



Sustainability Transition Strategy

Trabajo de Grado

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2024



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## **Glossary**

### **B Impact Assessment**

The B Impact Assessment evaluates how your company's operations and business model impact your workers, community, environment, and customers. (B Lab, n.d.-a)

### **B Lab**

Is the nonprofit network transforming the global economy to benefit all people, communities, and the planet. (B Lab, n.d.-b)

### **Butterfly Model of Circular Economy**

Is a visual framework that illustrates the principles of the circular economy. (Milgro, 2022)

### **CSRD (Corporate Sustainability Reporting Directive)**

The CSRD is an EU regulation mandating companies to report their social and environmental impact. (SAP, n.d.)

### **EMS (Environmental Management System)**

Is the system by which a company controls the activities, products and processes that cause, or could cause environmental impacts and in doing so minimises the environmental impacts of its operations. (UK Government, 2016)

### **ESG**

Environmental, Social, and Governance; is a framework used to assess an organization's business practices and performance on various sustainability and ethical issues. (TechTarget, n.d.)

**ESRS (EU Sustainability Reporting Standards)**

Detailed standards for sustainability reporting within the EU under the CSRD. (UNEP Finance Initiative, n.d.)

**Green Deal**

EU initiative aiming to make Europe climate-neutral by 2050 through sustainable policies. (Council of the European Union, n.d.)

**GRI Reporting**

Is the independent, international organization that helps businesses and other organizations take responsibility for their impacts, by providing them with the global common language to communicate those impacts. (Global Reporting Initiative, n.d.)

**PDCA Model**

Plan-Do-Check-Act; a continuous improvement cycle used in quality management. (American Society for Quality, n.d.)

**SBTi Criteria**

Science-Based Targets initiative; criteria for setting emission reduction goals aligned with climate science. (Science Based Targets initiative, 2017)

## Resumen

Este proyecto de consultoría, llevado a cabo por cuatro estudiantes del Máster en Negocio Sostenible e Innovación de EADA Business School, tuvo como objetivo ayudar a iClotet, una empresa manufacturera catalana, a avanzar en sus esfuerzos de sostenibilidad. Guiados por asesores y utilizando metodologías como la Evaluación de Impacto B, el proyecto evaluó si iClotet se beneficiaría más de un Informe de Sostenibilidad o de una Estrategia de Transformación de Sostenibilidad. Después de realizar entrevistas internas exhaustivas, investigación, benchmarking de competidores y visitas in situ, el equipo recomendó una Estrategia de Transición de Sostenibilidad, que la empresa acordó que generaría el mayor valor.

El entregable final incluyó un informe detallado que describía los resultados de la Evaluación de Impacto B, el análisis de riesgos y oportunidades, y las recomendaciones estratégicas clasificadas por Período de tiempo (Corto plazo, Medio plazo, Largo plazo), Costo (Bajo, Medio, Alto), Ejecución (Personal interno o externo requerido) y Complejidad (Bajo, Medio, Alto). El objetivo era mejorar las prácticas de sostenibilidad, permitiendo a iClotet posicionarse como líder en ESG dentro de su industria.

Un aspecto clave destacó la importancia de abordar los riesgos ESG, la participación de las partes interesadas, lograr "victorias rápidas" a corto plazo y fomentar el impacto a largo plazo. Este proyecto ofreció un valioso aprendizaje para el equipo, a la vez que proporcionó a iClotet herramientas accionables para un futuro sostenible.

### Palabras Clave

Sostenibilidad, reporte de sostenibilidad, estrategia, España, B Corp, BIA

## **Abstract**

This consulting project, conducted by four students from EADA Business School's Master of Sustainable Business & Innovation, aimed to assist iClotet, a Catalan manufacturing company, in advancing its sustainability efforts. Guided by advisers and using methodologies like the B Impact Assessment, the project evaluated whether iClotet would benefit more from a Sustainability Report or a Sustainability Transformation Strategy. After comprehensive internal interviews, research, competitor benchmarking, and on-site visits, the team recommended a Sustainability Transition Strategy, which the company agreed would create the most value.

The final deliverable included a detailed report outlining B Impact Assessment results, risk and opportunity analysis, and strategic recommendations classified by Timespan (Short-term, Medium-term, Long-term), Cost (Low, Medium, High), Execution (Internal or External Personnel required), and Complexity (Low, Medium, High). The objective was to enhance sustainability practices, enabling iClotet to position itself as a leader in ESG within its industry.

Key insight highlighted the importance of addressing ESG Risks, stakeholder engagement, achieving short-term "quick wins", and fostering long-term impact. This project offered valuable learning for the team while providing iClotet with actionable tools for a sustainable future.

## **Key Words**

Sustainability, Sustainability report, Strategy, Spain, B Corp, BIA

## 1. Executive Summary

Our team consists of four students involved in EADA Business School's Master of Sustainable Business & Innovation. With the help of our adviser, the university, and the companies, we have the great opportunity to conduct a consulting project relating to sustainability and strategy transformation. Our task was to provide iClotet, a Catalan manufacturing company, with documentation and an analysis on their current situation to decide between two paths, entailing either a sustainability report equivalent or a sustainability strategy for the deliverable of the project. The objective behind the task was to understand what would bring the company the most value. After internal interviews, research, an on-site visit, experiencing some limitations, and using the B Impact Assessment, to calculate their score, we understood that creating a sustainability transformation strategy would have the highest positive impact.

The deliverable to iClotet was a report, outlining the results from the B Impact Assessment, different risks and opportunities with the proposed strategy, recommendations based on the areas from B Lab, and how the strategy should be implemented. The objective of the report was to enhance existing sustainability practices and build on them to assist in iClotet's long-term goal, to be certified and be a leader in their industry in terms of ESG.

With the experience gained from the project, we understood some key learnings. First, our team sees that ESG risks are crucial for companies to watch for and see value in. We then could acknowledge that a sustainability transformation strategy required engagement and acceptance from all stakeholders involved, which we communicated clearly to iClotet, who has great potential to make a positive impact by adopting our proposed recommendations. Lastly, we learned that iClotet can focus on achieving quick wins in the short-term but has the tools necessary to create a lasting impact to help the company grow in an ever-changing world.

## **2. Acknowledgments**

It has been a privilege to work with iClotet, a Catalan company that specializes in the manufacturing industry. Our team focused on finding opportunities for the firm to implement sustainability into its operations. We appreciate Mr. Joan Caba, the CEO of iClotet, for taking the time to engage with us, teach us more about the company, and offer advice on our progress throughout the project. His kindness, knowledge, and passion for the company brought great value to our team. We would like to thank Gemma Mestre, our tutor, for giving us insights on our work, and further guidance on how to approach the project. Our team is very grateful to our professor and adviser, Federica Massa Saluzzo, for her commitment towards our achievements throughout. The final project has transformed us and will assist us in future ventures in the business world.

## **3.Executive summary**

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#### **4. Description of the methodology**

Our team conducted a specific process of data collection and analysis to gain a better perspective on various ESG reports, iClotet's structure and competitors, the company's current commitments towards ESG initiatives, and different strategies the company can adopt in order to improve their efforts towards becoming more sustainable. Because the objective of the project was to build an ESG report and find opportunities of certification, the team needed to investigate more

about the company, how ESG reports function, and what could help iClotet ease into the sustainability transition.

To start with data collection, we needed to understand the different aspects of an ESG report and the regulations that specify what data needed to be disclosed. Looking at reports from Deloitte and other relevant documents, the group had a better understanding of the ESG report and where iClotet could gain value from the research. Furthermore, the secondary research assisted the team in looking more into the industry, finding competitors and clients to gain knowledge of their ESG efforts. Looking at companies such as Brambles, Marel, and Frontmatec, the team analyzed data that can be useful in formatting iClotet's future report. Benchmarking ESG reports from the competitors in the industry, the company assisted our group in identifying which areas they had implemented and what they needed to continue to work on.

In order to achieve the goals of the project, our team collected primary research from the company. It included taking a visit to the company in Mollerussa, a city in the Catalan region of Spain, receiving documents that detail what KPIs iClotet has made progress in, and filling in the B Impact Assessment tool to see where the company stands in terms of B Lab's standards: governance, workers, community, environment, & customers. However, after the analysis of the current scenario, communicating with the company, and limitations due to timing, we decided to take a different route that would bring iClotet more value than an ESG report.

We understood that, since iClotet's size does not fall under the current regulations set by EFRAG (European Financial Reporting Advisory Group), the firm would benefit from a sustainability transition strategy. From the results of the B Impact Assessment, we looked at the areas where the company could improve, creating recommendations that aligned with both B Lab's questions and the current situation of the business. With this, our team needed to go further into

how iClotet could find success in the strategy we proposed. From secondary research, the company can implement this strategy with a change management process based on Judson's Five-Steps. From our research, both primary and secondary, our group discovered that iClotet did not need an ESG report, but a strategy for them to adapt to the current state of sustainability and ESG matters.

## **5. Company Overview**

### **5.1. Company Description**

iClotet, a company under the group, Ignasi Clotet SLU, has over seventy years of experience in the manufacturing industry, supplying solutions for industrial process automation around the globe. The group contains several brands: Iclopal, Iclomeat, Iclolog, and Upandbike. With their expertise, iClotet provides automation to all of these areas within the group.

Iclopal specializes in the mechanization of the inspection and repair lines of pallets. They achieve this through different steps such as infeed and destacking, inspection and sorting, distribution and traceability, repair and QC, stacking and outfeed, and a buffer called B-Overflow. iClotet works closely with pallet companies around the world to better automate and repair pallets.

Iclomeat is a brand that specializes in the automation of transporting up to 250 kg of pigs and cattle through an overhead system. They provide different types of railing such as manual birrail rail, a manual or automatic tubular rail, and a manual or automatic semicircular profile rail. Stabilization chambers, rapid cooling chambers, and the return of hooks are the different applications of storing and moving carcasses.

Iclolog specializes in the automation of overhead warehouses for heavy unit loads. This brand helps solve customer's want of innovation within product movement flow. These warehouses include: infeed, sorting, storage, indexing, expedition, and return. The goal of this area is to improve the movement of large goods, the flow production, and security of products that are stored.

Upandbike provides smart parking for bikes, using iClotet's technology to store and move the bicycles in an efficient manner. Through future developments of this brand, iClotet seeks to provide mobility in urban areas in a safe and sustainable way.

## **5.2. Mission, Vision, & Defining the Purpose**

The company's vision is to "be a reference as a supplier of Automation Industrial systems by means of the competence of our team" while ensuring the sustainability of its operations and the importance of the environment. Their mission is to be diverse, excellent, and putting customers to the forefront of the business. iClotet shares values such as innovation, environmental protection, social justice, and continued efforts to excel at what they do.

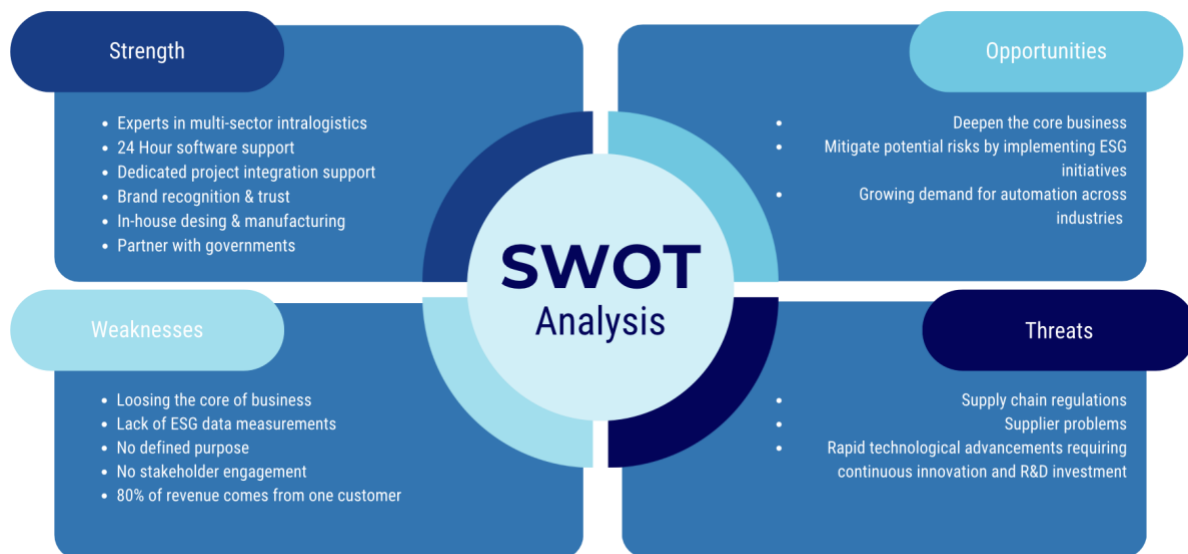
iClotet wanted to work on their purpose to answer the question of: Why are we designing and manufacturing industrial automation systems? To focus on the reason, we defined the company's purpose as: iClotet's purpose is to provide mobility and opportunities to communities around the globe through quality industrial process automation, a high level of expertise, and a

commitment towards a positive impact on the environment. With a clear purpose, iClotet can communicate to its stakeholders the reasoning behind the business.

## 5.3 Analysis of the Organization

### 5.3.1. SWOT

Figure 1 SWOT



Source: Own elaboration

Despite its 50+ years of experience and strong client relationships built on personalization and support, iClotet faces the need to integrate sustainability practices into its operations. As the

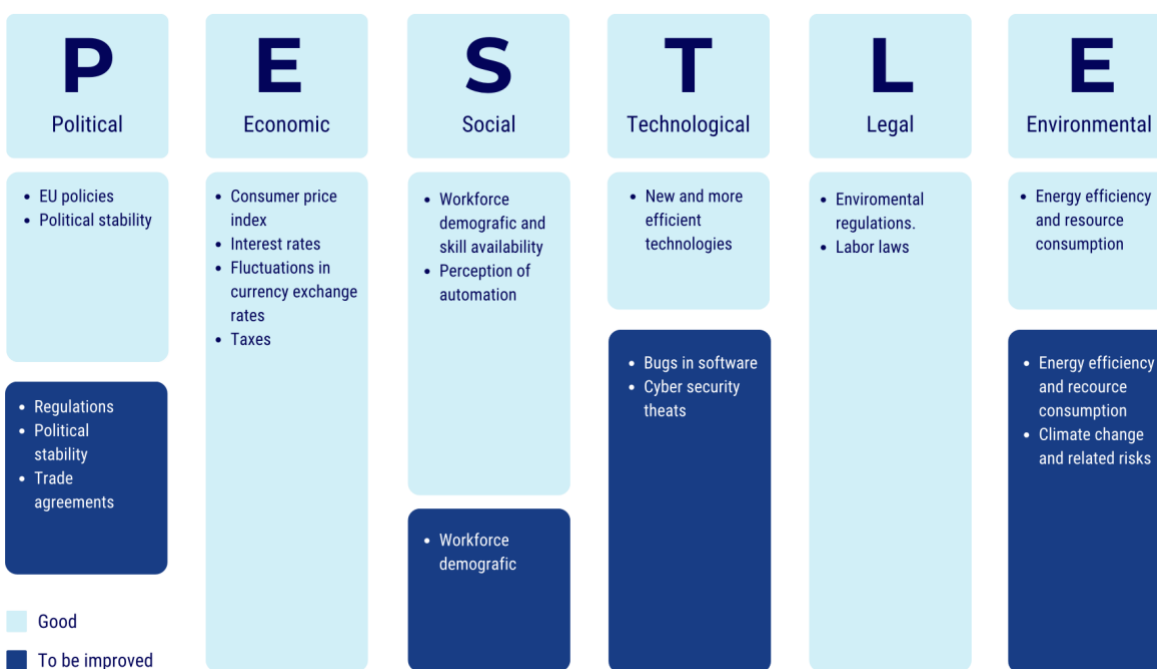
EU enacts stricter environmental, social, and governance (ESG) regulations, proactive adoption of ESG strategies will mitigate future regulatory risks and enhance overall efficiency.

The recent decision to diversify by launching ventures outside iClotet's core business area carries potential risks of diluting the company's focus. Furthermore, iClotet's heavy reliance on a single customer for 80% of sales necessitates customer base diversification to reduce risk exposure. Similar logic applies to the supplier base – diversification strengthens risk mitigation.

Technological advancements pose a significant threat if iClotet fails to maintain a strong focus on research and development (R&D). Continued investment in R&D is essential to ensure the company remains competitive in the face of evolving technological landscapes.

### 5.3.2 PESTLE

Figure 2 PESTLE



Source: Own elaboration

iClotet currently enjoys a favorable PESTLE analysis (Political, Economic, Social, Technological, Legal, Environmental), and several key trends demand ongoing attention from leadership. The evolving regulatory landscape, particularly the European Union's emphasis on Environmental, Social, and Governance (ESG) practices, necessitates proactive adoption of ESG principles within iClotet's operations. This strategic shift will ensure compliance with upcoming regulations and potentially unlock new market opportunities.

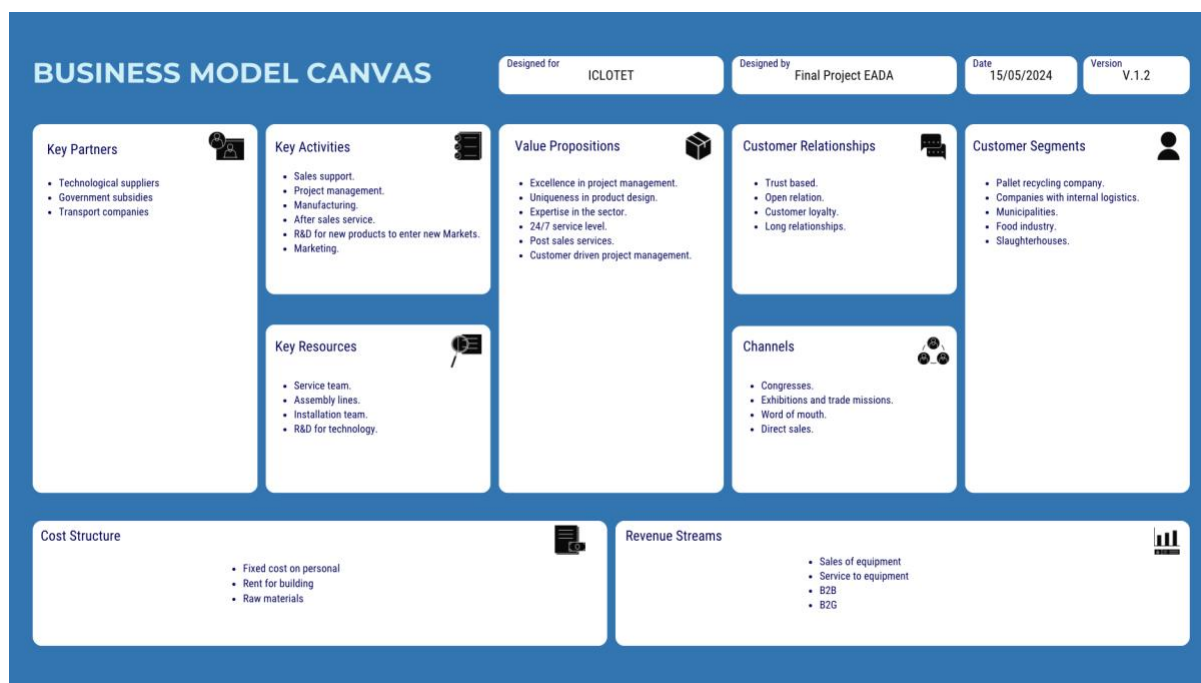
Close monitoring of political developments, both domestically and internationally, is crucial. Since they do not only operate in Spain or within the EU but worldwide. Political instability can disrupt supply chains, impact resource availability, and influence consumer behavior. iClotet should develop contingency plans to mitigate potential risks associated with political uncertainties.

The rapid pace of technological advancements necessitates sustained investment in research and development (R&D) initiatives. Focusing on cutting-edge software development will allow iClotet to maintain a competitive edge and adapt to evolving market demands while also providing exceptional customer service, including ensuring smooth operation and addressing resource consumption concerns. The company must continuously evaluate and enhance its customer support infrastructure to maintain this competitive advantage.

Finally, the growing global focus on climate change necessities that iClotet implements sustainable practices throughout its operations. This includes minimizing resource consumption, exploring eco-friendly alternatives, and potentially developing solutions that address climate challenges. By proactively addressing these critical PESTLE factors, iClotet can ensure its long-term sustainability and continued success in the evolving global marketplace.

### 5.3.3. Business canvas

Figure 3 BUSINESS MODEL CANVAS



Source: Own elaboration

While iClotet boasts strong customer relationships across diverse segments, enhancing its value delivery model deserves attention. Currently, limited physical touchpoints exist, with most interactions occurring through third-party locations or exhibitions. Establishing a dedicated space to showcase products directly to customers would strengthen value communication. iClotet possesses compelling value propositions, but optimizing delivery methods presents an opportunity for further improvement.

Identifying a company's core resources and activities is crucial. iClotet excels in this area, with these elements prioritized within its business model. Although existing partnerships are beneficial, opportunities for expansion lie within this domain. Collaboration with a wider range of stakeholders fosters a richer flow of valuable data and diverse perspectives, ultimately propelling growth across all aspects of the business.

iClotet demonstrates financial stability through a diversified revenue stream, mitigating dependence on any single source of income. However, the potential for improvement exists within their cost structure. A comprehensive analysis that meticulously identifies and incorporates all relevant costs associated with the business model would enable the development of targeted cost-reduction strategies. This approach will further solidify iClotet's financial foundation.

#### ***5.3.4. Stakeholder Analysis***

For iClotet we have identified nine stakeholders that have the biggest presence in iClotet's ecosystem as a company.

Table 1 Stake Holder Analysis

<b>Stakeholder</b>	<b>About</b>	<b>Importance</b>
Customers	Two types of customers: CHEP and Pallet pooling. Both private	HIGH
Government		HIGH

<b>Stakeholder</b>	<b>About</b>	<b>Importance</b>
Workers		HIGH
Lleida university	work in creating a partnership for student training and placement	HIGH
Regulatory agencies		MID
Community	Social projects, partnership with the government to “test” products in the city, internship programs	MID
Suppliers	Groups: mechanical components, automation-components and actuators	LOW
Industry associations	They are sector-based: packaging, mobility, water, etc.	LOW
Community groups	Upandbike: Cyclist advocacy groups, urban planning committees	LOW

Source: Own elaboration

## **6.The challenge**

### **6.1 What is Sustainability**

The term “sustainability” appeared for the first time in the late 80’s, in the Brundtland Report produced by several countries for the UN. However, reactions related to the destruction of nature due to industrial growth had started even earlier in two different waves described by Weber & Soderstrom 2012: The first wave was in the 19<sup>th</sup> century the Industrial Revolution, the movement included action anti-pollution along EUA and Europe, some legislations started to be created, but it was getting bigger. The second wave in the 1960s, summed up a criticism against capitalism after World War II and was based on the growth of science (Bergquist, 2017). This wave of environmentalism had the same concern and focus as the first one, but it achieved a mass movement with little strength to change the industrial model. After that, the world has been passing through distinct transformations related to the environment, as shown in the studies of Hoffmann and Bansal in 2012.

In this current wave, it is possible to see the difference between the level of attention on this theme, also the mindset of the customers has been changing and the impact of this is felt by the companies in different industries. Currently, the challenge for many companies is how to use this wave to create a competitive advantage. However, many companies still get confused with terms and don’t know how to start the transition to sustainability, including a sustainable strategy.

## **6.2 Defining the Challenge for iClotet**

The project with iClotet proves this misunderstanding, the initial challenge provided by the CEO was around the necessity of communicating better what were the actions taken by the company to its clients. This project could be materialized by an ESG Report that, as a consequence, would generate an intern demand for understanding and mapping the current actions, impact, and reading of the outcomes generated by these actions, in order to evaluate the company's sustainability performance. Therefore, the outputs aligned between the consulting team and the company were: ESG report, in order to communicate better with clients and update the B Impact Assessment (BIA) once started in 2021 by the company, to evaluate the sustainability performance.

### ***6.2.1 Defining the Final Key Objective***

Throughout the process, with the support of the professor and all the information gathered, our group of students conducted an analysis of the first phase. Some key points raised were:

1. Sustainable Practices: The company has been implementing sustainable practices, particularly in social aspects, through its core business, Iclopal. This includes social projects and effective people management, as well as the implementation of a circular economy by reusing pallets instead of producing new ones. This approach conserves resources and lowers costs for clients.

2. New Ventures: The company has launched two new businesses: Upandbike and Kauai. Upandbike focuses on green mobility by providing safe parking for bikes, encouraging people to cycle more and reduce CO2 emissions from transportation. Kauai deals with water purification using new technology for the food industry.

From the information gathered in the first phase, it was clear that the company aspires to become more sustainable. However, there is still work to be done, including mapping current actions and measuring their impact. Beyond the ESG report and B Corp assessment, was identified a need for the company to adapt to a new, sustainability-focused model. This involves leveraging the company's 70 years of experience and expertise in industrial automation to continue innovating in line with market demands.

Based on these findings, the students proposed to the CEO a shift in focus from merely delivering an ESG report to developing a comprehensive strategy for transitioning to sustainability.

### **6.3 The Value of Solving This Challenge**

“ESG intentionally emphasizes a company’s commitment to creating enduring, sustainable value.”(Laurent Capolaghi & Renaud Labye, 2023). For iClotet this focus on ESG will potentially deliver these four key values; risk reduction, increased brand reputation, increased efficiency, and recruitment and retention of employees. These four can all directly or indirectly generate monetary value.

### ***6.3.1 Risk Reduction***

“Environmental, social, and governance (ESG) risks are the largest threat facing corporations today.” (Jeff Schumacher, 2023).

According to the World Economic Forum, there are certain risks attached to the industry iClotet is a part of. Concerning ESG they include; corporate governance, advanced energy solutions, electricity, the future of the environment, sustainable development, circular economy, energy transition, climate crisis, water, air pollution, gender inequality, the fourth industrial revolution, job creation, education, and future of work (World Economic Forum, n.d.). There is no doubt that there are many risks linked to iClotet, where a strategic focus on ESG initiatives and positive outcomes can help mitigate the potential and certainly negative consequences of these risks.

### ***6.3.2 Brand Reputation***

As ESG is getting more attention both from companies and customers it's therefore necessary to understand what effect it has on the customer journey, or even if it has an effect at all.

With more and more studies on the topic, there is now a common consensus that there is a growing trend in which environmental and social responsibility have an influence on the consumer's decision-making, making the company more desirable (Reichheld et al., 2023). Being transparent about ESG activities and outcomes can enhance its reputation which builds loyalty and trust (Tripopsakul & Puriwat, 2022). Transparency and authenticity are important keywords when it comes to brand reputation, especially in the light of ESG as many customers are increasingly wary of greenwashing (Jordan Bar Am et al., 2023).

The increased attention has also made it an attractive topic to research, although it may be challenging to conclude on questions related to consumer behavior. A large number of studies on this topic have been done by surveys which - specifically in the case of measuring behavior - are prone to biases like response bias (*Survey Bias*, n.d.).

### ***6.3.3 Efficiency***

In a study by Bain and EcoVadis (2023) where they examined 100,000 companies, they pointed out that not every analysis they did showed a positive correlation between ESG initiatives and financial performance; however, neither did it show any positive correlation to negative financial performance. This is linked to the fact that there are a large number of factors that have influences on a company's financial performance which makes it difficult to isolate ESG initiatives. The study follows up by pointing out that even though there might not be a positive correlation with every aspect of initiatives, there is a correlation between strong positive ESG

outcomes and financial results. Increased monetary value boils down to the positive effect of the outcomes, not just by implementing the actions. Direct outcomes with big financial impacts are related to the environmental part of ESG, particularly decarbonization and waste reduction through increased efficiency (Mark Golovscenko et al., 2022). These two are also a part of iClotet 's risk picture that we touched on earlier.

As a component of the ESG, the S covers - amongst other things - employees and by that diversity. The same study from Bain and EcoVadis - as previously mentioned - found a correlation between women on the executive team and the company's financial results. This is further supported by a report from McKinsey (Dame Vivian Hunt et al., 2015) where it is stated that “More diverse companies, we believe, are better able to win top talent and improve their customer orientation, employee satisfaction, and decision making, and all that leads to a virtuous cycle of increasing returns”. A focus on a diverse workforce can therefore lead to indirect monetary value.

As a private company in Spain iClotet does not fall under any legislation from the EU related to ESG reporting. ESG practices can help a company stay ahead of environmental regulations that may be covering companies of their size in the future, and avoid potential risks connected to them. This can contribute to a perception of being a responsible and well-managed company.

### ***6.3.4 Recruitment and Retention***

Focus on ESG and can bring value to the process of recruitment and retention of employees. In a study on ESG's impact on employee retention with a focus on Generation Y and Generation Z, (C. Christopher Lee et al., 2023) found that - all though the magnitude did vary a bit across the two generations - environment and social-related ESG outcomes had a significant impact on employee retention, but governance did not have a significant impact.

We can link this to social identity theory (H. Tajfel, 1978) we connect our self-concept to our place in social memberships where they extract a sense of pride and self-esteem. As humans, we are looking for a sense of identity in the workplace, since this is one of the natural groups that we are members of. The job embeddedness theory then connects this sense of having your identity matched by your group to feeling satisfied in your workplace and therefore more likely to be a valuable member (B. C. Holtom & B.S. O'Neill, 2024).

A company's workforce can be its most important competitive advantage as the skills, knowledge, and abilities of the employees make up the human capital of the company. It's a resource it's hard for competitors to copy (Ryan Pendell, 2022). By having an ESG center approach to business the company can more easily attract the right employees. As we previously saw, some of the risks for iClotet are related to the workforce in the sense of work creation, education, and the future of work. By focusing on ESG initiatives in the area of workforce like diversity and inclusion, and training and development iClotet could potentially decrease the risk related to their working capital by retaining and recruiting to drive value creation.

## **7.Discussion**

### **7.1 Redesigning Mission and Purpose and ESG Structure**

For the first phase of the project, we dedicated ourselves to understanding ESG structure, and understanding about the company through data gathering from primary and secondary sources. The investigation is dedicated to research around the company, including hierarchy, structure, production process, clients, history, facilities, and workers. Around data gathering, that involves getting data from the company, including reports and documents related to controls and actions aimed at the environment, social workers, clients and governance. This phase would count with information from documents and interviews. Also, secondary information about the market, industry, and competitors.

The phases were defined and aligned with iClotet, in order to work on this project together, it was defined as a weekly meeting with the CEO to follow up the phases and address the next steps.

For the investigation phase, our group was divided into purpose and mission, ESG report structures, and B certification. Each study group had to dive into the subject, methodologies, and tools needed to go forward. In parallel with the research, our group also did research in loco. It went on until the company localized in Lleida for a visit, intending to know the process, and structure of the company and also meet the people responsible for operations, human resources, sales, and R&D. The visit also provided a better understanding of what the company has been

doing in sustainability and how workers are connected with this theme. This experience could reach the investigation qualitatively.

### ***7.1.1 Redesigning Mission and Purpose***

For the purpose and mission, the objective of the phase was to look at iClotet's mission, find research on how to build a purpose, and to interview key stakeholders to define a clear purpose statement for the company. The company's mission is, in the words of CEO, Joan Caba, to "supply automatized solutions, in diversified industries not competing among them, being excellent in the process, putting the customer in front and demanding ourselves to improve and grow." Although it is clear on what they do and how they operate, it does not go deep into why they are doing what they do. Therefore, more research needs to be done. With time constraints and a consensus on prioritizing other jobs, interviews with key stakeholders, such as the CEO, the HR director, the workers on the floor, and other relevant personnel, were not completed. Looking at Simon Sinek concept of the Golden Circle and iClotet's mission statement, we defined the purpose to be as follows: iClotet's purpose is to provide mobility and opportunities to communities around the globe through quality industrial process automation, a high level of expertise, and a commitment towards a positive impact on the environment (*The Golden Circle*, n.d.). The statement provides a clear understanding of why iClotet operates, going deeper than simply stating they sell manufacturing solutions to customers.

### ***7.1.2 ESG Structure***

For the aspects of an ESG report, it involves understanding how to build and adapt it for iClotet considering its business and industry of production line automatization. To better understand multiple report models, it was made a secondary research ESG report content, standards, and EU regulations.

In terms of regulations and standards, ESG standards for environmental, social, and governance are seen as the three pillars of the ESG framework. Its goal is to “capture all the non-financial risks and opportunities inherent to a company’s day-to-day activities” (*#1 What Is ESG?*, n.d.). In 2025 the NFRD (Non-Financial Reporting Directive) will get an upgrade to CSRD (Corporate Sustainability Reporting Directive) with a mission to “broaden mandatory EU sustainability reporting standards” and will apply to a wider range of companies than the previous NFRD did. It wants to make sustainability reporting more transparent and standards-based to “have a similar level of assurance for financial and sustainability reporting” - with the implementation of the ESRS (EU Sustainability Reporting Standards). This is a part of the work towards the European Green Deal. The companies in the scope of CSRD checks - amongst other things - two of the three criteria: more than 250 employees, more than EUR 20mln total assets, and more than EUR 40 mln turnover (*#1 What Is ESG?*, n.d.) .

iClotet does not qualify to fall under the scope. Therefore, they have no obligation to report on these matters. ESG has become a widely used term regarding a company's work towards a more sustainable approach. The term ESG can simply be a way of categorizing sustainable activities for any company to standardize their way of measuring and reporting:

### **Environment**

Under this pillar falls resources used, and how they are sourced and disposed of. Emissions and pollution to ground, air, and water. Also, deforestation and biodiversity.

## **Social**

This pillar involves everything to do with employees and labor practices, for example regarding safety of production and use. Also, labor and health in the supply chain and the community of the company are under this pillar.

## **Governance**

Mainly corporate behavior and corruption, but also how the company is formed in terms of board diversity, compensation for executives, and shareholder rights.

Based on the secondary research, we started to narrow down the analysis by looking into the industry, considering competitors from different business sectors to cover each one of the brands under iClotet and also main clients. Our group mapped six different companies:

- Brambles: their biggest customer of iClotet
- Marel: Competitor of iClotet
- Frontmatec: Competitor of iClotet
- Vanderlande: Competitor of ICLOLOG
- Giken: Competitor of UpandBike
- Kemira - Competitor of Kauwai

And from those companies, our group analyzed relevant KPIs for the industry, positive and negative results from the competitors, strategy and objectives approached, and resort standards. As a result, 34 different KPIs were divided into Environmental, Social, and Governance areas (annex). In cooperation with iClotet, they decided what pin down what they wanted to have in their report, based on what they saw as relevant and had access to data.

As a result, for the ESG report the group came up with the structure for the report presented in the table below, classifying desirable (signed with letter D) and the ones that must be included. Also aligned with the GRI reporting standard since this is one of the widely used ESG reporting standards.

Table 2 KPI's iClotet ESG

KPIs iClotet					
<b>E - Environmental Performance</b>		<b>S - Social Performance</b>		<b>G - Governance</b>	
<i>Products and solutions</i>	x	<i>Employment</i>	x	<i>Anti-corruption</i>	x
<i>Materials</i>	D	<i>Labor/Management relations</i>	x	<i>Anti-competitive behavior</i>	x
<i>Energy</i>	x	<i>Workplace safety</i>	x	<i>Supply Chain Sustainability</i>	D
<i>GHG emissions</i>	D	<i>Occupational health and safety</i>	x	<i>Promote Ethical Business Standards</i>	x
<i>Waste</i>	x	<i>Training and education</i>	x	<i>Environmental and Legal Compliance</i>	x
<i>Environmental compliance</i>	x	<i>Diversity and equal opportunity</i>	x	<i>Data and IT security</i>	x

		<i>Freedom of association and collective bargaining</i>	x		
		<i>Human rights</i>	x		
		<i>Customer health and safety</i>	x		
		<i>Marketing and labeling</i>	x		
		<i>Socioeconomic compliance</i>	x		
		<i>Public policy and membership in associations</i>	x		
		<i>Support to Local Communities</i>	x		
		<i>Pay Transparency</i>	x		
		<i>Work-life balance</i>	x		

Source: Own elaboration

In order to facilitate the process of building the ESG report, we went deeper in each KPI, to describe documents needed to provide enough information for the report. So, they broke it down into a list of material per area and classification of qualitative and quantitative information:

Environmental:

Table 3 KPI Environmental

<b>Numbers of</b>	<b>Description</b>	<b>Need</b>
<b>Quantitative info</b>	Materials used	categorized by raw/renewable/recycled
	Energy consumption	Source - renewable/non-renewable, energy, steam, heat etc
	Energy efficiency index	Ratio of energy use to production volumes
	Primary source of GHG emission	Sources of emission
	Amount of waste	Categorized by type (chemical, water, metallic, hazardous etc.)
	Waste recycled	Categorized by type (chemical, water, metallic, hazardous etc.)
<b>Qualitative info</b>	Any other ongoing or planned programs for improvement regarding environmental issues	
	Waste management policy	Proof of policy
	Circular economy policy	Proof of policy

	Environmental compliance	standards, procedures and practices in regards of legal requirements (EU and/or Spain). No need to list all, just a yes/no/working on it
--	--------------------------	--

Source: Own elaboration

Social:

Table 4 KPI Social

<b>Numbers of</b>	<b>Description</b>	<b>Note</b>	<b>Need</b>
<b>Quantitative info</b>	Employment numbers		
	Contracts: permanent/temporary		
	Contracts: full-time/part-time	Different benefits for full-time vs. part-time?	
	Third-party	Consultants etc.	

	workers		
	Safety performance/injuries	If any, it would be good to know what kind of injuries/category	
	Performance/career development reviews		
	Men / Women workers		% ratio.
	Salary men vs. women		% ratio. These numbers are best presented together with other "employment numbers" to see connection with age, position seniority etc
<b>Qualitative info</b>	Other HR activities if any		
	Training and education		Established programs or planned programs in the future

	Customer health and safety		any life cycle assessment, or reports on the use of products
	Fine or "non-monetary sanction"		for noncompliance with law

Source: Own elaboration

Governance:

Table 5 KPI Governance

<b>Numbers of</b>	<b>Description</b>	<b>Need</b>
<b>Qualitative info</b>	Anti-corruption policy	Proof of policy
	Anti-competitive behavior policy	Proof of policy
	Data and IT security policy	Proof of policy

Source: Own elaboration

## 7.2 Current Scenario Analysis

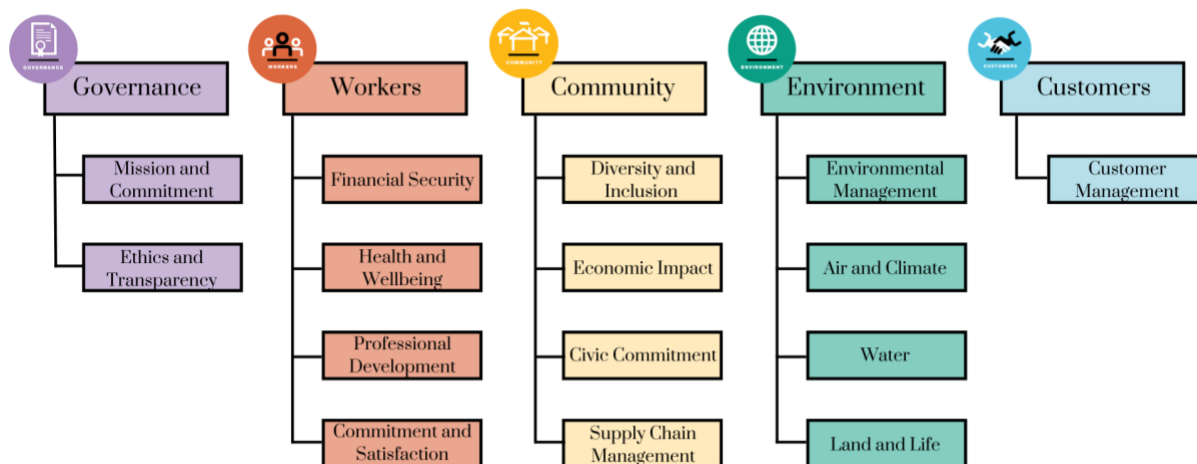
For the current scenario analysis, our group and the company decided to use the B Impact Assessment (BIA) as a tool to measure and identify good practices and opportunities for improvement at iClotet. The BIA was chosen for several reasons. Firstly, the company aspires to become a B Corp in the future, making this process a valuable preparation for certification. Additionally, the BIA is an easy and practical tool, with an evaluation based on straightforward questions that classify initiatives and translate them into points. This makes it easier to compare and understand the company's maturity in sustainability across five areas: Governance, Workers, Community, Environment, and Customers.

A deeper understanding of B certification was gained through a study of the B Certification assessment, including a meeting with B Lab Spain, which provided more information about the B movement and the BIA platform. B Lab is a nonprofit network transforming the global economy to benefit all people, communities, and the planet. It is known for certifying B Corporations, companies that meet high standards of social and environmental performance, accountability, and transparency. However, B Lab's mission extends beyond certification; it aims to change our economic system by creating standards, policies, tools, and programs that alter the behavior, culture, and structural foundations of capitalism.

The B certification is a part of this broader movement, helping companies navigate economic system change with comprehensive, credible, and comparable impact standards. The B Impact Assessment is a digital tool designed to measure, manage, and improve positive impact performance for the environment, communities, customers, suppliers, employees, and

shareholders. Achieving a minimum verified score of 80 points on the assessment is the first step towards B Corp Certification.

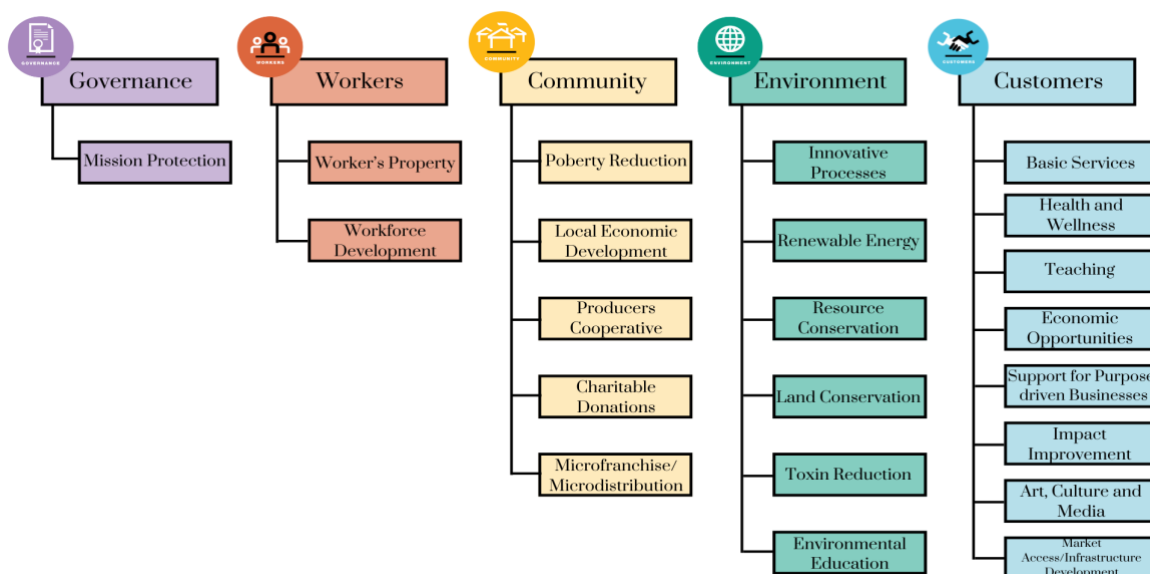
Figure 4 B Impact v1.



Source: Own elaboration

There are the punctuation related to how the company carries out its production or service operations, the working conditions under which it carries out these operations and all associated matters, rules, and procedures that are specific to the company's operation. And the punctuation related to the impact business model represents how a business can be designed to create a specific positive benefit/outcome for one of its stakeholders. They can be based on its product, a particular process or activity, or the structure of the business.

Figure 5 B Impact v2.



Source: Own elaboration

To answer the questions, our group got information from distinct sources: the visit in the company was used to identify some actions of the company and the impact of business models that could be classified. Also, online meetings with the CEO, in order to get general information related to business and to answer questions related to the Governance and Clients areas. Also conducted by online meetings, our group counted with the help from Daniela, the HR director for the Workers area, and part of Community questions. For the Environmental session and questions related to Supply Chain, the Director of Operation Joan Miró helped with documents and an online meeting.

The student group successfully completed their assessment of iClotet, covering all areas in a total of 250 questions. While iClotet, doesn't currently have a formal "impact business model," their existing operations and initiatives contribute positive social and environmental impact. Our group identified potential in the future for iClotet 's new projects, Kauai and Upandbike, to qualify






as an impact business model, as classified by B Lab. Additionally, the assessment process yielded valuable improvement opportunities for iClotet across various sustainability aspects.

The project also fostered mutual learning. The students gained a deeper understanding of iClotet's sustainability efforts through meetings with company representatives. They were also able to share their knowledge, clarifying the concept of sustainability and providing benchmarks from other companies. This dialogue raised awareness within iClotet about their broader impact on the community and customers.

The project emphasized that sustainability goes beyond environmental concerns. It also encompasses financial viability. By discussing iClotet's profitability, our group reinforced the concept of the triple bottom line, where social, environmental, and economic factors are all considered for a truly sustainable business.

iClotet has achieved 50,9 points in the end of the analysis, distributed as:

Figure 6 B Corp Punctuation

 GOVERNANCE	 WORKERS	 COMMUNITY	 ENVIRONMENT	 CUSTOMERS
3,5	21,1	7,3	11,1	2,9
22%	62%	25%	25%	70%

Source: Own elaboration

While iClotet 's current score wouldn't qualify them for B Corp certification (which requires a minimum of 80 points), the assessment provides valuable insights. It identifies areas where iClotet excels, such as Workers (62%) and Customers (70%), alongside opportunities for improvement in Governance, Community, and Environment (all scoring between 22% and 25%).

To gain a more granular understanding of the scores, the student group analyzed each area's subcategories. A table summarizing these positive aspects is presented below.

Table 6 B Impact Details

Impact Areas	Available	Earned	%
Governance	16	3,54	22%
Ethics & Transparency	4,5	3,29	73%
Mission & Engagement	1,5	0,25	17%
Mission Locked	10	0	0%
Workers	33,98	21,11	62%
Career Development	3,08	1,88	61%
Career Development (Salaried)	1,52	0,81	53%
Engagement & Satisfaction	5	4,11	82%
Engagement & Satisfaction	2,4	1,41	59%
Financial Security	11,97	5,46	46%
Health, Wellness, & Safety	10,01	7,44	74%
Community	28,79	7,32	25%
Civic Engagement & Giving	4,69	0,72	15%
Diversity, Equity, & Inclusion	5,79	1,44	25%
Economic Impact	8,84	4,32	49%
Supply Chain Management	9,47	0,84	9%
Environment	45,12	11,13	25%
Air & Climate	15,03	5,79	39%
Environmental Management	10,01	1,85	18%
Land & Life	12,08	2,36	20%
Water	8	1,13	14%
Customers	4,19	2,95	70%
Customer Stewardship	4,19	2,95	70%

Source: Own elaboration

The company shines in its commitment to good governance. Transparency and ethical practices are at the forefront, with robust anti-corruption measures in place. This focus extends to their employees (Worker's area) where a strong people-centered approach reigns supreme. Competitive salaries subsidized healthy food options, and benefits for both workers and their families create a nurturing environment.

This people-centric approach extends beyond the company walls. They actively engage with the community, fostering economic development through initiatives that support immigrant employment, entrepreneurship through mentoring for new businesses, and partnerships with the

government, for example, providing a bike station to be used for the community. However, there's room for improvement in effectively communicating and recording the impact of these efforts.

Environmentally, the company (Environmental area) responsibly meets all required standards and demonstrates a keen awareness of its environmental footprint. Beyond compliance, they actively seek positive environmental and social impact, with new business ventures like Kawai and Upanbike serving as testaments to this commitment.

Finally, the nature of their product/service fosters close relationships with customers (Customer area). Constant communication, feedback loops, and a collaborative project-building dynamic ensure that value is generated at every interaction. This dedication to customer relationships further strengthens their position in the market.

Looking at the opportunities of improving, besides looking at the percentage achieved, the group also looks at the opportunity in terms of punctuation. The main areas analyzed were Governance, Community and Environment, as seen in the table below:

Table 7 B Impact Opportunities

Impact Areas	Available	Earned	%	Opportunity
<b>Governance</b>	16	3,54	22%	12,46
Ethics & Transparency	4,5	3,29	73%	1,21
Mission & Engagement	1,5	0,25	17%	1,25
<b>Mission Locked</b>	<b>10</b>	<b>0</b>	<b>0%</b>	<b>10</b>
<b>Workers</b>	<b>33,98</b>	<b>21,11</b>	<b>62%</b>	<b>12,87</b>
Career Development	3,08	1,88	61%	1,2
Career Development (Salaried)	1,52	0,81	53%	0,71
Engagement & Satisfaction	5	4,11	82%	0,89
Engagement & Satisfaction (Salaried)	2,4	1,41	59%	0,99
Financial Security	11,97	5,46	46%	6,51
Health, Wellness, & Safety	10,01	7,44	74%	2,57
<b>Community</b>	<b>28,79</b>	<b>7,32</b>	<b>25%</b>	<b>21,47</b>
Civic Engagement & Giving	4,69	0,72	15%	3,97
Diversity, Equity, & Inclusion	5,79	1,44	25%	4,35
Economic Impact	8,84	4,32	49%	4,52
Supply Chain Management	9,47	0,84	9%	8,63
<b>Environment</b>	<b>45,12</b>	<b>11,13</b>	<b>25%</b>	<b>33,99</b>
Air & Climate	15,03	5,79	39%	9,24
Environmental Management	10,01	1,85	18%	8,16
Land & Life	12,08	2,36	20%	9,72
Water	8	1,13	14%	6,87
<b>Customers</b>	<b>4,19</b>	<b>2,95</b>	<b>70%</b>	<b>1,24</b>
Customer Stewardship	4,19	2,95	70%	1,24

Source: Own elaboration

This session was crucial for gaining a deeper understanding of the opportunities and strategies needed to guide iClotet toward sustainable transformation, going beyond the B Impact Assessment (BIA). While the BIA served as preparation for certification and as a tool to measure impact, the real opportunities for improvement extend beyond its questions. Sustainability is a long-term endeavor. The next session will provide detailed recommendations based on this analysis. However, this session focused on briefly highlighting key opportunities for iClotet transition for sustainable development.

In the Governance area, it was noted that the current purpose and mission do not reflect the CEO's future plans. Therefore, it is necessary to redesign and formalize the mission statement to align with iClotet's sustainable transformation, whether through improved operations or new ventures like Kauai and Upanbike.

In the Community area, iClotet has implemented various initiatives. However, there is room for improvement in communication and impact measurement. It's essential to document each project and measure its social and environmental impact. Regarding Diversity, Equity, & Inclusion (DEI), there are opportunities to enhance diversity by incorporating people from different countries, cultures, ages, and genders. The first step in this process is to map the current diversity within the company and identify gaps to address in projects and recruitment processes. Understanding the community as all entities interacting with the company, the supply chain plays a crucial role. Strengthening the relationship between iClotet and its supply chain, similar to the collaborative relationship with clients, presents another opportunity.

In the Environment area, while iClotet already meets the standards required by Spanish regulations, their initiatives focus more on control rather than planning to reduce impact. The opportunity here lies in optimizing operations to improve environmental performance, which includes controlling, measuring, and taking actions to reduce negative impacts.

Due to prioritization of the actions, our group has identified "Quick Wins", which are actions that take less than 6 months to be implemented and have a significant impact, in the operation and as a result in the score for B impact assessment. In total it was identified 13 Quick

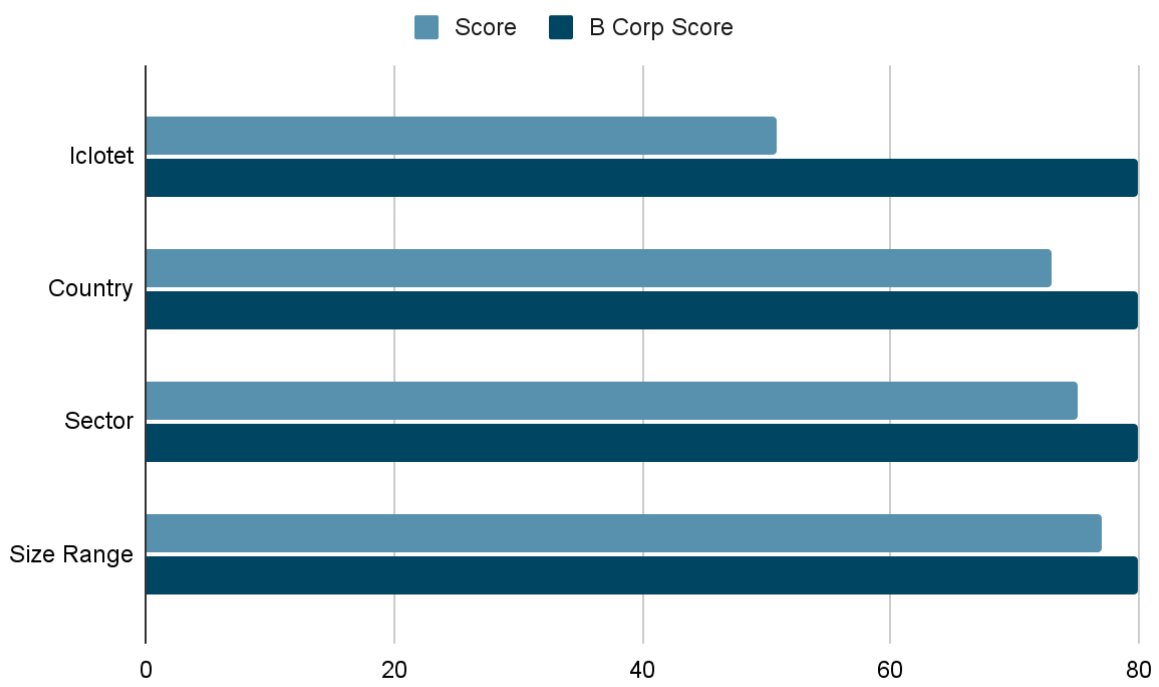
Wins related to:

- Mission
  - Implement a system to monitor and set water and energy reduction targets.
  - Consider making donations to support environmental and social causes.
  - Internal diversity mapping to identify and address any gaps in representation.
- Formalizing actions into policies, such as Environmental Policy, Hiring process Policy, and Supplier Policy.
  - Record and measure project that iClotet has been doing.

### **7.2.1 Market Overview**

After analyzing the internal results through the BIA, our group decided to compare the iClotet results to the market, to understand where iClotet is placed in the market in Spain or in the sector specifically. To have a better understanding of the external market. For this analysis, our group made two different analyses. The first one uses a graph provided for B Lab, which considers the information from all the assessments with 70% + complete valuation.

Figure 7 B Impact Scores Market Overview and Comparison











Source: Own elaboration

As shown in the graph, iClotet falls short of the minimum score required for B Certification. It is also noted that even within Spain, the manufacturing sector, and companies with 50-200 employees, the average score is below 80 points. This indicates that achieving 80 points is challenging across various contexts.

Additionally, a second, more in-depth analysis was conducted, comparing iClotet with two B Corps: Morgan Innovation from England and Naio Technologies from France.

Figure 8 B Impact Competitor Comparison

Company	Overall	 GOVERNANCE	 WORKERS	 COMMUNITY	 ENVIRONMENT	 CUSTOMERS
<b>ICLOTET</b> 	50,9	3,5	21,1	7,3	11,1	2,9
<b>Morgan Innovation</b> 	90,5	15,3	32,7	18,8	18,8	4,7
<b>Naïo Technologies</b> 	81,3	15,4	28	11,7	23,3	2,9

Source: Own elaboration

The outcome of this analysis reveals that these companies have scored between 81 and 90 points. Although iClotet has room for improvement, the scores in each area show some similarities. For instance, all three companies excel in the Customers and Workers categories but have opportunities to improve in the Community and Environment areas. The analysis also provides valuable insights into initiatives that iClotet can adopt, such as using automation to optimize production processes and reduce the use of natural resources, as well as implementing co-creation processes with clients.

### 7.3 Sustainable Transition Strategy

When strategizing our approach to implementing recommendations, our team engaged in extensive discussions aimed at effectively categorizing them to facilitate a clear understanding within the company of how the implementation requirements will take place. Here is a structured breakdown of our approach. We identified four distinct categories deemed crucial for classification.

Firstly, we evaluated the financial implications of each recommendation based on research findings. This assessment resulted in three cost categories: Not expensive (implementation cost under 10,000 EUR), Moderate (10,000 EUR to 40,000 EUR), and Expensive (exceeding 40,000 EUR).

Next, we segmented the timeframe required for implementation into three categories: Short-term (0-6 months), Medium-term (6-12 months), and Long-term (over 12 months).

Recognizing the complexity introduced by involving various stakeholders, we integrated stakeholders into two categories: Internal (involving only internal personnel) and External (requiring engagement with external stakeholders such as governmental bodies, companies, and other relevant parties).

Lastly, we assessed the complexity of each recommendation based on how the aforementioned factors impact the organization. Complexity was categorized as Low (involving

minimal effort, internal changes, and creation of controls and policies), Medium (involving a mixture of internal and stakeholder activities, with partial modifications to processes), and High (requiring extensive cross-functional involvement, cultural change, process creation or modification, and engagement of diverse stakeholders such as suppliers and clients).

This systematic classification framework ensures a comprehensive approach to decision-making and implementation planning, aligning with our strategic objectives and operational capabilities.

Furthermore, we opted to organize the recommendations into categories based on their impact on each section of the B Corp Assessment, presented in the following sequence: starting with Strategy, encompassing recommendations such as Redesign and Communicate iClotet's Brand, Align the Strategy with Stakeholders, and Engage Stakeholders. Next, Supply Chain, comprising Building a Sustainable Supply Chain Management, Circularity, and Decarbonization Plan recommendations. Following this, Workers, including Empowering and Securing our Workforce, and Building a Diverse and Inclusive Workplace recommendations. Subsequently, Community & Transparency, covering Community & iClotet Integration, Donation, and Transparency recommendations. Lastly, Environmental Management, which involves creating an Environmental Management System.

### ***7.3.1 Recommendations – Strategy***

#### **Redesign and Communicate iClotet's Brand**

Description: Redefine the key strategy brand statement based on the future plan of iClotet

Purpose: The reason your brand exists. It's the positive impact you want to make on the world. Vision: Describe your long-term aspiration. It's a picture of what you want your brand to achieve in the future. Mission: Outlines the specific actions you take to fulfill your purpose and achieve your vision. It defines your core business activities and what differentiates you from competitors. Values: The fundamental principles that guide your everyday operations. They define how you interact with customers, employees, and the world around you. These statements help build trust with customers, communicate direction, and align your team. They should be enduring, yet adaptable enough to evolve with the times.

#### **Model**

Vision: Be a reference as a supplier of Automation Industrial systems by means of the competence of our team. We will be open to innovative opportunities in different industries so that we can be leaders due to the excellence of our products and processes and keep the sustainability of our Organization and the environment where we exist.

Mission: Supply automated solutions, in diversified industries not competing among them, being excellent in the process, putting the customer in front, and demanding ourselves to improve and grow. We state the acceptable level, always higher than what our customers do.

Values: Effort, compromise, ambition, bravery, rigor with processes, technological innovation, justice for people, celebration of work well done, and respect for the environment.

Purpose Statement: Provide mobility and opportunities to communities around the globe through quality industrial process automation, a high level of expertise, and a commitment to a positive impact on the environment.

### **Classification**

Cost: Low

Timespan: Mid-term

Execution: Internal

Complexity: Medium

### **Align the Strategy with Stakeholders**

Description: In order to create value for the stakeholders, it is important to involve them in the sustainability strategy. Materiality assessment is a tool to identify and prioritize the most critical ESG issues for the organization and its stakeholders.

This tool offers benefits

- Align ESG strategy with your business strategy and stakeholder expectations.
- Focus your resources and efforts on the most relevant and impactful ESG issues.
- Enhance your credibility and transparency with your stakeholders.
- Demonstrate your leadership and commitment to sustainability.
- Improve your ESG performance and disclosure.

(Barrow et al., n.d.)

Recommendation: Apply the materiality assessments, set KPIs, and create a plan to measure over time.

### **Classification**

Cost: Medium

Timespan: Mid-term

Execution: Internal & External

Complexity: High

## **Engage Stakeholders**

Description: After aligning the most important ESG issues with stakeholders, it is important to keep them engaged. Creating coalitions, including organizations, local businesses, community groups, students, and residents to collaborate with the initiatives.

Also tailor the communication, to guarantee the flow of information and feedback from both parties. And measure, evaluate, and recognize engagement.

Example: There are different initiatives designed for each kind of stakeholder. Walmart works very well in this strategy:

Customers: Surveys and in-person discussions

Supply chain: Forums and events (ex. Joint Sustainability Planning)

Community: Interacting with state and local government leaders, and community leaders  
(as iClotet already does)

(Barrow et al., n.d.)

### **Classification**

Cost: Medium

Timespan: Mid-term

Execution: Internal & External

Complexity: Medium

**7.3.2 Recommendations – Supply Chain**

**Building a Sustainable Supply Chain Management**

Description: A sustainable supply chain uses environmentally and socially sustainable practices at every stage to protect the people and environments across the whole chain.

This means an organization upholds environmental and social standards for its operations and its suppliers' operations.

Figure 9 Process for Building a Sustainable Supply Chain

Process for building a sustainable supply chain







Source: Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety  
– Guide, 2017

Example: Schneider Electric says its ‘Zero Carbon Project’ will help reduce the carbon dioxide footprint of its top 1,000 suppliers by 50% by 2025, which represents 70% of Schneider’s carbon emissions.

Figure 10 Areas within Supply Chain to Rebuild

Areas within supply chain to rebuild

Table 1: Sustainability topics and action areas (on the basis of ISO 26000)

Sustainability Topics				
	 Environment	 HUMAN RIGHTS	 Labour practices	 Fair operating practices
Action Areas	7 Avoiding environmental impacts and hazardous materials	Banning child and forced labour	7 Employment and employment relationships	7 Fighting corruption
	7 Climate change mitigation and adaptation	7 Equal opportunities and non-discrimination	7 Working conditions and social protection	7 Responsible political involvement
	7 Increasing resource efficiency	↗ Freedom of association	7 Health and safety at work	7 Fair competition
	7 Avoiding loss of biodiversity	7 Avoiding complicity	↗ Social dialogue	↗ Respecting property rights

Source: Own illustration on the basis of the ISO 26000: 2011

Source: Own illustration on the basis of the ISO 26000:2011

**Classification**

Cost: Medium

Timespan: Long-term

Execution: Internal & External

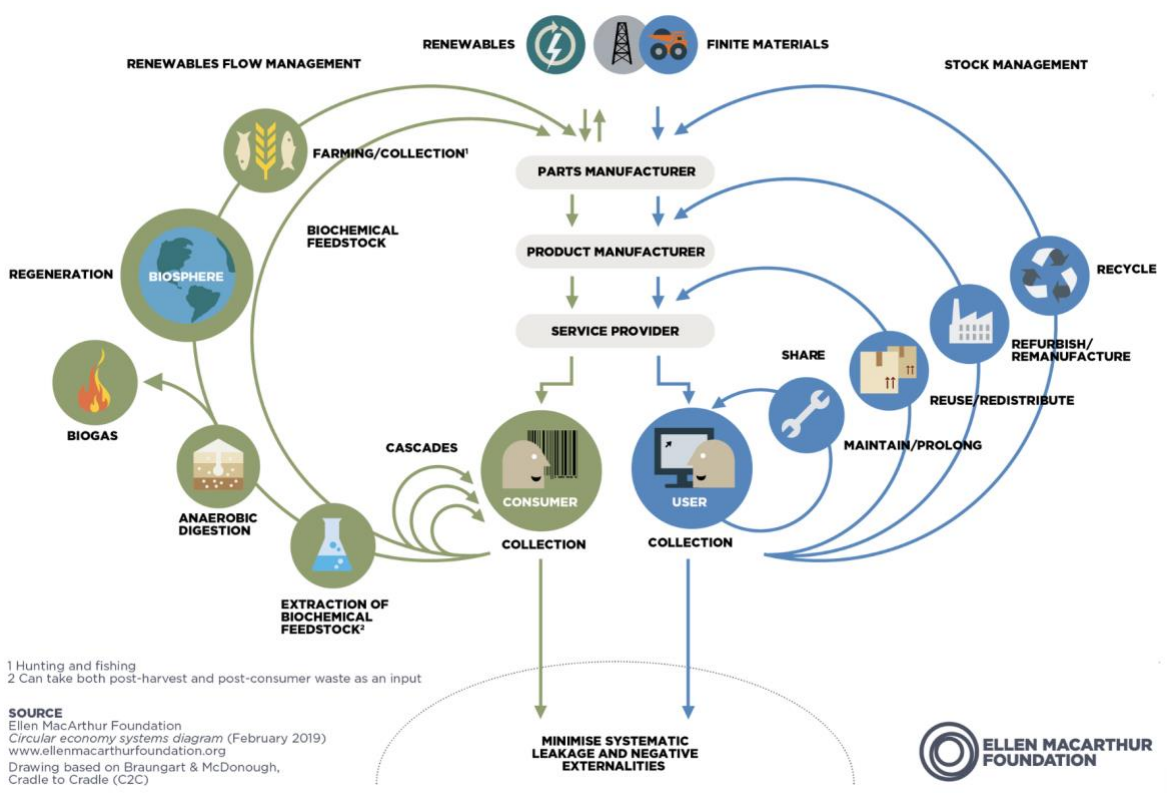
Complexity: High

**Circularity Model**

Description: Circularity is a practice that focuses on reducing waste as much as possible while keeping a product's value intact for a longer period of time. By knowing this, understand the whole process impact by applying "life cycle assessment", from this analysis. And apply action towards circularity, especially at the end of life. This process includes looking for options and collaborating with other industries in order to reduce or reuse waste from the Iclotet process.

# The Butterfly Model of Circular Economy

Figure 11 The Butterfly Model of Circular Economy



1 Hunting and fishing  
2 Can take both post-harvest and post-consumer waste as an input

SOURCE  
Ellen MacArthur Foundation  
*Circular economy systems diagram* (February 2019)  
www.ellenmacarthurfoundation.org  
Drawing based on Braungart & McDonough,  
Cradle to Cradle (C2C)

Source: Ellen MacArthur Foundation. Circular economy systems diagram (2019)

**Classification**

Cost: Medium

Timespan: Long-term

Execution: Internal & External

Complexity: High

## Decarbonization Plan

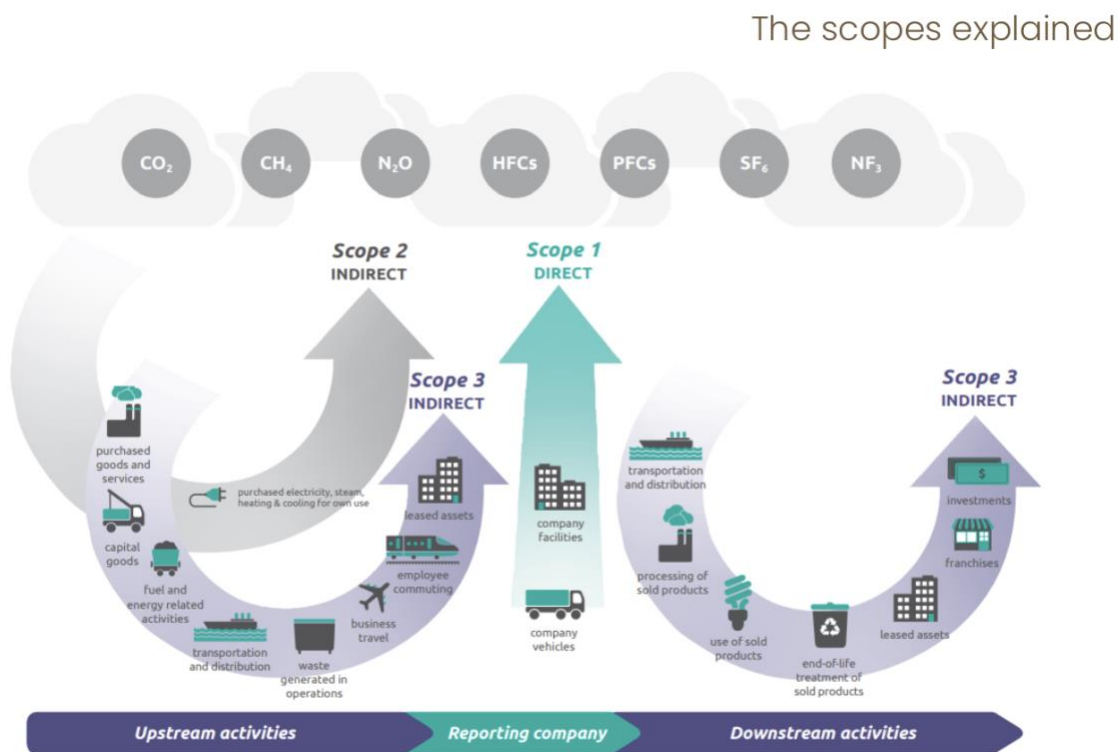
Description: Plan to reduce carbon emissions in the whole process.

Carbon footprint: in order to map the full GHG inventory for Scope 1, 2, and 3. Applying GHG Protocol or SBTi criteria. Risk and Opportunities: mapping risks for the business and opportunities for improvement in terms of reduction of GHG.

Decarbonization plan: Action plan with improvement actions, classifying in the short and long term and also which scope will be impacted.

Neutralization plan: Activities that cannot be improved, must be neutralized. Looking for a neutralization solution for those activities.

Figure 12 GHG Scopes



Source GHG Protocol – Scope 1, 2 and 3

Source: GHG Protocol – Scope 1, 2 and 3

**Classification**

Cost: Medium

Timespan: Mid-term

Execution: External

Complexity: High

*7.3.3 Recommendation – Workers***Empowering and Securing our Workforce**

Description: This approach leads to a more engaged, innovative, and productive workforce.

This strategy goes beyond offering a job. It aims to create an environment where employees feel empowered to contribute their best, while also feeling secure and supported in their professional development.

Example: Partner with insurance and health providers to create initiatives or policies that promote health and wellness.

Conduct surveys, mental health and wellbeing initiatives, and secure their current job and growth opportunities.

**Classification**

Cost: Low

Timespan: Mid-term

Execution: Internal & External

Complexity: High

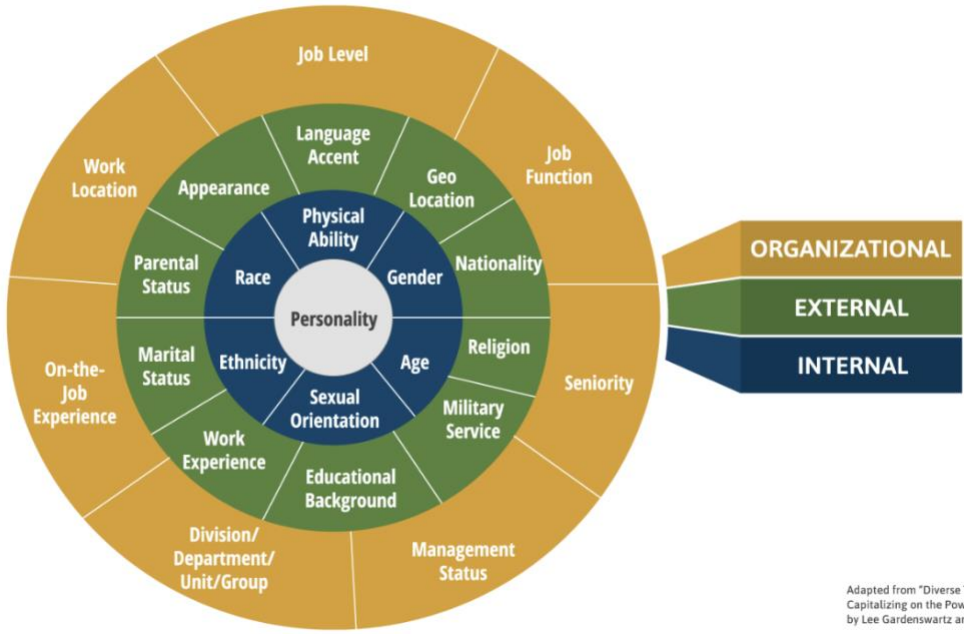
**Building a Diverse and Inclusive Workplace**

Description: Create an anonymous survey to employees on gender identity, race/ethnicity, disability status, and other demographic factors to track the diversity of our workforce, and set specific, measurable diversity improvement goals that are reviewed by senior executives or our Board of Directors.

Recommendation: Make surveys 1 to 2 per year.

Figure 13 Types and Levels of Diversity

Types and levels of diversity



Source: Adapted from “Diverse Teams at Work Capitalizing on the Power of Diversity” by Lee Gardenswartz and Anita Rowe

**Classification**

Cost: Low

Timespan: Short-term

Execution: Internal

Complexity: Low

### ***7.3.4. Recommendations - Community & Transparency***

#### **Community and iClotet: Integration**

Description: Contribute to the community by giving back. Offering the facilities for free gives groups and organizations in the community the possibility to grow and share without having to use scarce resources on location.

Communicating the initiative on social platforms and other platforms where the community is present – local arenas like stores, etc.

And improving communication about the existing initiatives as

- Program involving immigrants
- Project with students (EADA and others)
- Participation in events to encourage entrepreneurs in the region

#### **Classification**

Cost: Medium

Timespan: Short-term

Execution: Internal

Complexity: Low

## **Community and iClotet: Donation**

Description: Have a formal donations commitment, linked to a formal statement on the intended social or environmental impact of the company's philanthropy.

The formal donations commitment will contribute to a social or environmental cause or project. The idea behind this is to contribute towards a positive impact on the company and the communities surrounding it.

Example: The 1% for the Planet is one example that demonstrates commitment towards the planet and the success of future generations, as well as several opportunities to connect with other organizations doing the same. 1% for the Planet is a great example. But other examples can be defined as donating to local communities or environmental organizations. 1% for the planet includes a certification, while other donations can be publicly stated on the website.

### **Classification**

Cost: Medium

Timespan: Mid-term

Execution: Internal

Complexity: Low

### **Transparency**

Description:

*Strengthen Trust Through Open Communication*

**Regular Reviews:** Establish periodic meetings between executives and social/environmental initiative leads. This fosters collaboration and tracks progress towards sustainability goals.

**Impactful Reporting:** After 12-24 months of consistent reviews, create a comprehensive ESG report. Publish it on your website to showcase tangible results of your sustainability efforts.

### *Transparency Builds Confidence*

**Supplier Visibility:** Showcase information about 80%+ of your suppliers on a dedicated website page. This builds trust with your community, customers, and partners.

**Supplier Spotlight:** Detail each supplier's role in your production process. Specify the products or materials they supply. This transparency fosters deeper connections with your supply chain and demonstrates your commitment to responsible sourcing.

### **Classification**

Cost: Medium

Timespan: Mid-term

Execution: Internal & External

Complexity: High

## ***7.3.5 Recommendations – Environmental Management***

### **Create an Environmental Management System (EMS)**

Description: “An EMS is a set of processes and practices that enable an organization to reduce its environmental impacts and increase its operating efficiency.” (US EPA)

The EMS can be built following the ISO 14001 standard as a model, following the PDCA model

**1. Create/update**

Environmental policy

**2. Plan**

Environmental aspects

Objectives, targets, and programs

**3. Do**

Resources, responsibilities, and authority

Communication

Documentation/Control of documents

**4. Check**

Monitor and measure

Evaluate compliance

Internal audits

**5. Act**

Management review

**Classification**

Cost: Low

Timespan: Short-term

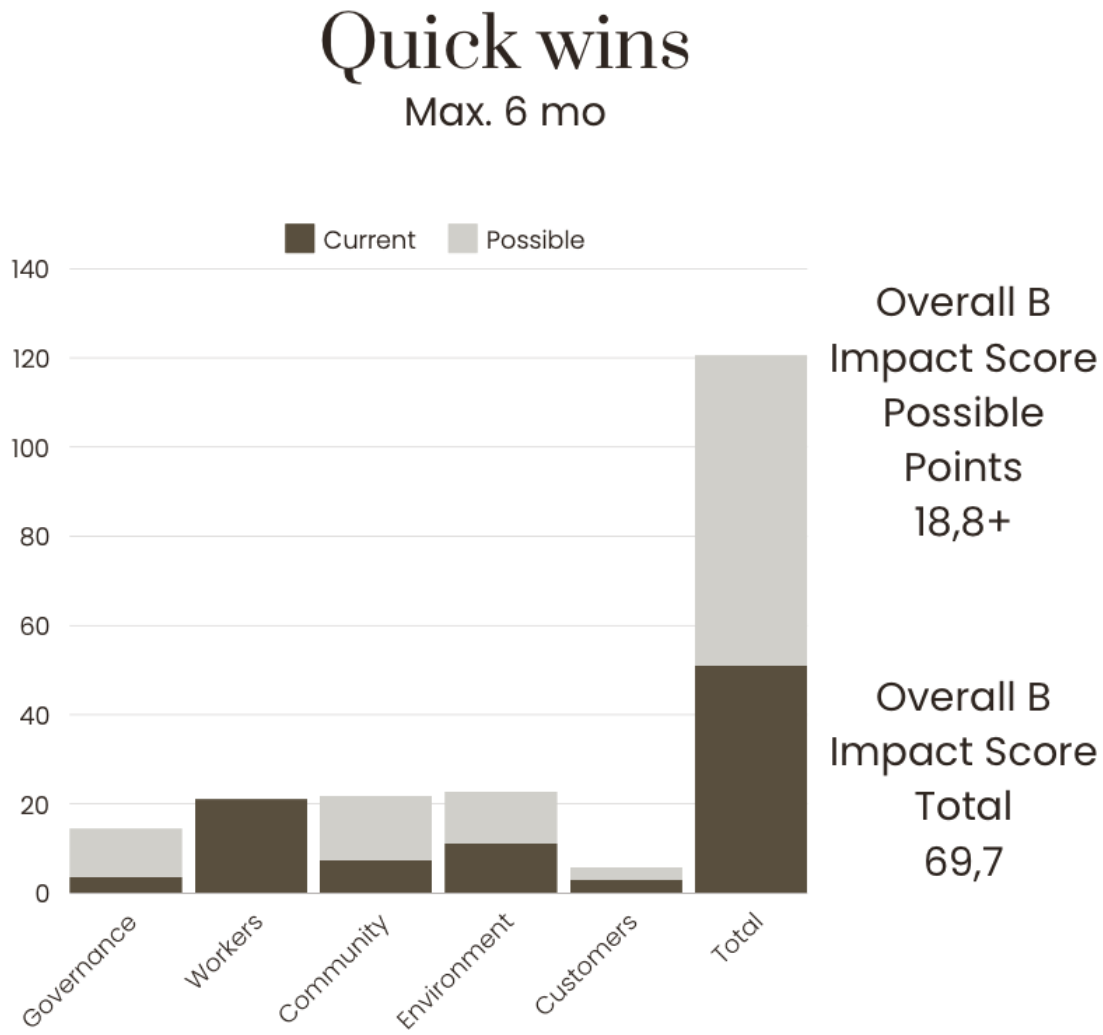
Execution: Internal

Complexity: Medium

#### **7.4 Future Scenario Analysis**

The initial scenario, focused on implementing short-term, or "quick win," strategies, presents a modest improvement. While anticipated to elevate the overall B Corp Assessment score by 18.8+ points to a total of 69.7 out of 200, this incremental gain falls short of the requisite point necessary to achieve B Corp Certification.

Figure 14 Quick Wins Possible Points B Impact



\*NA 4,9

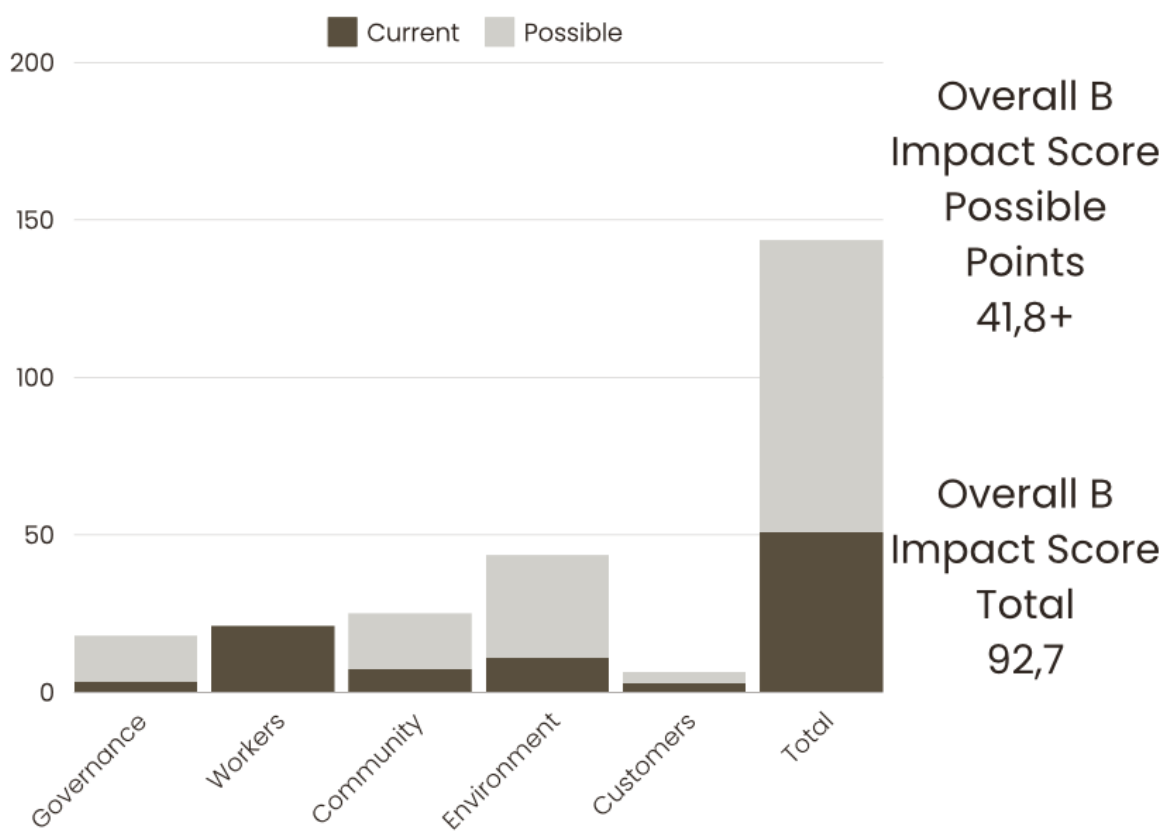
Source: Own elaboration

Conversely, a more ambitious approach encompassing the full spectrum of proposed recommendations holds the promise of a substantial transformation. This comprehensive strategy is projected to significantly improve the company's B Corp Assessment score by 41.8+ points, culminating in a total score of 92.7. This projected score not only exceeds the minimum requirement for B Corp Certification but also surpasses the average achievement of comparable organizations within the same country, industry, and size category.

Figure 15 Max Possible Points B Impact

# Recommendations

Based on max points available



Source: Own elaboration

## 7.5 Change Management

Today businesses have to be agile for changes in the market like legislation, expectations from customers, and their workers' needs. Some changes are quick to implement and subsequently easy to follow and adapt as the new way of doing, while others are more complex and might need a more formal way of being introduced and adopted. We will now take a look at some of the available frameworks and models to structure the process of implementing the Sustainability Transition Strategy Report for iClotet.

### 7.5.1 Change Management Frameworks

*Lewin's three three-phase processes.*

The three-phase process of Kurt Lewin (1948) is a framework that often appears when reading about change management. The phases consist of: 1) unfreeze, 2) change, and 3) refreeze. It is meant to create a new vision and develop a plan to prepare for the change and the required new systems coherent with the change for then to "freeze" the newly implemented change into the organizational structure. This is one of the more simplistic frameworks and due to only having three steps it leaves some more room for customization.

*Michael Beer's Six-Step Change Management Model*

Another well-used and acknowledged model is Beers's Six Step Change Management Model (1980): 1) diagnosis of the problem to help commit to the change, 2) creating a change

vision and assign responsibilities, 3) establishing a consensus of the new vision by communication, 4) implement the change, 5) integrating the change with existing formal systems and structures, then at last 6) monitoring the change and adjust if it is needed. This last step is one thing that separates Beer's model from many others.

#### *Judson's Five-Steps*

Arnold S. Judson (1991) highlights five steps in the process of change: 1) analyze and plan, 2) communicate the plan, 3) get acceptance for the planned change, 4) begin the transition towards the change, 5) make necessary changes and continue to follow up the process while institutionalizing the change. Like Beer's model, there is a focus on flexibility – with being able to modify the plan as you go.

#### *Kotter's eight-step model*

This model (John Kotter, 1996) starts with a somewhat well-known saying in the field of change management: 1) establishing a sense of urgency, 2) forming a change coalition, 3) which will create the change vision, and 4) communicating the vision forward to other employees. 5) They then develop the change plan. 6) Focuses on short-term wins to motivate the implementation of the change vision, then 7) implementing additional changes to keep the plan aligned with the vision. The last step is like some we have seen before 8) to institutionalize the change by integrating it with existing structures and systems.

#### *Hiatt's ADKAR model*

One of the newer models is the acronym ADKAR created by Jeff Hiatt (2006). It stands for awareness, desire, knowledge, ability, and reinforcement. This model is employee-centric and takes possible consequences for different groups of employees into account, and each step is focused on factors within the employees.

## **7.6 Choice of Framework**

Based on the previously mentioned frameworks and models we decided that for our project with iClotet Judson's five steps would be the model that in the best way framed our work towards the goals set with iClotet. One of the reasons is that it does not – compared to some of the other frameworks – have a focus on the change being negative with already existing resistance from employees.

### ***7.6.1 Implementation of Framework and Reasoning***

#### **1. Analyzing and Planning for the Change**

The change in this situation will be the implementation of ESG-related recommendations as a part of the Sustainable Transition Strategy Report. To analyze it we worked together with iClotet to gather data to answer the B Impact Assessment to get a better understanding of where they have the biggest potential for change. Assessing the current situation will make it easier to secure good decision-making. Based on this assessment we could plan the next steps and the specific action to take, also aligning with the value of the positive output linked to ESG-activities.

## 2. Communicating About the Change

The Sustainability Transition Strategy Report will contain the analysis, recommendations with descriptions and examples, value, and how to implement the recommendations. This report will be (1) our way of communicating the results of the BIA, and the suggested plan while also (2) being a tool for iClotet to communicate this further to their employees.

Judson (1991) pointed out that the plans for change should be communicated as proposals and not “fixed plans” for the employees involved, to make them feel like a part of the change to minimize the chance of resistance. After this, the specific plan can be laid out. It’s important that the vision and reasoning for the change are communicated in a clear manner to make the change favorable for those involved (Oreg et al., 2011). The vision is related to the goals based on our findings about the value that can be driven by positive ESG outcomes. Trust is another important factor. Employees need to have trust in where the communication is coming from to have a favorable attitude toward the change (Rousseau & Shah, 1999).

## 3. Gaining acceptance for the required changes

Related to the previous point, Judson (1991) suggests that if the CEO is the one introducing the change the CEO should then only be giving advice and not the concrete decisions that go beyond objectives and scope. This builds under the case that involving employees in the process may decrease the change of resilience.

We hope that by delivering this report with analysis and recommendations – carefully categorized and classified – we can contribute to this involvement of employees by presenting an “easy-to-understand” vision, reasoning, and suggestions for future steps.

#### 4. Making the Transition from Status Quo to the New Situation

To make the transit we categorized our recommendations as previously mentioned. This will make it easier to first focus on the fast achievable changes, for then as well to lay out a suggested long-term plan. As the introducer of the change – in this case, the CEO – will have an advisory role. Judson (1991) argues the importance of management guiding the employees throughout the process of change. This implies having regular follow-up meetings and collecting and dealing with feedback from the employee. In this learning process support for the team is important to make the transition to increase psychological safety in regard to the new behaviors (Edmondson et al., 2001) – in his case the new processes and practices following the recommendations.

The Theory of Planned Behavior (Ajzen, 1991) emphasizes the importance of having the ability to engage in the new behavior as a factor to succeed with the change. To make the transition easier the Sustainability Transition Strategy has a detailed explanation about each recommendation. The report facilitates learning for the employees which we think will lead to higher motivation and efficiency in the implementation and transition.

To make the transition there also has to be a certain agility to the plan, to maneuver around previously unseen obstacles that are in the way of the goal, which leads directly to the last step.

5. Consolidating the new conditions and continuing to follow up in order to institutionalize the change.

The effect of feedback is dependent on the system in place to manage and react to the given feedback. For the feedback to be efficient we see a need for a system to be in place to manage and react to the feedback. This is to ensure that the employees feel that their feedback is considered. Studies also show that the need for ongoing monitoring is also highly important for the change process (Thomas G. Cummings & Christopher G. Worley, 2014). This monitoring can be seen as a part of the support and feedback system that has to be in place to ensure the implementation is going in the direction of iClotet's goals, build value, and contribute to an agile change process.

## **8. Conclusion**

Coming to the end of the project, we ask ourselves what did our team learn from this experience. First, we understand the skills gained from the project such as data gathering, leadership, teamwork, and having the knowledge to create a detailed sustainability strategy for iClotet. Going further into the sustainability aspects of the project, we discovered the risks that ESG poses on corporations, and how they hold importance and create long-term value. A company who is not aware of the benefits of tackling ESG, such as iClotet, has enormous potential to deliver positive impact from adopting a sustainability strategy that focuses on aspects relating to environment, society, and governance. But, in order for a strategy to be successful, in this scenario, all relevant stakeholders need to accept and engage in the actions within to ensure real impact appears. From our work and the overall process of the final project, we see that firms like iClotet

can find quick wins in the short-term, to start the transition, and have a continued positive impact in the long-term with a sustainability strategy we proposed to the team.

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