. However, within the time and resource constraints of this study, it may have proved problematic. By only choosing three companies, I may have limited the validity of some of my conclusions; however, I have suggested areas of further research which would help to further validate my conclusions.

## 5. Results and Discussion

### 5.1 Introduction

I now examine three companies in detail. I start each case study by outlining some information about the structure and activities of the company and identify the company's business model "story". I then draw out the elements of the business model that has the largest effect on the five capitals. I go on to identify where there is evidence of a restorative approach both in the company's products and services and through their influence on the business world and their customers. Finally, I draw some conclusions across all the companies. The case studies have been anonymised to protect the identities and views of the people interviewed as part of this study.

### 5.2 Case study one: Looking Good, Feeling Good<sup>2</sup>

**Table 1 Looking Good, Feeling Good Company Details**

<i>Main Activities:</i>	Manufacturer of food, home care products and personal care brands. Product categories include soap, shower and skin care, laundry products, shampoo and conditioner, soups, tea and beverages, ice cream, mayonnaise and many more.
<i>Turnover:</i>	46bn Euro in 2011 (Looking Good, Feeling Good 2012h)
<i>Area of Operation:</i>	Products sold in over 190 countries and operations in 100 countries (Looking Good, Feeling Good 2012e).
<i>Number of Employees:</i>	17,9000
<i>Sustainability Strategy:</i>	The "Sustainable Living Strategy" <sup>3</sup> - a comprehensive sustainability strategy based on thorough base-lining and measurement. It aims to grow the business whilst simultaneously reducing its environmental impact.

*Table 1*

Looking Good, Feeling Good is a large manufacturer of food, home care products and personal care brands. Its products include soap, shower and skin care, laundry products, shampoo and conditioner, soups, tea and beverages, ice cream, mayonnaise and many more. Its turnover was 46bn Euro in 2011 (Looking Good, Feeling Good 2012h) and its products are sold in over 190 countries. It has operations in 100 countries (Looking Good, Feeling Good 2012e) and employs 179,000 people. It has a comprehensive sustainability strategy- "The Sustainable Living Strategy- which is based on extensive base-lining measurement data and includes the ambition to grow the

<sup>2</sup> The name of this company has been fictionalised to protect the identity of the interviewee.

<sup>3</sup> The name of the strategy has been fictionalised as it is well-known in sustainable business circles.

business whilst simultaneously reducing its environmental impact. As the Global Director- Sustainability, explained:

*“Sustainability is what drives our business”* (Global Director- Sustainability 2012)

### **Business Model Story**

Looking Good, Feeling Good is a fast moving consumer goods company. It makes a profit by manufacturing and selling consumer goods to retailers.

### **Business Model Analysis**

#### **1. Key Partners:**

Looking Good, Feeling Good's key partners are its suppliers, customers and retailers investors and shareholders, NGOs, communities and staff.

#### **Main Impacts on the Five Capitals**

- Social Capital- factories impact on social capital both positively through job creation and contribution to the local economy and negatively through pollution. Being a large employer helps to build human, social and financial capital. It seeks to engage its employees in its sustainability activities in various ways including appointing 65 sustainability champions (Looking Good, Feeling Good 2012f).
- Human Capital- employing people and training increases human capital.
- Financial Capital- producing profit for shareholders increases financial capital. Buying from suppliers also helps to increase financial capital.

#### **2. Key Activities:**

Looking Good, Feeling Good's key activities are the sourcing and purchasing raw materials, manufacturing products, storing products, research and development of new products, marketing and advertising, the distribution of products and customer use and disposal of products.

#### **Main Impacts on the Five Capitals**

- Natural Capital- the outputs of manufacturing can have a negative effect on natural capital. Running assets such as offices and factories use energy and water which increases its impact on natural capital. Use and disposal of products by consumers also have a negative impact on natural capital in terms of water use, energy use and pollution. Distribution of products can also have a negative effect on natural capital through increased carbon emissions, air pollution, fossil fuel use etc. There is some evidence of Looking Good,

Feeling Good aiming to innovate its distribution mechanisms, for instance, in Brazil, it is aiming to move some of its deliveries from road to sea (Looking Good, Feeling Good 2012f). It is also aiming to reduce the need for staff to travel by investing in tele-presence facilities (Looking Good, Feeling Good 2012f).

- Financial Capital- Looking Good, Feeling Good has invested in some innovative pilot projects such as a project in India which trained 45,000 women in villages to provide a door to door sales service for Looking Good, Feeling Good products. This enables the women to have an income and also increases Looking Good, Feeling Goods access to market. (Looking Good, Feeling Good 2012f). This helps to build social and financial capital.
- Manufactured Capital- building factories increases manufactured capital.
- Human Capital- marketing and advertising can have an impact on social capital. The marketing for Looking Good, Feeling Good products seek to create demand by promoting aspirational lifestyles and looks. This could have a negative effect on self-esteem. To combat this, whilst still growing the business, Looking Good, Feeling Good is using its marketing and advertising to educate people about better health management and disease prevention.

### **3. Value Proposition:**

Looking Good, Feeling Good produces products that help people to look and feel good by improving nutrition, hygiene and self-esteem.

#### **Main Impacts on the Five Capitals**

- Human Capital- selling food and personal care products has an impact on human capital both positively through nutrition and hygiene and negatively through unhealthy foods and excessive personal grooming standards. Looking Good, Feeling Good is trying to improve the impact of its products on human capital by working with NGOs and governments to develop products which increase access to health and hygiene such as an affordable micro water-purification system. Looking Good, Feeling Good aims to improve the nutrition of its food products by reducing fat and salt. To be truly sustainable however, it should seek to discontinue some product lines which have poor nutritional value.

### **4. Customer Segments and Relationships:**

Looking Good, Feeling Good sells products to retailers (its customers) who sell the product to consumers. Their customers are both the “modern” or large companies and the traditional or general trade which are small shops and businesses. (Global Director- Sustainability 2012).

#### **Main Impacts on the Five Capitals**

- Social capital- Looking Good, Feeling Good believes that it must operate ethically to maintain a licence to operate. It clearly states that if citizens believe that a system is unjust they will rebel against that system or that company which underpins its ethical approach.

Looking Good, Feeling Good has developed campaigns to increase the correct use of their products which improve hygiene. Their campaigns promote healthy behaviours such as hand-washing and brushing your teeth which help their customers to stay healthy, whilst also promoting the use of their products. This approach helps to build human capital whilst also building financial capital for the company (Looking Good, Feeling Good 2012f).

## **5. Channels**

Looking Good, Feeling Good reaches the consumer through the retailer (who is their customer.)

### **Main Impacts on the Five Capitals**

- Human Capital and Natural Capital- Looking Good, Feeling Good has identified that most of its environmental and social impacts occur in the consumer use phase of its products. Looking Good, Feeling Good has a number of different initiatives aimed at engaging the consumer with more sustainable behaviour but there seems to be little evidence of them engaging with their clients, the retailers. Selling their products through shops can have a positive impact on social capital (providing local jobs, a community hub etc) but Looking Good, Feeling Good could also reach beyond this and try to encourage the retailers to address their own environmental impacts.

## **6. Revenue Streams and Cost Structure:**

Looking Good, Feeling Good's main revenue streams are from selling products. It operates in markets all around the world with over half of its sales in developing countries. (Looking Good, Feeling Good 2012f). Its main costs are the raw materials, followed by marketing and brand investment. The third largest costs are assets including factories, offices, staff (Global Director-Sustainability 2012).

### **Main Impacts on the Five Capitals**

- Financial Capital- Looking Good, Feeling Good believes that taking a sustainable approach saves both the consumer and the company money. It believes that economic growth is necessary if it is to have the resources to invest in renewable energy, sustainable agriculture and product innovation (Looking Good, Feeling Good 2012f). Looking Good, Feeling Good has integrated sustainable values such as healthcare promotion into some of its brands and reports these as performing well financially. By doing this, it is helping to

build the financial case for these approaches which again will help to influence its own staff, shareholders and the wider market place.

## **7. Key Resources:**

Looking Good, Feeling Good relies primarily on agriculture for its raw materials. It also uses energy, plastics etc for packaging, construction and maintenance materials for offices and factories and meat, fish and dairy products.

## **Main Impacts on the Five Capitals**

- Social and Environmental Capital- Some products such as tea have Rainforest Alliance certification thus guaranteeing a fair price for producers and responsible environmental management. Some flagship brands also have environmental initiative and aspirations such fair trade or targets for using cage-free eggs. However, the existence of this in some areas makes the absence of it in other areas more stark. It should aim to take this level of certification across its whole product range.

Looking Good, Feeling Good works with farmers to up-skill them in sustainable agriculture management. This helps to build human and social capital, reduce the amount of environmental capital needed ie through saving water etc. It also enables the farmers to produce supplies in a sustainable manner to other companies.

## **Evidence of A Restorative Approach**

Looking Good, Feeling Good's current business model "story" relies on more products being sold in order to continue to grow the company. This means that as more goods are sold, the amount of raw materials, energy needed and waste created goes up. However, Looking Good, Feeling Good believes that, instead of its business model preventing it from reaching a sustainable path, focussing on sustainability as a priority for the business will drive efficiency and innovation (Looking Good, Feeling Good 2012g). They also believe that a more sustainable brand is a more desirable brand so should impact positively on their bottom line. The Global Director- Sustainability explained:

*"The question is not should a company take a restorative approach because the answer should be yes. The question should rather be should a company do a restorative approach in a way that is more integral to the way they do business or as an add on to what they do. Absolutely."* (Global Director- Sustainability 2012)

## **Restorative Products and Processes**

Looking Good, Feeling Good believes that companies should not only seek to reduce the negative impact of its products but also to maximise the positive impacts of its products. As the Global Director- Sustainability explained:

*“Sustainability is not only about impact reduction but about maximisation of the effect that you can have”*

*“For me, the multiplier is when not only do you drive to reduce the environmental impact but you also strive to maximise the social impact.”* (Global Director-Sustainability 2012).

This holistic approach allows it to tailor its sustainability activities to the specific product. It believes that committing to a restorative approach in for instance, forestry, across the board, may not be appropriate. Instead, companies need to assess which product areas cause the most deforestation across the value chain and where the incentives are for deforestation before trying to reduce them (Global Director-Sustainability 2012).

#### *Restorative Influence*

The scale of the company means that it has huge opportunity to influence its value chain and the business context in which it operates. The Global Director- Sustainability explained:

*“there is a fundamental belief in everyone... that we can not do it alone”* (Global Director-Sustainability 2012)

It recognises that it is part of society and needs to consider the needs of citizens and communities in the same way that it considers the needs of shareholders today (Looking Good, Feeling Good 2012f). Looking Good, Feeling Good discovered that its main sustainability impacts were when the products were used by consumers. This led it to focus on influencing the consumer through campaigns to increase hand-washing and tooth-brushing, thus increasing demand for Looking Good, Feeling Good products (soap and toothpaste) and improving health and hygiene.

Changing consumer's behaviour requires Looking Good, Feeling Good to work with the supply chain, retailers, industry, peers and governments (Global Director-Sustainability 2012). By working with its suppliers, Looking Good, Feeling Good is helping to build their capacity to supply others in a sustainable way. The Global Director- Sustainability explained that they focus on:

*“[the] economic impact of improving the livelihoods of those in our supply chain.. offering them the know-how that we have. Offering them a premium or economic incentivisation is what is important to us”* (Global Director- Sustainability 2012)

For example, it provides educational programmes to help farmers increase their yield and reduce water use through better irrigation (Looking Good, Feeling Good 2012f). This is evidence of a restorative approach as it leaves the farmers with more human capital and better able to manage their environmental capital. It is also working with investors to encourage them to make more sustainable investment decisions. For instance, it has stopped quarterly reporting in an effort to encourage investors to make investments for long term returns and publicly talks about the loss of natural capital as a market failure (Looking Good, Feeling Good 2012f).

As well as influencing customers and suppliers, Looking Good, Feeling Good also aims to improve the cross sector business context. One example of this is its involvement in the Round Table on Sustainable Palm Oil which brings together manufacturers and NGOs to explore issues associated with sustainable palm oil (Looking Good, Feeling Good 2012e).

Overall, despite Looking Good, Feeling Goods sophisticated approach to sustainable business it does not meet all of Hawken's criteria for a restorative approach. For instance, it is not seeking to develop products specifically to be used as the source materials for future goods, and there is no evidence of it seeking to reduce the amount of products it supplies and replacing them with services. It is also not seeking to make more money by selling less product. Instead it aims to reduce the environmental impact of its products (by half) whilst also doubling the size of the business. It is working to influence beyond its operations and in its work with farmers it could aim to increase biodiversity.

### 5.3 Case study two: You Fix It<sup>4</sup>

**Table 2: You Fix It Company Details**

<i>Main Activities:</i>	Third largest home retail group in the world
<i>Turnover:</i>	Sales in 2011 nearly £11bn (You Fix It 2011a)
<i>Area of Operation:</i>	France, UK and Ireland, Poland, China, Spain, Russia, Turkey
<i>Number of Employees:</i>	80,000 world wide
<i>Sustainability Strategy:</i>	“Positive Contribution <sup>5</sup> ” - general aim to put more back than it takes out, to create more benefit for its stakeholders. Specifically aimed at four areas- timber, innovation, energy and communities.

You Fix It is the third largest home retail group in the world. In 2011, sales amounted to nearly £11bn (You Fix It 2011a). It operates in France, UK and Ireland, Poland, China, Spain, Russia, Turkey and employs 80,000 world-wide. Its pioneering sustainability strategy: “Positive Contribution” - aims to put more back than it takes out to create more benefit for its stakeholders.

#### **Business Model Story:**

Retailer who makes a profit from selling goods from consumers.

#### **Business Model Analysis**

##### **1. Key Partners**

You Fix It's key partners are its shareholders, suppliers, staff, communities, NGOs and Government.

#### **Main Impacts on the Five Capitals**

- Social, Human and Manufactured Capital- You Fix It does not manufacture products directly but sells products manufactured by others so it needs to work with its suppliers to make sure they are building human and social capital and helping to ensure that manufactured capital is operated in a way that doesn't destroy natural capital. To do this, You Fix It

<sup>4</sup> The name of this company has been fictionalised to protect the identity of the interviewee.

<sup>5</sup> This has been changed slightly as the true name of the sustainability strategy is well-known in sustainable business circles.

undertakes ethical audits on its supplier's factories.(You Fix It 2011a).

- Human Capital- as an employer, You Fix It has a large impact on the human and social capital of its employees. You Fix It prides itself on the diversity of its staff. 29% of people in management positions are women and 28% of the workforce is over 50. They also provide apprenticeship programmes with technical colleges (You Fix It 2012c pg 75).
- Social Capital- You Fix It also aims to build social capital by engaging with communities on issues such as forestry. It believes that this will help to make the reforestation appropriate and long-lasting as the community will feel more ownership over the project (You Fix It 2012c).

You Fix It aims for every store and location to support local community groups and equip people with skills. For instance, You Fix It- France provides DIY skills for unemployed people and You Fix It- UK established a grant programme which aims to twin each store to a local youth group to build skills in the community (You Fix It 2012c pg 56). You Fix It is also trying to engage people in sharing skills online and makes cash and in-kind donations to charity. (You Fix It 2012c pg 59)

## **2. Key Activities:**

You Fix It's key activities are running its stores, online facilities and distributing its products.

## **Main Impacts on the Five Capitals**

- Natural Capital- operating shops and websites requires energy which is usually generated from fossil fuels. In addition, much of You Fix It's distribution is done by road which can have negative effects on natural capital. You Fix It is trying to address this and has trialed some dual fuel vehicles which run on bio-methane as well as conventional fuel (You Fix It 2012c pg 25). You Fix It is helping the UK government to develop a nationwide refurbishment programme to help to increase the energy efficiency of 14 million UK homes. This project could contribute to You Fix It's financial capital and will also reduce the impact of its customers' homes on environmental capital.

## **3. Value Proposition:**

You Fix It's value proposition is providing equipment and products to customers to help them improve their homes in a convenient retail environment.

### **Main Impacts on the Five Capitals**

- **Manufactured Capital-** At a general level, by encouraging people to renovate and improve their existing properties, You Fix It is helping to contribute to the longevity of manufactured capital which helps to maintain (or at least use less of) environmental capital. However, this may lead people to expect excessive standards of maintenance and up-keep in their homes which could lead to more waste and greater resource use.

### **4. Customer Segments and Relationships:**

You Fix It has both one off and multi-transactional relationships with its customers which are mostly conducted face-to-face but also online. It appeals to the mass market- both trade and domestic.

### **Main Impacts on the Five Capitals**

- **Social Capital-** by creating local jobs and face to face relationships with customers, shops can also help to build social capital. However, many of the larger You Fix It stores are based out of town. This can result in increased carbon emissions as people have to drive to the store and can damage the community life of town centres.
- **Natural Capital-** You Fix It aim to make sustainable living easier for their customers (You Fix It 2012b). They are approaching this in a number of ways- by selling eco-products and by encouraging their customers to travel to their stores sustainably. You Fix It estimate that through buying energy efficient products, its customers saved 2,513million kWh in 2011 (You Fix It 2012c pg 18).

### **5. Channels:**

You Fix It's main channels are face-to-face through large, medium and small stores and online. It also reaches its customers through advertising and marketing.

### **Main Impacts on Five Capitals**

- **Natural Capital-** operating a website and stores uses energy which has an impact on natural capital. You Fix It uses example "learning stores" to help increase its knowledge of sustainable construction (You Fix It 2012c pg49). You Fix It has a programme of consolidation and efficiency to reduce the energy used by its IT systems (You Fix It 2012c pg 29).

## 6. Revenue Streams and costs:

The main costs to the business are products followed by (in no particular order) staff, merchandising, marketing, store operational costs, distribution and transport (Corporate Responsibility Manager 2012).

### Main Impacts on Five Capitals

- Social Capital- You Fix It aims to provide affordable products to its customers. That can help to build social capital as everyone has access to products which will help them to improve their homes. However, the negative consequence of this is that expectations for home maintenance increase, and therefore demand for resources increase.
- Human Capital- One could also argue that by competing with small businesses they are reducing human capital. Profits from their activities are distributed amongst shareholders rather than amongst the communities where the money was spent in the first place.

## 7. Key Resources

You Fix It's products rely on raw materials including chemicals, plastics, metals, timber, water. It has stores which require construction materials to build and maintain and energy to run. It also has key human resources such as its staff.

### Main Impacts on the Five Capitals

- Natural Capital- As You Fix It sells products which use a lot of resources with a large impact on natural capital in large volumes, it has tended to focus its sustainability strategy on the environment because, as the Corporate Responsibility Manager explained:

*“the risk has been more in the environment than the social”*

(Corporate Responsibility Manager 2012)

This is demonstrated by their stretching targets on responsible sourcing of timber (100% sustainably sourced timber by 2020- You Fix It 2012c). You Fix It have focussed on the issue of deforestation for many years and recognise that to maintain supplies of sustainable timber it must work in collaboration with other partners, demonstrated by their establishment of the cross sector, Forestry Stewardship Council. Its eventual aim is to

create more forest than it uses (You Fix It 2012c pg 3). It is also looking to reduce the use of other resources which are scarce (such as peat) or harmful (such as chemicals.)

You Fix It uses energy to run its offices and stores and transport its goods. It also has a large opportunity to influence the amount of energy used in its customers' homes. Therefore, energy is one of its strategic priorities which it will address through both supplying energy efficient products and the tools which people need to deliver eco-refits which will ultimately make homes "energy positive". It also monitors and seeks to reduce the amount of energy (and associated carbon) that is produced by its operations.

You Fix It is also trying to reduce its impact on biodiversity by identifying opportunities for biodiversity enhancements at some new store sites (You Fix It 2012c pg119).

You Fix It aim to ensure that each product it sells is either remade, recycled, reused or biodegradable (You Fix It 2012c pg 41) The aim of this approach is for manufacture to require no virgin materials.

### **Evidence of a Restorative Approach**

You Fix It's sustainability strategy explicitly states that it wants to make a "net positive" contribution as a business and put back more than it takes out. It makes public declarations about the need to generate maximum well-being for minimum planetary output (You Fix It 2011c). For instance, it plans to plant more trees than it uses and sell renewable energy generation products so that renewable energy production increases. You Fix It recognises that such an ambitious strategy cannot be achieved over-night and has therefore decided to focus on four key areas. As the Corporate Responsibility Manager explained:

*"we need to articulate the business case in each of the four areas individually because its different [in each case]"*

She went on to explain that achievements in these areas will help to build the case for the strategy internally which could lead to more comprehensive activity (Corporate Responsibility Manager 2012). As the Corporate Responsibility Manager explained, focussing on core areas also helps to build their profile:

*“to demonstrate leadership you have to focus on certain things”*  
(Corporate Responsibility Manager 2012)

### *Restorative Products*

You Fix It has talked about exploring service based models which would allow customers to rent certain high value items. Hawken (1995) referred to this as a key element of a more restorative economy. By renting equipment rather than buying it, the need for large numbers of the equipment is reduced and the utilisation of those pieces of equipment is increased.

### *Restorative Influence*

As a retailer, they recognise that they need to address their own operations- for instance through engaging their staff (You Fix It 2012c). They also need to work closely with their suppliers and their customers. As the Corporate Responsibility Manager explained:

*“we’ve always been of the view that as a retailer you’re only a small part of a long chain, our products are heavily reliant on where they’re designed, how they’re made, where they’re transported from so you have to engage your supplier base.”*

She went on to explain that ambitious aspirations such as producing “closed loop” products – where all parts are recycled and recyclable cannot be achieved by a retailer so collaboration with the supply chain is necessary (Corporate Responsibility Manager 2012). By aiming to build the skills of their customers through online tutorials and online skills swapping services, You Fix It are demonstrating a restorative approach as they are seeking to actively build human capital.

As well as collaborating with their customers and supply chain they also recognise that they need to work with NGOs and the government. Working with government can help create a level playing field, and break down barriers. As the Corporate Responsibility Manager explained:

*“you have to create the framework and the markets in which people can do these things if the motivation isn’t always 100% clear”.*

(Corporate Responsibility Manager 2012)

Their ambitious strategy meets most of the criteria set out by Hawken (1995) in that they are looking into service models to replace selling products, they are trying to make their products more recyclable, they are striving to increase the amount of renewable energy used by themselves and their customers. They have looked at enhancing biodiversity in some areas and they are also seeking to influence the wider context beyond their own operations. For a fully restorative approach, You Fix It should also seek to extend their influence and work with house-builders and architects to ensure that new buildings are built with durability and flexibility in mind. As the Corporate Responsibility Manager explained:

*“the ultimate benefit of net positive is for people and our planet and it does need everyone to be doing things in a positive way for there to be an overall benefit” .*

(Corporate Responsibility Manager 2012)

#### 5.4 Case study three: Carpets R Us

**Table 3 Carpets R Us Company Details**

<i>Main Activities:</i>	Designer and maker of carpet tiles.
<i>Sales:</i>	\$990m (Carpets R Us 2011b)
<i>Area of Operation:</i>	110 countries
<i>Number of Employees:</i>	3566
<i>Sustainability Strategy:</i>	“Aim for Zero” <sup>6</sup> - Aims for sustainability in people, process, product, place and profits. Aim to be restorative through the power of influence. It includes seven sustainability ambitions - eliminate waste, benign emissions, renewable energy, closed loop, resource efficient transport, sensitise stakeholders, redesign commerce (Carpets R Us 2012a).

Carpets R Us is the world's largest designer and maker of carpet tiles with sales of around \$990m per year (Carpets R Us 2011b). It employs 3,566 people in 110 countries. Its sustainability strategy, Aim for Zero<sup>7</sup> is extremely well-known in sustainable business circles. It aims for sustainability in people, process, product, place and profits and wants the company to be restorative through the power of influence (Carpets R Us 2012a). According to the Vice President:

<sup>6</sup> The name of the strategy is well-known in sustainable business circles and has therefore been fictionalised for the purposes of this research

<sup>7</sup> The name of the strategy is well-known in sustainable business circles and has therefore been fictionalised for the purposes of this research

*“we have an holistic approach to sustainability. Sustainability to us doesn't just mean environmental sustainability but also social sustainability” (Vice President 2012)*

### **Business Model Story**

Uses raw materials (including fossil fuels) to create new products which are then disposed of (“take-make-waste”).

### **Business Model Analysis**

#### **1. Key Partners**

Carpets R Us's main partners are its staff, its suppliers, its shareholders, the communities that it operates in, NGOs and Governments.

#### **Main Impacts on the Five Capitals**

- Financial Capital - Carpets R Us use some financial metrics to demonstrate the opportunities presented by the sustainability agenda. For instance, it claims to have achieved \$433m in avoided waste since 1995 (Carpets R Us 2012b).
- Social Capital - Carpets R Us see the importance of creating a sustainability culture. This is one of the key pillars of their sustainability strategy: “To create a culture that uses sustainability principles to improve the lives and livelihoods of all of our stakeholders – employees, partners, suppliers, customers, investors and communities.” (Carpets R Us 2012a). Carpets R Us also seeks to reach beyond its operations and work with its supply chain to innovate new products with a lower environmental impact.
- Human Capital - Carpets R Us engages with leaders in the sustainability field and has a number of sustainability advisers such as Amory Lovins and Paul Hawken.

#### **2. Key Activities:**

Carpets R Us' key activities include design, manufacture and disposal of carpets and client management.

#### **Main Impacts on the Five Capitals**

- Natural Capital - Carpets R Us aims to make its factories as environmentally friendly as possible. For instance, many factories have LEED certification to demonstrate the

environmental qualities of the building and conform to ISO 14001 standards (Carpets R Us 2012e). Eight out of nine manufacturing facilities operate with 100% renewable electricity.

Carpets R Us aims to design its carpets to be more flexible – which in turn reduced waste. It produces carpet tiles which this means that flooring can be replaced piece by piece rather than all at once. Carpets R Us is seeking to divert all materials from landfill (Carpets R Us 2012b). It has also developed a Life Cycle Assessment method to understand the impacts of new materials and processes (Carpets R Us 2012b).

### **3. Value Proposition**

Carpets R Us produces premium, durable, attractive, flexible, modular floor coverings. It uses innovative product design and makes carpets to order using global manufacturing facilities.

#### **Main Impacts on the Five Capitals**

- Social Capital - Carpets R Us seeks to influence its customers through publishing the environmental qualities of its products. It has developed Environmental Product Declarations which help customers to understand the impact of the product they are purchasing.

### **4. Customer Segments and Relationships:**

Carpets R Us has global accounts with multinational companies such as IBM (Global) and regional accounts. It targets architects and flooring contractors and operate in commercial markets, both new construction and renovation. Its global accounts tend to be long term and include additional design services. Its relationships with flooring contractors are more more transactional. (Vice President 2012).

#### **Main Impacts on the Five Capitals**

- Human Capital – Carpets R Us is building the capacity of clients to understand more about the sustainability attributes of its products which may lead them to demand more from Carpets R Us and other suppliers.

### **5. Channels:**

Carpets R Us either sells directly to architects or other clients or through third party distributors. It

produces digital samples and then makes carpets to order. It owns and operates product show rooms.

### **Main Impacts on the Five Capitals**

- Manufactured and Natural Capital - running showrooms and offices can help to build manufactured capital but often has a negative effect on natural capital. Carpets R Us' residential showrooms are designed to be low energy, water and use reclaimed materials (Carpets R Us 2012e).
- Social Capital - Carpets R Us' showrooms provide jobs and economic benefit to the local community.

### **6. Revenue Streams:**

Carpets R Us' main revenue streams come from carpet sales to corporate office market. They also have a small revenue stream from providing carpet services.

### **Main Impacts on the Five Capitals**

- Natural Capital- Modular flooring allows worn or damaged carpet to be replaced piece by piece rather than requiring the whole carpet to be replaced. This reduces the need for new, natural resources.

### **7. Key Resources**

Carpets R Us' products are based on petroleum. They use energy to run factories, show rooms, offices and IT and also rely on their staff.

### **Main Impacts on the Five Capitals**

- Natural Capital - Carpets R Us is reliant on fossil fuels for its raw materials and also to run its factories, this has a negative impact on natural capital. Carpets R Us is working on closed loop models and looking to recycle as much as possible (Carpets R Us 2011a). It recognises that reliance on fossil fuels could affect its financial capital as prices can be volatile and the resources are ultimately finite.

### **Evidence of a Restorative Approach**

Carpets R Us' strategy states that: "we hope for Carpets R Us to become a restorative company,

giving back more than we take.” (Carpets R Us 2012a). It believes that it has already made some progress on this journey, as the Vice President explained:

*“all our competitors are on the sustainability journey now....because we’ve educated the marketplace”*

*“we’ve started to not only influence our internal organisation but also people take it into their home lives”* (Vice President 2012)

### *Restorative Products and Processes*

Carpets R Us have rightly recognised that its main sustainability impact comes from the resources that it uses. Ultimately, it is reliant on fossil fuels as it produces carpets made from petroleum. It has responded to this by taking a holistic approach and is taking steps to develop a “closed-loop” model as advocated by Hawken (1995). It is also trying to minimise the waste it produces. As the Vice President explained:

*“nothing should leave our factory that does not add value to the customer”*  
(Vice President 2012)

It has also made progress towards other elements that Hawken identifies as key to a restorative approach. For instance, it seeks to use its used products as source materials for new products by working with its suppliers to develop innovative new materials such as post-consumer nylon. It is generating more renewable electricity, it is developing service as well as product focussed offerings which means it is seeking to make a profit whilst selling less product (Carpets R Us 2011a). It argues that by developing innovative products such as the carpet tile and a tile that does not require adhesive, it is beginning to reduce the need for new products amongst its customers which will ultimately lead to less resource use.

### *Restorative Influence*

It is also seeking to influence beyond its operations by working with suppliers and trying to educate clients. As the Vice President explained:

*“You can be restorative by helping other businesses become more sustainable and by improving the whole living experience of human beings”*

*“more than just environmental sustainability. It has a social dimension and is about*

*educating the marketplace*" (Vice President 2012)

It sees its main opportunity for a restorative approach is through how it influences their operations and staff, value chain and the business world. To do this, it has developed a consultancy service, seeking out speaking engagements and contribute to research projects.

Overall, Carpets R Us fulfils some of Hawken's criteria. It is striving to make more money by selling less and trying to provide some services instead of more product. It is innovating to use more recycled products and is using renewable energy. One could argue that for a fully restorative approach it could aim to be a net producer of renewable energy. Hawken recommends that companies strive to influence beyond their operations which Carpets R Us clearly does, however there is little evidence that they are seeking to enhance biodiversity- the last of Hawken's criteria.

## **5.6 Discussion**

I now compare the three companies, I start by assessing the “story” of their business model (as referred to by Magretta 2002) and identifying the barriers and opportunities they present for a restorative approach. I go on to compare their biggest sustainability impacts using the five capitals framework and identify common evidence of a restorative approach. I also identify some lessons that other businesses could learn from this study. I conclude by making some recommendations for further research.

### **5.6.1 Business model narrative test**

Both Looking Good, Feeling Good and Carpets R Us use resources to create products that are sold to customers who use and dispose of them. They make profit from adding value to the raw materials by processing them. To become sustainable, both companies need to address each part of their value chain to minimise their environmental impact and to maximise their positive social impact. They need to address where and how they source materials, what materials they use, how they are processed, how they are distributed, how they are sold, how they are used and how they are disposed of. Both companies are making efforts in all these areas but only Carpets R Us are beginning to reassess its business model and explore alternatives. By developing carpet servicing models, rather than sales models, the incentive will be for them to make more durable and flexible carpets as the more they are used before disposal will create more profit.

As a retailer, You Fix It has less control over the sourcing of its products and therefore has to work more closely with its suppliers to encourage good sourcing and processing behaviour. It has more interaction with the end user and therefore is encouraging more environmentally friendly behaviour amongst their customers. However, it still makes a profit from selling more product. It could take a more restorative approach by putting in place business models where incentives are in place to encourage customers to only buy what they need and to invest in more durable products. It is beginning to explore this concept and is talking about exploring a rental model which would help to reduce the amount of raw materials needed and reduce the impact on natural capital.

### **5.6.2 Sustainability impacts of their business models**

#### **Natural Capital**

All three companies have a high impact on resource use which erodes natural capital. They all make or sell products that are reliant on natural materials such as oil, agriculture and timber. They are all taking steps to address this either by developing recyclable materials and recycling services

(Carpets R Us), by working to influence their customer and supplier behaviour to make them less resource intensive (Looking Good, Feeling Good) or by focussing on key resources which they use a lot and they have a high amount of influence over (You Fix It).

### **Social and Human Capital**

All three companies are building human and social capital by working with their key partners to reduce their environmental impact and increase their positive social impact. All are working with their staff either through providing training or engagement campaigns. They are working with their suppliers, for example the farmer training supplied by Looking Good, Feeling Good and the ethical audits on factories carried out by You Fix It.

### **Financial Capital**

All three companies are also trying to include sustainability in their value proposition in some way to ensure that it helps to build the financial capital of the companies and contribute to global financial capital. Carpets R Us are innovating its products to make them more flexible and less resource intensive. You Fix It aims to sell more eco-products and Looking Good, Feeling Good is promoting healthy living and hygiene through their products. However, in all three, this approach does not extend to their entire product ranges, they all still produce and sell products which have high environmental impacts and negative social impacts.

All three company's revenue streams rely on selling more products. Some are trying to address this by experimenting with replacing products with services (Carpets R Us and You Fix It) You Fix It are also evolving its business model to have a more direct impact on its customers. By working with the government to deliver the eco-refurbishment project - "The Green Deal", You Fix It will be going into customers' homes directly and installing insulation and other energy saving measures to help its customers to have a lower environmental impact.

### **Manufactured Capital**

All three companies operate offices and stores. Both Looking Good, Feeling Good and Carpets R Us also have factories which help to build manufactured capital. You Fix It also has a positive effect on its customers manufactured capital. By selling home improvement products, it enables its customers to improve their homes. However, it could be argued, that this has a negative effect as it promotes high, and in some cases unachievable, standards of home maintenance and therefore encourages people to buy more than they need.

### 5.6.3 Evidence of a restorative approach

Each company is taking a restorative approach in some way. They fulfil many of Hawken's criteria.

- Products used as the source materials for future goods
- Use of renewable energy
- Striving to increase biodiversity
- Seeking to influence beyond your own operations
- Seek a service orientated rather than product orientated economy
- Seek to make more money by selling less product

Carpets R Us is developing models for recycling its carpets into new products. All companies are seeking to use renewable energy and You Fix It is enabling its customers to use more renewable energy. Biodiversity does not feature as a priority for all companies but some have explicitly made reference for attempting to enhance it where possible (You Fix It). They are all trying to exert influence outside their own operations. They are all working with suppliers, governments, NGOs and customers to try to reduce the impact of their products over all. Both Carpets R Us and You Fix It are examining how they could make a profit by selling less product through service or rental models.

However, through the interviews it became clear that each organisation's approach to making a restorative contribution was very different. Carpets R Us explicitly state that they want to make a restorative contribution: "we hope for Carpets R Us to become a restorative company, giving back more than we take." (Carpets R Us 2012a). It aims to make that contribution through the power of influence, as the Vice President explained:

*"you can be restorative by helping other businesses become more sustainable and by improving the whole living experience of human beings". (Vice President 2012)*

It believes that the net effect of educating and influencing their supply chain, customers, and the wider business world will be restorative. You Fix It takes a more practical approach. It also explicitly states that it wants to make a positive contribution and give back more than it takes out. However, it identifies specific activities such as selling renewable energy equipment and planting trees which will help it to meet this aspiration. In contrast to both the others, the Global Director-Sustainability at Looking Good, Feeling Good stated that:

*"for me, the multiplier is when not only do you drive to reduce the environmental impact but*

*you also strive to maximise the social impact.” (Global Director- Sustainability 2012)*

He believes that the opportunities for doing this will vary according to the product and therefore the approach should be tailored to each product.

All companies see that taking a restorative approach is a business opportunity. They have all taken public leadership positions and therefore see it as a differentiator between them and their competitors. They also recognise that their current business models are reliant on finite resources which poses a risk to their future success. In addition, they see that by seeking a closer relationship with their customers through offering skills training (You Fix It) or training local distributors (Looking Good, Feeling Good) they are improving their profile and their relationship with their customers.

All the companies have ambitious strategies, but there is no evidence that they have achieved a restorative approach so far. For some (Looking Good, Feeling Good and You Fix It) this is because their strategies are fairly new and it remains to be seen whether they will meet their goals and what their net effect will be. The Vice President of Carpets R Us, whose strategy is more mature believes that:

*“in the next 5-10 years we will start to see where we can be restorative” (Vice President 2012)*

#### **5.6.4 Lessons for other companies**

Of course, as these are specific case studies, one can't make generalisations. However, there are some lessons from this study which other businesses could consider applying. The first is that businesses should have a restorative ambition such as You Fix It has done. However, how they achieve it will depend on the nature of their business, the resources they rely on, their market place etc. Therefore, they may wish to take a case by case approach such as Looking Good, Feeling Good has done and identify the opportunity for a restorative approach for each of their products or services individually. The measures taken as a result could then be added up to see whether the company has achieved a restorative approach as a whole.

Secondly, companies should aim to take a restorative approach across all of the five capitals, not just one. Some companies, such as Carpets R Us, take a restorative approach to their activities to enhance social and human capital but aim for a zero harm approach to their environmental

activities. If it aimed to deliberately enhance or restore the environment such as by sanitising more water than it uses in their factories, its factory workers and their families would benefit and be more healthy. Plus this approach could help to build their social capital in their community and therefore improve their licence to operate.

As the area of a restorative approach appears to not be very well studied, companies may find that they have to innovate in order to reach it. You Fix It recognise this and as a result, have made “innovation” one of the four focus pillars of their sustainability strategy. Companies may find that it is difficult to make the case for a restorative approach as it requires individual action which will have collective benefits. For this reason, they may find that they need to work together, across sectors to address joint barriers. They could do this through subject-specific collaborations such as the Round-table on Sustainable Palm Oil.

Lastly, in order to reap the benefits of a restorative approach, companies may find that they need to educate and raise awareness of their supply chains, customers and the wider business sector. This is the approach that Carpets R Us have taken and as a result they are extremely well known amongst businesses that are pioneering sustainability approaches and has won sustainability leadership awards. It has also managed to create a niche in the market for its products.

#### **5.6.5 Recommendations for further research**

Businesses, such as the ones included in this study, are devising strategies and embarking on pilot projects and there is a need for more robust theory to underpin their approaches. For instance, there is a need for further academic research into the key elements of a restorative approach and what the net effect of this approach.

Due to the scope of this study it has not been possible to assess all elements of the research question quite as thoroughly as I would have liked. Therefore, the analysis is at quite a high level and very qualitative. That has meant that no generalisations have been made about business practice as a whole or even leading businesses. There is room for a more quantitative study which could give a more wide-ranging view of the business sector as a whole and assess whether there is a general trend towards a more restorative approach. Alternatively, given more time, a more in-depth study could be conducted into the businesses themselves with further interviews.

Much of the information used in this study has been outlining the businesses strategies and aspirations for the future. They have included many examples of their approach but also have

longer term targets. It would be useful to revisit the companies once they have reached their targets and to conduct an analysis into whether they reached their goals and whether the net effect has been restorative.

## 6. Conclusion

In conclusion, as the environmental challenge facing humanity is so great, it is clear that companies that are leading the sustainable business agenda need to strive to “put back in more than they take out”. How they interpret this will vary between businesses, but the net effect must be positive as we begin to rebuild the “natural capital” that has been destroyed.

By examining three companies that are taking the lead in sustainable business, I have found that they all impact on all the five capitals both positively and negatively. Their products and operations rely on natural capital, whilst their staff, suppliers and customers benefit from enhanced social and human capital. I have also found evidence that they are taking a restorative approach to a greater and lesser extent. Some have made public declarations on the subject (You Fix It, Carpets R Us). All appear to agree that some kind of restorative approach is the right one but each company interprets the practicality of delivering this approach in different ways. You Fix It believe that a restorative approach means literally to give back more than you take out and this has led to pilot projects that will eventually produce more renewable energy than they use in fossil-fuel generated energy. Carpets R Us believes that the best opportunity for a restorative approach is to use its influence on its customers, staff and suppliers. It also seeks to take part in research projects and public speaking platforms to help to educate the business sector and wider society about sustainable business. Looking Good, Feeling Good agrees that some degree of restorative approach is necessary but believes that how this is achieved will vary according to each product. Some products will have a greater environmental impact which can be addressed easily; others will have the opportunity to create more social good.

There are some lessons from these case studies which could be considered by other businesses. For instance, they may wish to have an overall sustainability ambition such as that taken by You Fix It, but apply it to their products on a case by case basis, as Looking Good, Feeling Good has done. To achieve their ambition they will need to innovate their products and services (and potentially their business models). They may also want to learn from the Carpets R Us approach and take a leadership platform to ensure that they reap the benefits of their investment by attracting new customers.

Most of the research for this study has focussed on the companies' sustainability aspirations and strategies. Therefore, one useful area of further research would be to analyse the progress of the companies against their explicit aims in five or ten years' time. It would also be useful to assess whether their strategies have had a net restorative effect on the environmental resources of the

planet or whether they have failed to make an impact.

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## **7. Appendices**

### **Appendix 1- Interview Script**

I am currently studying for an MSC in Business Strategy and the Environment at Birkbeck College, London. As part of my dissertation, I am researching three case studies of companies that are demonstrating leadership in the sustainable business field. The focus of my research is to identify whether leading companies are taking a zero harm approach to society and the environment or whether they are going beyond this, and are beginning to take a restorative approach- to put in more than they take out. I will analyse the business models of the three companies to see where the opportunities for taking this more restorative approach are and whether there is anything within the company's business model which would prevent it. It will be mostly based on the information that is publicly available on the company's website. I will also interview one person from each organisation to get a more in-depth view. All of the case studies will be anonymised.

Thank you very much for agreeing to take part in this interview which will take no longer than 45 minutes. You are free to stop the interview and withdraw at any time. I will ask you nine questions which are listed below. All of the answers you give will be anonymised. This study is supervised by Dr Suzanne Konzelman who may be contacted via email on [s.konzelmann@bbk.ac.uk](mailto:s.konzelmann@bbk.ac.uk).

I am very grateful for your time and in return, will provide you with a summary of my most relevant conclusions in the Autumn.

Firstly, I would like to understand a little more about your company's business model.

1. Where are the main cost areas in your business? I.e stock, running costs, staff etc
  
2. Where do your main revenue streams come from?
  
3. Who are your most important customers?

Now I would like to move on to understand a little more about your company's approach to sustainability.

2. What are your main areas of sustainability activity?

- Where is the main focus of your activities? Does your company focus mainly on environmental sustainability or social sustainability?
- Where are the boundaries of your sustainability approach? Do you focus on your own operations? Do you seek to influence your supply chain or customers? Do you seek to influence government policy?
- Do you think that your company strives to take a restorative approach to sustainability in some areas ie to put back into society and the environment more than you take out?

If so, which areas? Why have you chosen to focus on those areas rather than others?

- What would a more restorative approach look like for your company?
- Do you think businesses should take a more restorative approach to sustainability?

Thank you very much for your time. The interview will be written up into a report of the study for my degree. You will not be identifiable in the write up or any publication which might ensue. If you have any questions or would like to get in touch then please don't hesitate to contact me on [z.legrand@forumforthefuture.org](mailto:z.legrand@forumforthefuture.org) or 07814 406 439.

## Appendix 2: Looking Good, Feeling Good (LGFG) Business Model Analysis<sup>9</sup>

Business Model Element	What is it?	Sustainability Impacts					Opportunities for restorative approach
		Natural Capital	Manufactured capital	Human Capital	Social Capital	Financial Capital	
<b>Key Partners</b>	<p>NGO partners, some issue specific such as Greenpeace (on removing HFC refrigerants), WWF (marine stewardship council) (LGFG 2012f)</p> <p>Shareholders</p> <p>Communities</p> <p>Customers</p> <p>Retailers</p> <p>Staff</p> <p>Farmers</p> <p><b>Sustainability Approach</b> Partnership ie MSC and co-founded rountable on sustainable Palm Oil (LGFG 2012f) Working with the</p>	Suppliers including farmers impact on land management	Factories, Shops	<p>Consumer s- impact on self perception , nutrition etc</p> <p><b>Sustainability Approach</b> : More sustainable brand is a more desirable brand</p> <p>Helping retailers to meet their own sustainability goals.</p> <p>“It inspires people. Our vision to create a sustainable, growing business is motivating for our employees and appealing to people who are considering joining” (LGFG 2012f pg 2)</p>	<p>Impacts on local communities, impacts on local economies, impacts on societal perception of what it is to be a good parent, to be healthy, to look good etc</p> <p><b>Sustainability Approach</b> “[business] will have to see itself as part of society not separate from it. And it will have to recognise that the needs of citizens and communities carry the same weight as the demands of shareholders” (LGFG 2012 pg 1)</p> <p>They believe that this is the only acceptable model of business. If people feel</p>	<p>Business model relies on buying from suppliers at lower prices and a decent margin on selling goods.</p> <p><b>Sustainability Approach</b> Stopping quarterly reporting and operating for the long term</p> <p>Clearly see that sustainability will have a financial benefit and that supply chains are vulnerable to sustainability issues.</p>	<p>Using their key partners to enhance the local community. le only working with suppliers that actively employ the socially excluded, have cooperative models etc.</p> <p>Not much mention of how they really work with the retailers-how much do they seek to influence their own clients?</p> <p>Rainforest alliance certification on some things ie tea</p>

<sup>9</sup> This analysis is based on publicly available material only. Interviews were integrated into the analysis in the main body of the dissertation. The company and references have been anonymised.

	<p>Consumer Goods Forum, The World Economic Forum, the World Business Council for Sustainable Development.</p> <p>Stopping quarterly reporting to shareholders</p> <p>Believe that need to operate ethically for their customers to give them a licence to operate. (LGFG 2012f pg1)</p>			<p>Aiming for diversity. 25% of Directors on their boards are women. Ethnically already quite diverse. More than 50% of their graduate recruits are women.</p> <p>Some staff have sustainability objectives as part of their performance management (LGFG 2012f pg2)</p>	<p>the system is unjust and does not work for them they will rebel (LGFG 2012f pg 1)</p> <p>Working with staff: "Appointed 65 sustainability champions to cover every key function, category and country across the business". (LGFG 2012f pg 2)</p> <p>Working collaboratively across the supply chain and on cross sector groups such as the Sustainable Palm Oil Roundtable and other non-issue specific leaders groups such as World Resources Institute, The Sustainability Consortium,</p> <p>Works with Farmers- aims to engage at least 500,000 small holder farmers and</p>		
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					75,000 small- scale distributors in supply network. By 2020.		
					Partnership fund with farmers.		
<b>Key Activities</b>	Buy, use, dispose  Innovation  Distribution  Running offices  <b>Sustainability Approach</b> Sees sustainability as a fertile area for both product and packaging innovation.  Working to reduce waste produced.  Working on behaviour change campaigns	Main impact in use phase  Farming  Greenhouse gases and water use in factories  Greenhouse gases and water used in offices.  <b>Sustainability Approach</b> Working on sustainable product design including: products with less salt, sugar, fat, recyclable packaging, concentrated detergents, easy rinse conditioners.  Promoting drip irrigation to suppliers and growers has helped to reduce water use and to create better growing conditions	Factories  Deliveries  Refrigeration esp for ice cream.  <b>Sustainability Approach</b> All newly built factories will aim to have less than half the impact of those in the 2008 baseline.  Moving some deliveries from road to sea land double stacking products in trucks – (LGFG 2012f pg20)  Using climate friendly carbon refrigerants .	Skills of suppliers  <b>Sustainability Approach</b>  Distribution initiative to train women entrepreneurs in India to provide door to door sales of LGFG products. Also has partnered with State Bank of India to bring banking services to low-income people. (LGFG 2012f pg 35.)  Behaviour Change programmes: Hand-washing programme, brush day and	Working in developing world means working with small farmers who are often cut off from training and education.  Assessing community impacts of their distribution and their offices/factories.  <b>Sustainability Approach</b>  Aim to engage with at least 500,000 smallholder farmers and 75,000 small-scale distributors in our supply network by 2020.	Running costs of factories/offices Fuel costs of distribution cost of disposal  <b>Sustainability Approach</b> Focus on efficiency	Possible suggestions: Seek to influence and build infrastructure that will help people and supply chain live and operate sustainably beyond their relationship with LGFG.  Factories should aim to be renewable power stations.  Could develop new revenue streams such as new fuel technologies to lower carbon emissions of deliveries, collecting and reusing/recycling waste.

		with fewer fungal and bacterial diseases.  Seeking to improve the energy efficiency of offices including servers and automatic pc shut down. Also increasing the use of telepresence (LGFG 2012f pg 37)	All newly built factories to abstract less than half the water of those in their 2008 baseline.	night campaign			
<b>Value Propositions</b>	Quality products which help people look and feel good.  <b>Sustainability Approach</b> Trying to improve nutrition, hygiene and self-esteem.  Reducing the fat in their products  Provide clean drinking water	Encourage people to consume more and to use more chemicals.  Impacts on natural environment ie water supplies of increasing use of processed products ie soaps polluting rivers.  <b>Sustainability Approach:</b> N/A	N/A	Impacts on health, hygiene and body image.  <b>Sustainability Approach</b>  working to increase nutritional content of their food ie aiming to reduce calories in their ice cream so that it makes a “positive contribution to a healthy diet” (LGFG 2012f pg 17), encourage healthier habits,	Promoting hygiene and personal grooming standards  <b>Sustainability Approach</b> N/A	Premium products to affluent customers also seeking to break into emerging and developing markets more.  <b>Sustainability Approach</b> increase the number of people using soap etc to make more money.	Possible suggestions: Try to discourage consumerism and focus on durability and quality. Aim to actively improve health and nutrition through their products Actively persuade people to use shampoo etc less often. Focus on natural beauty and hygiene habits more. Not focus on external beauty and the ability of products to make you feel good.

				encourage self-esteem through marketing campaign – whilst also promoting higher levels of personal grooming. Working with partners to make more hygienic products things available to lower income people.			
<b>Customer Relationships and Customer Segments</b>	<p>Promote to customers but actually sell to retailers. Seek to stimulate demand through advertising etc.</p> <p>Markets include emerging markets, affluent customers and poorer customers. Aiming for new segments such as male grooming and new channels</p>	N/A	<p>Retailers' stores.</p> <p><b>Sustainability Approach</b> No mention of trying to influence retailers stores.</p>	<p>Beauty products can influence how we see ourselves.</p> <p><b>Sustainability Approach</b> Grow the business by addressing health and nutrition issues. Priority areas, including children and family nutrition, cardiovascular health and weight management</p>	<p>Impact on self-image</p> <p><b>Sustainability Approach</b> Working on behaviour change programmes ie working with schools in Indonesia to train teachers to teach children to wash their hands properly.</p>	<p>Stimulate demand from consumers will stimulate demand from distributors and retailers.</p> <p><b>Sustainability Approach</b> N/A</p>	<p>Possible suggestions: Could work with retailers more- not much evidence of partnership working. Seek to reduce the consumption of the affluent and not increase the consumption of the poorest too much.</p>

	<p>such as e-commerce (LGFG 2012g pg14)</p> <p><b>Sustainability Approach</b> Campaigns and trying to encourage healthy behaviour.</p> <p>Working with micro finance and NGO partners in India to improve the affordability of the purifier for poor people</p> <p>Making low cost, high sustainability products available to poor people ie water purifier.</p>			ent. (LGFG 2012e pg 14)			
<b>Channels</b>	<p>Retailers End user reached via retailer.</p> <p><b>Sustainability Approach</b> Small-scale distribution projects such as direct distribution network of micro entrepreneurs that sell their products.- 45,000</p>	<p>Distributing to retailers. Fuel and refrigerants.</p> <p><b>Sustainability Approach:</b> N/A</p>	<p>Retail outlets</p> <p><b>Sustainability Approach:</b> N/A</p>	N/A	<p>Maintaining shops as a way of people purchasing goods. Good for communities ie employment etc.</p> <p><b>Sustainability Approach:</b> N/A</p>	N/A	<p>Possible suggestions: Seek to influence retailers to encourage people to buy less. Work with retailers to reduce the amount of energy used in their store.</p>

	entrepreneurs have taken part so far.						
<b>Revenue Streams and cost structures</b>	<p>Looking to new markets. Over half of sales are in developing countries-</p> <p>Growth areas include food and home-care. Foods turnover Euro 14bn. Home care-turnover 8.2bn Euros.</p> <p><b>Sustainability Approach</b></p> <p>Sustainability saves the company and the consumer money.</p> <p>Need to grow to create the investment needed in renewable energy, sustainable agriculture etc. (LGFG 2012f pg 2)</p>	<p>FMCG- more resources, not focus on durability.</p> <p><b>Sustainability Approach</b></p> <p>Focus on sustainable sourcing and robust supply chains.</p>	N/A	N/A	N/A	<p>Sales growth grew in 2011</p> <p><b>Sustainability Approach</b></p> <p>“Growth and sustainability are not in conflict. There is no inherent contradiction between the two. In fact in our experience sustainability drives growth” (LGFG 2012f pg 1)</p> <p>“It saves money. Managing our operations sustainably reduces energy, minimises packaging and drives out waste. It only generates cost savings, it can also save the consumer money” (LGFG 2012f pg 2)</p> <p>Brands that have built sustainability into their offer have performed</p>	

						well this year and eco efficiencies in factories have delivered good levels of savings and reducing packaging has reduced costs (LGFG 2012f pg 2)	
<b>Key Resources</b>	<p>2/3rds of raw materials come from agriculture (LGFG 2012e pg 14)</p> <p>Raw materials for packaging including plastics and pvc</p> <p><b>Sustainability Approach</b> LGFG believes there has been a big market failure by capitalism which has failed to put a price on natural capital</p>	<p>Packaging can waste resources and end up in landfill or litter</p> <p>Half of raw materials come from either farms or forests. (LGFG 2012f pg 30.)</p> <p><b>Sustainability Approach</b> Produced guidelines for the sustainable management of five key crops – palm oil, tea, peas, spinach and tomatoes .</p> <p>Working with other major food companies to promote sustainable agriculture practices. (LGFG 2012e pg 14)</p>	<p>Factories built, ice cream cabinets etc</p> <p><b>Sustainability Approach</b> Increasing the use of renewable energy in their factories. Reducing the use of HFC gases in their ice cream cabinets.</p>	<p>Impacts of agriculture on local communities. Impacts of factories on local communities. Impacts of waste on communities.</p> <p><b>Sustainability Approach</b> Working in partnership with farmers rainforest alliance for some products.</p>	<p>Skills of suppliers</p> <p><b>Sustainability Approach</b> Rainforest alliance certification for certain products.</p> <p>Also put farmers in Kenya, Rwanda, Sri Lanka, Indonesia, Turkey through farmer field school.</p>	<p>Costs of raw materials</p> <p><b>Sustainability Approach</b> Cost of raw materials will be affected by sustainability issues so worth investing now to make supply chains more robust and less vulnerable to commodity spikes etc.</p>	<p>Possible suggestions: Aim to produce more raw materials then they use, aim to restore more agricultural land, aim to use more recycled then virgin materials whilst also producing virgin materials. Improving the skills of suppliers so they are more sustainable and efficient and are able to supply other companies Also paying them a living wage.</p>

		<p>Helped to set up MSC (LGFG 2012e pg 14)</p> <p>Focusing first on their top ten agricultural raw material groups which account for two thirds of their volumes ie palm oil, paper and board, soy, sugar, tea, fruit and veg, sunflower oil, rapeseed oil, dairy ingredients, cocoa. Palm oil is number one.</p> <p>Reduce, reuse, recycle their packaging. Working with governments, NGOs etc to help to build the infrastructure needed for recycling post-consumer waste. Working to reduce PVC use in their packaging.</p> <p>Specific brands have sustainability elements including fair trade ice cream</p>					
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		brands, sustainable sunflower oil and targets for cage free eggs.					
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**Key Sustainability Aspirations and Targets (looking especially for restorative targets)**

- Three key ambitions:
  - “Help more than a billion people to improve their health and well-being
  - Halve the environmental footprints of our products allow us to source 100% of our agricultural raw materials sustainably” (LGFG 2012f)
  - By 2020 help more than a billion people to improve hygiene habits and bring safe drinking water to 500 million people.
- By 2020 will double the proportion of their portfolio that meets highest nutritional standards.
- Halve greenhouse gas impact of products across the life-cycle by 2020
- Halve water associated with consumer use of our products by 2020
- Halve waste associated with the disposal of products by 2020
- By 2020 will source 100% of our agricultural raw materials sustainably
- By 2020 will engage with at least 500,000 smallholder farmers and 75,000 small scale distributors in our supply network.

**Key Opportunities for Restorative Aspirations**

- Stories of good practice ie hand washing etc only focus on the good aspects ie 25% of their food portfolio met the highest nutritional standards based on globally recognised dietary guidelines- that meant that 75% doesn't. 61% of their products met target salt equivalents to 5g per day, ignores the fact that many LGFG products encourage more consumption amongst all including the poorest.
- Need to find a way of making more money by selling less.
- Still sell unhealthy products- may need to stop some product lines altogether.
- Working with governments and NGOs to improve recycling and waste infrastructure is really good. Will help to reduce waste and increase recycling overall not just for LGFG products.
- Main good things – behaviour change and hygiene programmes, but main bad things – promoting high standards of personal grooming.

### Appendix 3: You Fix It (YFI) Business Model Analysis<sup>10</sup>

Business Model Element	What is it?	Sustainability Impacts					Opportunities for a restorative approach
		Natural Capital	Manufactured capital	Human Capital	Social Capital	Financial Capital	
<b>Key Partners</b>	<p>Shareholders Suppliers Staff Communities Customers Others including NGOs, Government.</p> <p><b>Sustainability Approach</b></p> <p>Purpose is to enable customers to have better, more sustainable homes. Also wants to create more shareholder value and be a better partner to suppliers.</p>	<p>Natural resources used to create products.</p> <p>Waste from the production and transportation of products Impact of running of suppliers businesses/factories.</p> <p>Impact of customers' homes.</p> <p>Customer travel to and from store Staff travel to and from store.</p> <p>Use of energy for computer when using online service.</p> <p><b>Sustainability Approach:</b> Focus of carbon reduction targets on energy and transport-</p>	<p>Suppliers' businesses /factories</p> <p>Customers' homes</p> <p><b>Sustainability Approach:</b> N/A</p>	<p>Customers: DIY skills, empowerment</p> <p>Suppliers: jobs/training</p> <p>Staff: jobs/training</p> <p><b>Sustainability Approach:</b> Want to make sustainable living easier for their customers and provide in-store information about eco-products to help to educate their customers.</p> <p>In 2011 estimated that through the use of their energy efficient products and services, B&amp;Q customers have saved 2,513m kwh of energy. (YFI 2012c pg 16)</p> <p>Also run eco-DIY courses for their customers (YFI 2012b pg</p>	<p>Communities</p> <p><b>Sustainability Approach</b> Working to improve the skills among community groups and through projects that support national timber industries (YFI 2012c pg 10)</p> <p>Cash and in-kind donations to charity and community projects (YFI 2012c pg 62)</p> <p>Supporting specific charity community projects including mobile health clinic in South Africa to reach people affected by AIDs. (YFI 2012c pg 62)</p>	<p>Suppliers and staff need to be paid</p> <p>Shareholders and customers provide finance</p> <p><b>Sustainability Approach:</b> Self-help initiatives which targeted an improvement in cash returns from every part of the group.</p> <p>Aim to demonstrate relevance to the business by aligning community projects and investments with business vision and strategy,(YFI 2012c pg 56)</p>	<p>YFI are already providing opportunities for customers and staff to improve their skills.</p>

<sup>10</sup> This analysis is based on publicly available material only. Interviews were integrated into the analysis in the main body of the dissertation. The company and references have been anonymised.

		<p>not including customers or staff. But does include business travel and freight.</p> <p>Working to understand supply chain impacts.</p> <p>Working to ensure greater supply chain transparency (YFI 2012c pg 4).</p>	<p>52)</p> <p>YFI- France working to encourage sustainable travel by customers (YFI 2012b pg 29)</p> <p>Employees are allowed one day off per year for volunteering (YFI 2012c pg 64)</p> <p>29% of management positions are filled by women (YFI 2012c pg 75)</p> <p>Sustainability objectives for all group executive directors (YFI 2012b pg 109).</p> <p>Aim to integrate sustainability principles into performance management systems for all senior managers across the group (YFI 2012c pg 71)</p> <p>Run apprenticeships and training programmes.</p> <p>Thinks that development</p>	<p>Aim for every store and location to support local community groups and equip people with skills.</p> <p>Suppliers: Performs ethical audits on suppliers factories (YFI 2012c pg 88 )</p> <p>Work with NGOs at a strategic level and on specific campaigns</p> <p>Works with government on specific initiatives ie Green Deal-eco refurbishment project.</p> <p>Aim to build programmes within communities that are both sustainable and scalable, ensure that operating companies and sourcing offices share the group community strategy but can implement it</p>		
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				of 11 core brands across the group will help them to work more consistently with suppliers. (YFI 2012c Pg 87)	in a local way. Want to help create a community spirit of skills swapping as well as helping individuals to increase their skills. And want to support local regeneration projects. (YFI 2012c pg 57)		
<b>Key Activities</b>	Retail through shops and online.  <b>Sustainability Approach</b> Exploring new markets which will shift some of their key activities ie home energy assessments and eco installations .	Stores require construction, maintenance materials and energy and website requires energy to run.  <b>Sustainability Approach:</b> Aiming to reduce direct carbon emissions and those emitted by their customers' homes. In 2011, estimated that their customers saved 2,513m kwh of energy through the use of their energy efficient	Build stores Data centres  <b>Sustainability Approach:</b> Building innovation: Launched an eco-house refurbishment to demonstrate to customers how they could refurbish their homes (YFI 2012b 2010/11).	N/A	Stores provide face to face interaction which provides jobs and can provide a sense of community	N/A	N/A

		<p>products and services. (YFI 2012c pg 16.)</p> <p>Reduced carbon footprint by 5% in 2011/12 from 2010/11 baseline (YFI 2012c pg 24)</p> <p>In 2011 recycled 65% of waste (YFI 2012c pg 105)</p> <p>Overall CO2 emissions from transport reduced by 3% in 2011 (YFI 2012c pg 108)</p>					
<b>Value Propositions</b>	<p>Providing equipment and goods to customers so they can improve their homes.</p> <p>Convenience- all products under one roof.</p> <p>Low prices.</p> <p>DIY training courses.</p> <p><b>Sustainability Approach</b></p>	<p>Encouraging people to improve their home can lead to more resource use.</p> <p><b>Sustainability Approach</b> Beginning to look at rental models.</p>	<p>Well maintained buildings can last for longer</p> <p><b>Sustainability Approach:</b> N/A</p>	<p>Focus on up-skilling the individual</p> <p>Providing convenience and value for money</p> <p><b>Sustainability Approach:</b> N/A</p>	<p>Bringing people together through their shops and providing face-to-face interaction. Could more DIY lead to building professionals being out of work?</p> <p><b>Sustainability Approach</b> N/A</p>	<p>DIY can help customers to save money on hiring professional builders.</p> <p>Provide value for money products</p> <p><b>Sustainability Approach:</b> N/A</p>	<p>Possible Options: Only encourage customers to buy as much as they need or rent and return, to minimise resource outlay in the first place</p> <p>Could focus on selling only very durable, recyclable products.</p>

	<p>Providing people with the products and skill to make their homes more pleasant. Also looking into rental models for some products to reduce the need for natural resources.</p>						
<b>Customer Relationships</b>	<p>One off transactional relationship . Or multiple transactional relationships.</p> <p>Either online or face to face.</p> <p>Mass market segmented into:  “Everyday DIYer”- traditionally a young male but increasingly female,  “Project Initiator” - people who pay other people to do the job for them- 75% female</p>	<p>Customer travel.</p> <p>Customer demand for low cost products which need a lot of resources.</p> <p><b>Sustainability Approach</b>  Working to empower customers to take action against deforestation and forest degradation through well-informed purchasing decisions (YFI 2012c pg 4)</p>	<p>Need to have shops and data centres which require energy to run</p> <p><b>Sustainability Approach</b>  See approach to carbon above</p>	<p>Benefits of customers face to face interaction with human beings- see above.</p> <p>Enabling people to improve their skills.</p> <p>Enabling small businesses to thrive by providing low cost supplies.</p> <p><b>Sustainability Approach</b>  Increasing online tutorials. Easy to use stores.</p> <p>Want to enable customers to live sustainable lifestyles through buying their eco-products.</p>	<p>The fact that they have shops is good for social capital but they could be depriving local hardware shops of business.</p> <p><b>Sustainability Approach</b>  Aim to creating a community of DIYers</p>	<p>Cost of maintaining stores  Cost of customers coming to stores</p> <p>Affordable prices for the mass market.</p> <p><b>Sustainability Approach</b>  N/A</p>	<p>Possible Options:  They could aim to reduce the number of stores and drive trade online which would reduce the resources they need but may impact negatively on social capital. Would also need to be powered by renewable energy.</p>

	and “Trade Professional”- time is important and they may expect to negotiate discounts			le energy saving lightbulbes, water butts and aerating showers, bird boxes, seeds and low VOC paint. (YFI 2010/11b pg 2)			
<b>Channels</b>	<p>Face to face Online Mail order</p> <p>Face to face is the largest part of the business.</p>	<p>Operation of stores.</p> <p>Travel to and from stores.</p> <p>Energy used for data centres.</p> <p><b>Sustainability Approach</b> Energy reduction and carbon emissions reduction targets ie 20% reduction in CO2 from direct transport impacts by 2020.</p> <p>Invested in high efficiency vehicles and also dual fuel trials using bio methane.</p> <p>YFI- France is working to increase deliveries by rail and water. (YFI 2012c pg 109)</p> <p>Working to</p>	<p>Building of stores</p> <p>Impact of freight on roads</p> <p><b>Sustainability Approach</b> Eco learning stores</p>	<p>Benefits of face to face contact (see above)</p> <p><b>Sustainability Approach</b> N/A</p>	<p>Shops can build communities but out of town shopping centres can damage communities . Many YFI stores are out-of-town.</p> <p><b>Sustainability approach</b> N/A</p>	<p>Real stores more expensive than online stores.</p> <p><b>Sustainability approach</b> N/A</p>	<p>Possible Options: They could seek to build local social capital by working with local businesses for distribution.</p>

		screen out harmful chemicals have screened 26,000 product lines so far. (YFI 2012c pg 114.)					
<b>Revenue Streams and Cost Structure</b>	<p>Customers-want value for money and trade customers expect discounts.</p> <p>Competitors include small hardware shops and other large retailers.</p> <p>Revenue streams from selling more product.</p> <p>Innovation costs ie new eco-products.</p> <p>Product cost including packaging.</p> <p>Some main cost areas: Staff costs ie wages, salaries, retirement costs 61.6%.</p> <p>Taxes and social</p>	<p>Low prices can encourage people to buy more and therefore use more resources.</p> <p><b>Sustainability approach</b> N/A</p>	N/A	<p>Affordability of products allows people to spend the extra money on something else. Could also empower people to improve their homes. Helps to build equality as everyone can afford to live in a nice home.</p> <p><b>Sustainability approach</b> N/A</p>	N/A	<p>Revenue streams build financial capital and costs erode it</p> <p><b>Sustainability Approach</b> FTSE4Good and Dow Jones Sustainability Index, also included in carbon performance leadership index by carbon disclosure project.</p> <p>Hold SRI road-shows to attract socially responsible investors.</p>	<p>Possible options: Could move towards a rental model so less resources are used.</p>

	<p>security 18.2%.</p> <p>Shareholders dividends 6.3%.</p> <p>Others including lenders interest, community investment, cash donations.</p>						
<b>Key Resources</b>	<p>Products ie timber.</p> <p>Staff/labour (<i>included under Key Partners</i>).</p> <p>Packaging including plastic bags.</p> <p>Assets including stores.</p> <p>Online platform.</p>	<p>Large impact on natural resources including timber, plastics, metals, chemicals.</p> <p>Running of stores and assets has an environmental impact in terms of construction materials and energy use.</p> <p>Online platform requires energy.</p> <p><b>Sustainability approach</b> Over aim to to make people's homes "energy positive" (YFI 2012c pg 18).</p> <p>Working to reduce</p>	<p>Assets/stores Data centres require construction materials to build and maintain and energy to run.</p> <p><b>Sustainability approach</b> Reduce energy to a minimum including in-store energy use, business travel. Has invested in low carbon technology such as a flagship low energy store with CHP etc.</p> <p>Aim to ensure that all YFI operating companies</p>	<p>Able to leverage scale to bring more sustainable products to more customers.</p> <p>Staffing and training bringing employment and education</p> <p>Marketing and advertising could be used for sustainability messaging.</p> <p><b>Sustainability approach</b> Working with British Government on Green deal to try and increase energy efficiency in UK homes (YFI 2012c pg 18).</p> <p>Working on some behaviour change</p>	<p>Unsustainable use of resources such as timber and chemicals could have negative effect on local communities and source communities.</p> <p><b>Sustainability approach</b> YFI haven't framed the problem in this way.</p>	<p>Cost of purchasing, cost of running assets and data centres.</p> <p>Reduced debt from £1.6bn to £88m.</p> <p>Invested £1.4bn to grow and improve the business (YFI 2012c).</p> <p>Reducing packaging and increasing recycling saves money as landfill tax is increasing.</p> <p>Resource efficiencies such as energy efficiency can also lead to financial savings.</p>	<p>Aiming to impact beyond their boundaries. Staff engagement campaign to encourage employees to reduce their carbon impact – 6,000 employees signed up to the campaign and received a free energy saving pack (YFI 2010/11 pg 2).</p> <p>YFI recognise that they have to collaborate closely with governments, business and civil society to improve the availability of globally sourced timber. Also have to continue to work with forest</p>

		<p>packaging ie through using sustainable packaging for mail order etc. and have a packaging road map including optimisation, recyclability and recycled content, closed loop initiatives, traceability, data and reporting. (YFI 2012c pg 116).</p> <p>Aim to sell more eco-products: £1bn sales of eco products, accounting for 10.5% of total retail sales across the group (YFI 2011/12 pg1). Eco products defined as “help customers reduce their environmental impact or have specific environmental credentials eg made from recycled materials” (YFI 2010/11 pg 2) Also working with NGOs to</p>	<p>demonstrate best practice in sustainable construction. (YFI 2012c pg 118)</p> <p>Looking for opportunities to enhance biodiversity in the locality ie YFI- Russia undertook a biodiversity study for a new construction site in Moscow which highlighted opportunities to enhance the habitat of local species of birds, insects and flora. (YFI 2012c pg 119)</p>	<p>campaigns ie raising awareness of energy-saving techniques through participation in Start UK and YFI- Spain launching a promotional campaign to highlight savings that can be made through energy and water efficient devices (YFI 2012c pg 19)</p>		<p>Working to secure supply chains ie sustainable timber can help to reduce financial risk to companies.</p> <p><b>Sustainability Approach</b> Aspiration to reduce total environmental impact while still growing business</p> <p>Looking at new business models ie rental trial in 2012. (YFI 2012c pg 48)</p>	<p>standard setting organisations to make sure that independent certification delivers. (YFI 2012c pg 2)</p> <p>Possible options: Aim to produce more renewable energy than you use.</p> <p>Change business model so make more by selling less.</p> <p>Use closed loop models.</p>
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		<p>develop closed loop models.(YFI 2010/11b pg 4)</p> <p>Aim to ensure that every YFI produce is remade, recycled, reused or biodegradable. (YFI 2012c pg 41).</p> <p>Aim to: change business models so that they use less resources and to provide more and expand eco-product ranges into mainstream markets (YFI 2012c pg 39).</p> <p>Aim to source 86% of timber from well managed sources across the group (YFI-UK- 100%) (YFI 2012c pg 2).</p> <p>Identifies strategic challenges as: 1. Challenging normal</p>					
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		<p>business paradigms to move towards more sustainable patterns of production and consumption .</p> <p>2.To reduce our total environmental impact while still growing the business” (TFI 2010/12 pg 2).</p> <p>Aim to reduce and remove chemicals from their products and to work with their suppliers to achieve this. Also innovating such as producing a low-chemical white spirit. (TFI 2010/11 b pg 1)</p> <p>Working to reduce energy use of offices and stores ie through green ICT initiatives (YFI 2012c pg 29).</p> <p>Achieved an overall reduction in carbon</p>					
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		<p>footprint and waste disposed across the group this year. (YFI 2012c pg 103)</p> <p>Working on local forestry projects to try and reduce the amount of carbon miles associated. (YFI 2012c pg 3).</p> <p>Still aim to: advance alternative technologies, work with other retailers and government to improve waste reduction and recycling, work with providers to scale up energy saving technologies, work with supply chain to identify and remove hazardous chemicals, strengthen focus on climate adaptation, improve waste data, work to reduce single use</p>					
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		<p>bags, create more cross learning across companies” (YFI 2012c pg 104).</p> <p>Uses peat- but is transparent, trying to reduce its reliance on peat and has joined a government task force to do this.</p>					
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**Key Sustainability Aspirations and Targets (looking especially for restorative targets)**

- YFI “go beyond sustainability, to no longer strive for neutrality but to seek to make a positive contribution to the world's future. Our philosophy is that we should eventually be able to put more back than we take out- to be “net positive” (YFI 2012c)
- Timber: Global vision: global net reforestation. Aspiration: Aim is to create more forest than it uses.
- Energy: Global vision: All homes are zero carbon or net generators of energy. Aspiration: Aim is to make every home zero carbon or where possible, a net energy producer.
- Innovation: Global vision: Creating and consuming products wastes nothing, Aspiration: Aim is to ensure that every product is remade, recycled, reused or biodegradable
- Communities: Global vision: Big business is a local force for good, Aspiration: Aim is for every store and location to support local community groups and equip people with skills” (YFI 2012c pg 1) three other priority areas too- employees, suppliers and partners and the environment.
- Sustainability is a key driver for strategy - “we can't be a leader if we don't create a sustainable business model for the long term” (YFI 2010/11 pg1)

**Key Opportunities for Restorative Aspirations**

- Energy, resources esp timber, communities
- Innovation- seeking to close the loop but not to produce more than it uses.
- Aim to make more money out of selling less.
- Seek to influence suppliers and customers

## Appendix 4: Carpets R Us Business Model Analysis<sup>11</sup>

		Sustainability Impacts					
	What is it?	Natural Capital	Manufactured capital	Human Capital	Social Capital	Financial Capital	Opportunities for Restorative Approach
<b>Key Partners</b>	<p>Shareholders-finance Staff-labour Suppliers-raw materials Key suppliers-raw materials from multiple suppliers but only 2 supplying yarn Manufacturers</p> <p>Exclusive, special relationship with David Oakey Designs for design and innovation.</p> <p><b>Sustainability Approach</b> Sustainability advisors ie Amory Lovins, Paul Hawken, Jonathon</p>	<p>Environmental costs of a global business with manufacturing plants which ship products around the world</p> <p><b>Sustainability Approach</b> Worked with suppliers to create post-consumer recycled nylon.</p>	<p>Factories and HQs</p> <p><b>Sustainability Approach</b> Factories have ISO 14001</p>	<p>Jobs, job satisfaction and development. Inspiration for suppliers and other businesses</p> <p><b>Sustainability Approach</b> “We will strive to create an organization wherein all people are accorded unconditional respect and dignity; one that allows each person to continuously learn and develop.” (CRU 2012a) Charismatic CEO combined with simple story helps to inspire staff, those they work with, customers and other businesses</p> <p>Aim to</p>	<p>Impact on local communities Impact on customers and the environment in their buildings</p> <p><b>Sustainability Approach</b> Encouraging people to demand environmental transparency Developed “Fair works” product line which considers social as well as environmental impacts”(CRU 2012a) Social focus is on volunteering and philanthropy not helping communities through the way they do business ie hiring policies etc.</p>	<p>Giving money to suppliers, paying wages to staff International relationships mean they are subject to political, economic and other uncertainties.</p> <p><b>Sustainability Approach:</b> N/A</p>	<p>Possible options: They could seek to use more, smaller manufacturers servicing local market. This could help to spread the human and financial capital but could be less efficient.</p> <p>They could seek to actively employ people from the local area, especially those that have poor access to jobs.</p>

<sup>11</sup> This analysis is based on publicly available material only. Interviews were integrated into the analysis in the main body of the dissertation. The company and references have been anonymised.

	Porritt			create a culture that uses sustainability principles to improve the lives and livelihoods of all of our stakeholders – employees, partners, suppliers, customers, investors and communities. (CRU 2012)			
<b>Key Activities</b>	<p>Design Manufacture Disposal Servicing</p> <p>Customer relationships when supplying carpets directly, through third parties and servicing.</p> <p><b>Sustainability Approach</b> Carpet tiles so reduce the amount of carpet that has to be wasted and more flexible. Seek to</p>	<p>Designing low resource, high durability carpets can reduce impact on natural capital.</p> <p>Energy and resources used to manufacture.</p> <p>Disposal affects landfill</p> <p><b>Sustainability Approach</b> Seeking to divert all materials from landfill. By 2012 had diverted</p>	<p>Environmental and social impacts of their buildings and factories.</p> <p><b>Sustainability Approach:</b> “Reduced building footprints by adopting best in class green building standards, with six LEED certified facilities around the world, including the first LEED CI Platinum space.” (CRU 2012b)</p>	<p>Influence on customers</p> <p>Factory workers</p> <p><b>Sustainability Approach:</b> Seeks to engage customers and staff in sustainability activities.</p>	<p>Influence on customers</p> <p><b>Sustainability Approach:</b> Launched first “Environmental Product Declarations” (EPDs) in their to provide more transparency for customers</p>	<p>Manufacturing their own carpet may provide more control but may not be the cheapest way.</p> <p><b>Sustainability Approach:</b> N/A</p>	

	have efficient factories seek to service carpets rather than dispose of them entirely.	over 100,000 tonnes of material from landfill. Developed LCAs to understand the impacts of new materials and processes (CRU 2012b)					
<b>Value Propositions</b>	<p>Warm, clean, soft, durable, flexible floor covering.</p> <p>Innovative product design and development capabilities. Made to order and global manufacturing capabilities.</p> <p>Prides itself on innovation, based on its introduction of the carpet tile.</p> <p>“High quality, reliability and premium positioning in the</p>	<p>Providing new carpets regularly which uses raw materials.</p> <p>Encouraging customers to replace their carpets regularly,</p> <p><b>Sustainability Approach</b> Innovating to reduce resource use ie designed glue-less tiles. (CRU 2012b)</p>	<p>Helps to maintain floors better which means they last longer.</p> <p><b>Sustainability Approach</b> Provides a carpet servicing offer which helps customers to maintain their carpets better.</p>	<p>Helping to keep people warm and clean and living in a nice looking, aesthetic environment. This can impact positively on people's home and working lives.</p> <p><b>Sustainability Approach</b> N/A</p>	N/A	<p>Reliant on customers wanting to change their flooring regularly and a high standard of maintenance.</p> <p><b>Sustainability Approach</b> Costs of complying with environmental protection laws and regulations have not had a material adverse effect on financial conditions or results of operations in the past and are not expected to in the future (CRU 2011b)</p>	<p>Moving to a more servicing approach- leasing carpets.</p> <p>Possible options: Only provide carpets when customers really need them, always offer to maintain carpets before supplying new ones.</p>

	<p>marketplace” (CRU 2011a pg 3)</p> <p>Provides custom samples quickly and on-time delivery of customized final products. (CRU 2011a pg 3)</p> <p><b>Sustainability Approach</b> Asking customers to demand transparency. Enabling customers to have a more flexible and less wasteful approach to carpets.</p> <p>Offers customers an environmentally friendly product-market differentiator.</p>						
<b>Customer Relationships and</b>	Global- ie target markets include China,	Having operations around the world has	Ensure that buildings have durable, attractive	Working globally may mean that they have to	Face to face relationships can have a positive impact on	Exposed to the fluctuations of the construction	Possible options: Could seek to only work with customers that

<p><b>Customer Segments</b></p>	<p>India, Eastern Europe, Germany, Italy. Operate in 110 countries.</p> <p>Operate mainly in commercial markets – both new construction and renovation. Also have sales in retail space, government institutions, schools, healthcare facilities, tenant improvement space, hospitality centres, residences and home office space. but targets include education, hospitality and retail.</p> <p><b>Sustainability Approach</b> N/A</p>	<p>impacts on fuel use due to transportation needed.</p> <p><b>Sustainability Approach:</b> N/A</p>	<p>floor coverings. Can reduce maintenance and prolong the life of the floor.</p> <p><b>Sustainability Approach:</b> N/A</p>	<p>comply with different human rights codes and legislation. They may find that they have to monitor suppliers carefully to ensure they are adhering to human rights legislation.</p> <p><b>Sustainability Approach:</b> N/A</p>	<p>social capital.</p> <p><b>Sustainability Approach:</b> N/A</p>	<p>industry which is often affected badly by the state of the economy.</p> <p><b>Sustainability Approach</b> Diversified customer base is good. Not too reliant on one customer.</p>	<p>have a sustainability approach.</p> <p>Could commit to working with customers to help them become more sustainable.</p>
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<b>Channels</b>	<p>Directly or through third party distributors. Use digital samples and then make carpets to order.</p> <p>Have product showrooms or design studios in US, Canada, Mexico, Brazil, Denmark, England, Northern Ireland, France, Germany, Spain, Belgium, the NIs, India, Australia, Japan, Italy, Norway, United Arab Emirates, Russia, Singapore, Hong Kong, China.</p> <p><b>Sustainability Approach:</b> N/A</p>	<p>Travel to and from show rooms. Energy required to run show rooms. Ability to influence third party suppliers.</p> <p><b>Sustainability approach:</b> N/A</p>	<p>Building and refurbishing show rooms etc</p> <p><b>Sustainability approach:</b> N/A</p>	<p>Interacting face to face with show room staff which can have a positive effect on human and social capital.</p> <p><b>Sustainability approach:</b> N/A</p>	<p>Providing jobs and economic benefit to local community through show rooms etc.</p> <p><b>Sustainability approach:</b> N/A</p>	<p>Might be cheaper to have more online but also might have an adverse effect on sales, where they are reliant on personal relationships.</p> <p><b>Sustainability approach:</b> N/A</p>	<p>Possible options: Could aim to drive more customer relationships online. This may be difficult as the product may need to be felt before buying.</p>
<b>Revenue Streams and Cost Structure</b>	<p>Specified, high-end nature and position of premium</p>	<p>Focus on flexibility and durability mean less resources</p>	<p>Their business model relies on producing the carpets themselves</p>	<p>N/A</p>	<p>High end so are not appealing to bottom of the pyramid markets.</p>	<p>Main revenue stream from corporate office market. Very reliant on</p>	<p><b>Possible Options:</b> Could seek to educate customers more and</p>

<p>e</p>	<p>products in the market place.</p> <p>Main revenue stream from corporate office market.</p> <p>Appealing mainly to organisations and corporates.</p> <p>Largest manufacturer of carpet tiles in the world.</p> <p>Competitive factors: brand recognition, design, service, broad product lines, product performance, marketing strategy and pricing. quality, service, design, better and longer average product performance, flexibility and convenience of their modular</p>	<p>are needed. Modular design also helps with this.</p> <p><b>Sustainability Approach</b> Invented the carpet tile so enables more flexible flooring and therefore the whole carpet doesn't need to be replaced so often.</p>	<p>in factories.</p> <p><b>Sustainability Approach</b> N/A</p>		<p>Making offices nicer but not providing services to poorer communities.</p> <p><b>Sustainability Approach</b> N/A</p>	<p>construction sector which, traditionally, is very vulnerable to fluctuations in the economy and recession.</p> <p><b>Sustainability Approach</b> Spread across different sectors including public, private and to a lesser extent residential.</p>	<p>communicate the financial value of sustainability more.</p> <p>Could provide offers to deprived sectors of the community. Could use corporate sector to subsidise work in other sectors.</p>
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	<p>carpets are principal competitive advantages. (CRU 2011b).</p> <p>Increasing strategic focus on product design and marketing to non-corporate office sectors inc govt, education, healthcare, hospitality , retail and residential whilst maintaining leadership position in corporate office market segment.</p> <p>Specific quotes given for specific jobs- so difficult to get an understanding of true value for money.</p> <p><b>Sustainability Approach</b>  Mix of fixed and</p>							
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	<p>variable costs in the manufacturing processes allow them to increase production without significant increases in capital expenditures or fixed costs. (CRU 2011b, pg 4).</p> <p>Current financial crisis effecting availability and liquidity and credit. Could affect ability of customers to obtain financing for significant purchasing and operations. Could lead to customers delaying or cancelling new build or renovation projects.</p>						
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<p><b>Key Resources</b></p>	<p>Petroleum based product.</p> <p>Energy to run showrooms and factories.</p> <p><b>Sustainability Approach</b></p> <p>Aim to “learn to meet our raw material and energy needs through recycling of carpet and other petrochemical products and harnessing benign energy sources” (CRU 2011b)</p>	<p>Basing on fossil fuels is depleting earth's resources and maintaining demand for oil.</p> <p>Also using fossil based energy to produce carpets.</p> <p><b>Sustainability Approach</b></p> <p>Aim to use more recycled materials and eventually wean themselves off fossil fuels entirely. Also trying to reduce energy use from fossil fuels.</p> <p>Also working on pilot projects to use existing waste such as fishing nets to create new materials- helps creates local livelihoods as well as</p>	<p>Need oil extraction and manufacturing facilities.</p> <p><b>Sustainability Approach</b></p> <p>Trying to wean off fossil fuels for products and use benign energy sources.</p>	<p>Effects on staff working in factories with lots of chemicals.</p> <p>Negative effects on climate change for whole planet.</p> <p><b>Sustainability Approach:</b></p> <p>Recognises environmental impact and trying to reduce this.</p> <p>Also working on pilot projects which help to provide livelihoods for local people and reduce waste.</p>	<p>N/A</p>	<p>Reliant on stable petrol prices. When petrol prices fluctuate “could adversely affect our financial results if we are unable to pass through such price increases to our customers” (CRU 2011b)</p> <p><b>Sustainability Approach</b></p> <p>Trying to get away from petrol and rely more on recycled goods.</p>	<p>Already working to develop new markets for their recycled fibres.</p> <p>Possible options: Could aim to produce more energy than they use.</p> <p>Could aim to create a market beyond carpets for their recycled materials.</p> <p>Relying more on their own recycled products means that they can have more control over costs and therefore have a more stable financial outlook.</p>
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		reducing resource use.					
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**Key Sustainability Aspirations and Targets (looking especially for restorative targets)**

- Plan to eliminate any negative impact the company may have on the environment by 2020. (CRU 2011b pg 1)
- Aim to “leaving the world a better place than when we began, and we will be restorative through the power of our influence in the world.” (CRU 2012a).
- The fundamental of nature became guides for how to run our business - using renewable energy, fitting form to function, recycling everything, creating no waste. Using these lessons, we set similar goals for our business, to run on renewable energy, to eliminate waste from our operations, to recycle and then reuse the materials from our products.” (CRU 2012a)
- “What’s next? In the future, we hope to not only change our business, but help others to change theirs - beyond the collaborative networks we participate in today. We hope for Carpets R Us to become a restorative company, giving back more than we take. We believe in the power of influence to restore both our economy and our environment. We think the lessons we’ve learned have relevance for others, so we talk about our journey every chance we get.” (CRU 2012a)
- Identified seven key targets for sustainability including benign emissions, renewable energy, closed loop approach, efficient transport, working with stakeholders and redesigning their business model (CRU 2012a)

**Key Opportunities for Restorative Aspirations**

- Could aim to influence clients to only use what they really need
- Ramp up their carpet servicing offer to reduce the amount of resources needed
- Aim to produce more renewable energy then they use.
- Restorative aspirations seem to be about using the lessons learnt to influence others- which is important but not seeking to create anything for the environment, or to produce more energy then it uses etc. Also, not v specific about improving the impact on the community.

**Overall Comments:**

- Aspires to be ecologically “sustainable” - get to the point where it “is no longer a net “taker” from the earth and do no harm to the biosphere” (CRU 2011a pg 3).
- See sustainability as providing a differentiating advantage.
- Focus on leadership and the power of influence: “Our leadership, knowledge and expertise in this area, especially in the “green building” movement and the related LEED certification program, resonate deeply with many of our customers and prospects around the globe, and these businesses are increasingly making purchase decisions based on “green” factors. As more customers in our target markets share our view that sustainability is good business and not just good deeds, our acknowledged leadership position should strengthen our brands and provide a differentiated advantage in competing for business.” (Carpets R Us 2011a, pg 11)
- To be the first company that, by its deeds, shows the entire industrial world what sustainability is in all its dimensions: People, process, product, place and profits — by 2020 — and in doing so we will become restorative through the power of influence. (CRU 2011a)