The Role Of Sustainability Frameworks In Developing Policy

Posted on July 31, 2022

Introduction

Innovation and Sustainability are considered two critical factors for the organization (Liu and Stephens, 2019). Innovation is the creation and sharing of knowledge within and beyond organizations, and sustainability is the introduction of sustainable processes and features in their product innovation methodologies that impact society, the environment and the economy positively (Azevedo and Barros, 2017). Moreover, the companies' brand image and reputation are also largely determined by their production strategies when consumers are very conscious of their green energy usage, product recycling and human development activities (Chofreh and Goni, 2017). Consequently, the profit and growth of the companies are heavily dependent on their sustainability efforts and policies (Liu and Stephens, 2019).

However, it is not convenient for any organization to investigate the parameters that help them, as well as their customers, to evaluate the performance and impacts of the business operations (Chofreh and Goni, 2017). In this regard, several sustainability frameworks have been developed by various organizations to assist practitioners in their decision-making practices regarding sustainability and provide them with substantial guidelines for implementing the most effective strategies. The following paper investigates the GRI (Global Reporting Initiative) sustainability framework adopted by BMW Australia to investigate its positive and negative impacts on the policy development of the company as compared to other prominent frameworks, i.e. TBL (Triple bottom line), CERES and Natural Step.

Sustainability Policy of BMW Australia

Considering the importance of having a proper CSR policy, BMW Australia adopted the GRI framework to formulate its role in promoting sustainability practices across its all-production lines. In compliance with the guidelines of the framework, the company issues its Sustainability Value Report on an annual basis that outlines its initiatives throughout the years and their impact on sustaining the environment and the society along with the future roadmap (Sukitsch, Engert and Baumgartner, 2015). According to Isaksson and Steimle (2009), GRI was established in 1997 as a non-profit organization to promote environmental, social and economic sustainability. Its guidelines are now the most prominent and widely used across different sectors in the world (Fernandez-Feijoo, Romero and Ruiz, 2013). The initiative developed a standard for organizations to report on their sustainable efforts and developments, which is followed by more than eighty per cent of the top 250 companies (Wolff et al.,

2020).

The standard is further categorized into three sub-standards, namely GRI 101, 102 and 103, which are used to report on general information about the company, while there are 33 other standards which are primarily focused on specific topics such as the economy (GRI 200), society (GRI 400) and environment (GRI 300) (Wolff et al., 2020). In this regard, BMW Australia has adopted certain standards, which are quantitatively and qualitatively reported in the report issued collectively by the BMW Group. These standards are primarily followed to improve the quality and transparency of the content of the report. Furthermore, there are certain principles, as highlighted by Fernandez-Feijoo, Romero, and Ruiz (2013), that ensure that sustainability is well-grounded. These include balance, accuracy, comparability, timeliness, clarity, and reliability.

Similarly, Fonseca, McAllister and Fitzpatrick (2014) have listed the three primary elements of GRI, which provide complete direction on “how to report” and “what to report”. Their elements are the reporting procedures that include quality and content principles and performance indicators; sector supplements that provide additional guidance regarding sector-specific matters; and indicator protocols that provide definitions and methodological and technical procedures for all performance-based indicators. According to Hahn and Lülfs (2013), the company’s adoption of this framework is very useful in highlighting its performance based on the information disclosed voluntarily and maintaining strong relations with the stakeholders and the customers. This notion aligns with the economics-based voluntary disclosure theory and helps BMW Australia to effectively address the concerns presented by different regulatory authorities and generate favourable impressions among NGOs, media and policymakers to preserve the organizational legitimacy (Hahn and Lülfs, 2013).

Moreover, the GRI guidelines have substantially improved the CSR practices of BMW Australia and have developed a comprehensive understanding of the manufacturers regarding the essential instruments of the sustainability policy. As a result, BMW Australia has made significant changes in its organizational structure to establish CSR departments and introduce appropriate management and communication tools and measures (Sukitsch, Engert and Baumgartner, 2015). Moreover, the company has made sustainable efforts with regard to the GRI guidelines to efficiently respond to some of the most prominent topics such as energy, education, consumption, emissions, waste, biodiversity and freedom of association. This shows that the adoption of the GRI framework has been very useful for MBW in attaining a competitive position in the automotive sector, which is undergoing the intense challenge of developing sustainable activities (Sukitsch, Engert and Baumgartner, 2015).

On the other hand, Fonseca, McAllister and Fitzpatrick (2014) discussed that GRI-based reports could also deceive the decision-makers who are primarily focused on enabling sustainable practices in business. Furthermore, according to (Wolff et al., 2020), although the GRI has backed significantly the ‘‘dissemination of sustainability reporting,’’ it does not provide an effective platform for the company and its stakeholders to interact and decide on sustainable policies. Also, as pointed out by Hahn and Lülfs (2013), the reporting of negative aspects on the annual sustainability value report can disturb the company’s relationship with its stakeholders, which can further affect the impartiality of the

report required as per the GRI guidelines. Therefore, it is necessary to characterize the negative aspects and develop a compliant scheme accordingly to mitigate the danger of dominance of stakeholders' perception of the content of the report (Hahn and Lülfs, 2013). Because other frameworks of policy development, namely TBL (Triple bottom line), CERES and Natural Step, unlike GRI, only focus on certain dimensions of CSR, their adoptions are not more useful for BMW Australia. Moreover, GRI is relatively credible as compared to other frameworks.

Conclusion

As explained above, corporate sustainability is the leading factor in determining the success of any company and its competitive position in the market. Moreover, to ensure the continuous growth of the business, organizations are compelled to incorporate social and environmental aspects of their operations along with the conventional economic perspectives. Therefore, BMW Australia has adopted the GRI framework in its policy development, which has brought significant improvements to the company's sustainability practices. However, the GRI framework has certain limitations which must be addressed effectively by the company to optimize its sustainability policy.

References

Azevedo, S. and Barros, M. (2017). The application of the triple bottom line approach to sustainability assessment: The case study of the UK automotive supply chain. *Journal of Industrial Engineering and Management*, 10(2), p.286.

Chofreh, A.G. and Goni, F.A. (2017). Review of Frameworks for Sustainability Implementation. *Sustainable Development*, 25(3), pp.180–188.

Fernandez-Feijoo, B., Romero, S. and Ruiz, S. (2013). Effect of Stakeholders' Pressure on Transparency of Sustainability Reports within the GRI Framework. *Journal of Business Ethics*, 122(1), pp.53–63.

Fonseca, A., McAllister, M.L. and Fitzpatrick, P. (2014). Sustainability reporting among mining corporations: a constructive critique of the GRI approach. *Journal of Cleaner Production*, [online] 84, pp.70–83. Available at: https://www.sciencedirect.com/science/article/pii/S0959652612006440 [Accessed 13 Jun. 2020].

Hahn, R. and Lülfs, R. (2013). Legitimizing Negative Aspects in GRI-Oriented Sustainability Reporting: A Qualitative Analysis of Corporate Disclosure Strategies. *Journal of Business Ethics*, 123(3), pp.401–420.

Isaksson, R. and Steimle, U. (2009). What does GRI-reporting tell us about corporate sustainability? *The TQM Journal*, 21(2), pp.168–181.

Liu and Stephens (2019). Exploring Innovation Ecosystem from the Perspective of Sustainability: Towards a Conceptual Framework. *Journal of Open Innovation: Technology, Market, and Complexity*, 5(3), p.48.

Sukitsch, M., Engert, S. and Baumgartner, R. (2015). The Implementation of Corporate Sustainability in the European Automotive Industry: An Analysis of Sustainability Reports. *Sustainability*, 7(9), pp.11504–11531.

Wolff, S., Brönner, M., Held, M. and Lienkamp, M. (2020). Transforming automotive companies into sustainability leaders: A concept for managing current challenges. *Journal of Cleaner Production*, 276, p.124179.