



NTNU – Trondheim
Norwegian University of
Science and Technology

How to Create Value from a Sustainability Initiative

An exploratory case study of UN Global
Compact in the Ulstein Group

Kristoffer Magerøy
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Industrial Economics and Technology Management

Submission date: June 2013

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Co-supervisor: Professor Øystein Moen, IØT

Norwegian University of Science and Technology
Department of Industrial Economics and Technology Management

MASTERKONTRAKT

- uttak av masteroppgave

1. Studentens personalia

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2. Studieopplysninger

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Institutt Institutt for industriell økonomi og teknologiledelse	
Studieprogram Industriell økonomi og teknologiledelse	Hovedprofil Strategi og internasjonal forretningsutvikling

3. Masteroppgave

Oppstartsdato 15. jan 2013	Innleveringsfrist 11. jun 2013
Oppgavens (foreløpige) tittel How to Create Value from a Sustainability Initiative An exploratory case study of UN Global Compact in the Ulstein Group	
Oppgavetekst/Problembeskrivelse The purpose of this thesis is to investigate how competitiveness can be improved in the maritime sector. Furthermore, aspects related to sustainability are emphasized. The theoretical background is based on strategic management. Case study methodology is applied, and the empirical observations are related to the theory. In addition to the theoretical part, the thesis consists of the following sections: <ul style="list-style-type: none">• Research methods• Results• Analysis• Conclusion and implications	
Hovedveileder ved institutt Professor Annik Magerholm Fet	Medveileder(e) ved institutt Professor Øystein Moen
Merknader 1 uke ekstra p.g.a påske.	

4. Underskrift

Student: Jeg erklærer herved at jeg har satt meg inn i gjeldende bestemmelser for mastergradsstudiet og at jeg oppfyller kravene for adgang til å påbegynne oppgaven, herunder eventuelle praksiskrav.

Partene er gjort kjent med avtalens vilkår, samt kapitlene i studiehåndboken om generelle regler og aktuell studieplan for masterstudiet.

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.....
Sted og dato

Kristoffer Magerøy
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Student

Annik Magerholen Fuf
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Hovedveileder

MASTERKONTRAKT

- uttak av masteroppgave

1. Studentens personalia

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2. Studieopplysninger

Fakultet Fakultet for Samfunnsvitenskap og teknologiledelse	
Institutt Institutt for industriell økonomi og teknologiledelse	
Studieprogram Industriell økonomi og teknologiledelse	Hovedprofil Strategi og internasjonal forretningsutvikling

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Sted og dato

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Student

Anniken Magnholmen Fisk
Hovedveileder

Fastsatt av Rektor 20.01.2012

STANDARDAVTALE

om utføring av masteroppgave/prosjektoppgave (oppgave) i samarbeid med bedrift/ekstern virksomhet (bedrift).

Avtalen er ufravikelig for studentoppgaver ved NTNU som utføres i samarbeid med bedrift.

Partene har ansvar for å klarere eventuelle immaterielle rettigheter som tredjeperson (som ikke er part i avtalen) kan ha til prosjektbakgrunn før bruk i forbindelse med utførelse av oppgaven.

Avtale mellom

Student: Kristoffer Magerøy	født: 27041986
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Veileder ved NTNU: Annik Magerholm Fet
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Bedrift/ekstern virksomhet: Ulstein Group

og

Norges teknisk-naturvitenskapelige universitet (NTNU) v/instituttleder
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om bruk og utnyttelse av resultater fra masteroppgave/prosjektoppgave.

1. Utførelse av oppgave

Studenten skal utføre

Masteroppgave	<input checked="" type="checkbox"/>
Prosjektoppgave	<input type="checkbox"/>

(sett kryss)

i samarbeid med

Ulstein Group

bedrift/ekstern virksomhet

15.01.2013 – 11.06.2013

startdato – sluttdato

Oppgavens tittel er:

HOW TO CREATE VALUE FROM A SUSTAINABILITY INITIATIVE
An exploratory case study of UN Global Compact in the Ulstein Group

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2. Bedriftens plikter

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Torild Bugge

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3. Partenes rettigheter

a) Studenten

Studenten har opphavsrett til oppgaven. Alle immaterielle rettigheter til resultater av oppgaven skapt av studenten alene gjennom oppgavearbeidet, eies av studenten med de reservasjoner som følger av punktene b) og c) nedenfor.

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b) Bedriften

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5/6-13 Trondheim	Kirstoffer Magerøy
sted, dato	student

5/6-13 Trondheim	Anne Magerholm Fost
sted, dato	veileder ved NTNU

6/6-13 Tallin	LT	187
sted, dato	instituttleder, NTNU	institutt

2.6.2013	 <i>Friedl Bugg</i>
sted, dato	for bedriften/institusjonen stempel og signatur

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Avtale mellom

Student: Sigurd Sagen Vildåsen

født: 06071988

Veileder ved NTNU: Annik Magerholm Fet

Bedrift/ekstern virksomhet: Ulstein Group

og

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Trondheim 5/6-13 Annik Magelholm Felt
sted, dato veileder ved NTNU

Trondheim 7/6-13 F. T. IØI
sted, dato instituttleder, NTNU institutt

2.6.2013  T. Buss
sted, dato for bedriften/institusjonen
 stempel og signatur

Preface

This master thesis has been conducted at the Norwegian University of Science and Technology, spring semester 2013. The study is part of our specialization in Strategy and International Business Development at the Department of Industrial Economics and Technology Management.

The purpose of this study is to explore how sustainability initiatives such as United Nations Global Compact can be implemented in order to increase competitiveness for a company. Furthermore, practical insights from the Ulstein Group are used in order to make the results applicable for managers and decision-makers.

The thesis is divided in two. The first part is written in an academic style where theoretical concepts are applied in order to analyze empirical findings. In the second part, the purpose is to give recommendation and to show practical solutions by applying the case company as context.

The Ulstein Group has been an invaluable collaboration partner during the research process. We would like to extend our sincere gratitude to HR Director Torild Bugge for inviting us to Ulsteinvik and for her positive and inspiring attitude. Furthermore, we would like to thank Deputy Managing Director in Ulstein International, Per Olaf Brett, for valuable and constructive comments and input.

We would also like to thank our academic supervisors, Professor Annik Magerholm Fet and Professor Øystein Moen at the Department of Industrial Economics and Technology Management for inspiring and motivating feedback throughout the process.

Trondheim, 10th of June 2013

KRISTOFFER MAGERØY

SIGURD SAGEN VILDÅSEN

Sammendrag

Bærekraftig utvikling kan fra et bedriftsperspektiv ses på som hvordan sosial og miljømessig verdiskaping også kan skape økonomisk verdi. Det vil være essensielt for en bedriftsleder å få svar på slike "hvordan" -spørsmål, som igjen vil være i tråd med en preskriptiv framgangsmåte. Fra et akademisk ståsted er det behov for studier som belyser slike aspekter fordi den empiriske litteraturen på området gir få klare konklusjoner på årsak-virkningsforhold og anbefalinger til bedriftsledere.

Denne masteroppgaven tar i bruk resultater fra Ulstein-konsernet som ble samlet i en periode da selskapet gjennomgikk en prosess der de vurderte medlemskap i FNs Global Compact. Global Compact er et frivillig bærekraftsinitiativ som omfatter ti prinsipper innen menneskerettigheter, arbeidsmiljø, ytre miljø og anti-korrupsjon. Et selskap forplikter seg gjennom medlemskap til å rapportere og kommunisere eksternt hvilken framgang de gjør på årsbasis. Hovedformålet i denne studien har vært å undersøke *hvordan et selskap kan implementere Global Compact-prinsippene på en måte som gjør at langsiktige fordeler oppnås.*

Analyseenhetene i oppgaven har dermed vært Global Compact og Ulstein-konsernet. Den empiriske undersøkelsen tok form gjennom *kvalitative* undersøkelser preget av en *utforskende* framgangsmåte. Sytten semi-strukturerte intervjuer ble benyttet som hovedkilde for empiriske funn. I tillegg ble studien avgrenset til å gjelde *miljøprinsippene* samt forpliktelsen til å *kommunisere åpent* til omgivelsene. Videre ble selve implementeringsprosessen analysert ved å ta utgangspunkt i et teoretisk rammeverk som vektlegger aksept i organisasjonen som et eget implementeringsmål.

Når det gjelder miljøprinsippene til Global Compact, så har strategiene «pollution prevention» og «product stewardship» koblinger til styrket økonomisk verdiskaping på et konseptuelt plan. Førstnevnte har i tillegg god empirisk støtte på grunn av fokuset på kontinuerlig forbedring og ressurseffektivitet. Sistnevnte er mer produktorientert og legger vekt på inkludering av interessenter. Funnene fra undersøkelsene tyder på at «product stewardship» er en god strategi bare hvis kundene i industrien er villig til å betale for de miljøvennlige produktene. På nåværende tidspunkt ser ikke dette ut til å være tilfellet i maritim sektor, med mindre produktet også har en direkte økonomisk gevinst som f. eks. redusert drivstofforbruk.

Åpen og ærlig kommunikasjon kan ha en fasiliterende effekt på *et selskaps rykte* fordi det signaliserer kvalitet til eksterne omgivelser. Likevel så kan ikke informasjon om mislykkede prosjekter og målsettinger distribueres ukritisk. Det bør være på plass en handlingsplan i forkant, slik at utfordringene blir tydelig møtt med tiltak og ressurser. Strategien bør være å overbevise interessenter om at selskapet er en proaktiv aktør som lærer av sine feil.

Et sentralt funn er at aksept innad i organisasjonen ser ut til å være spesielt viktig i forbindelse med innføring av et bærekraftsinitiativ. Dette er fordi ansatte mest sannsynlig vil ha utfordringer med å se relevansen og tilknytningen til de daglige oppgavene. Av den grunn ser det ut til å være essensielt at ledelsen evner å relatere nye aktiviteter til eksisterende målsettinger innen forretningsetikk og for eksempel helse, miljø og sikkerhet (HMS). Videre vil involvering av ansatte gjennom hele implementeringsprosessen være sentralt for å oppnå intern aksept og støtte. Mål og konkrete tiltak bør derfor utvikles gjennom å bruke tverrfaglige grupper med ansatte fra ulike nivåer i organisasjonen. I tillegg så indikerer funnene at ansatte som jobber eksternt mot kunder og leverandører vil kunne se relevans lettere enn de som jobber mer produksjonsrettet.

Diskusjonen rundt strategien «pollution prevention» viser at konkrete prestasjonsindikatorer må utvikles for å oppnå ønsket resultat. Dette vil signalisere forretningsrelevans til de ansatte, som igjen vil være nyttig for å skape aksept blant de som arbeider mer produksjonsrettet. Når det er sagt, så er hovedbudskapet at slike indikatorer ikke er mål i seg selv i en implementeringsprosess. Det viktige er hvordan de introduseres i organisasjonen. Det er nødvendig med eierskap som igjen kan påvirke positivt motivasjon og engasjement blant de ansatte. Formålet må være at nye aktiviteter gis oppmerksomhet og følges opp på ulike nivå i organisasjonen slik at verdiskaping i praksis blir resultatet.

Executive summary

From a management perspective, sustainable development concerns how to create social and environmental value in a way that also benefits economic value creation. Furthermore, managers need answers on such “how”-questions following a *prescriptive approach*. In this context, further studies are needed because the empirical literature gives an unclear picture when it comes to cause-and-effect relations and managerial recommendations in general.

This thesis utilizes findings from the Ulstein Group obtained during a period where the company has been evaluating membership in UN Global Compact (UN GC). UN GC is a sustainability initiative that comprises ten principles within areas of human rights, labor, the environment and anti-corruption, to which companies commit. A company that becomes a member is obligated to communicate their progress on these issues annually. The main purpose of this study was to investigate *how a company can implement the UN GC principles in order to achieve long-term benefits*.

Using the Ulstein Group and UN GC as units of analysis, a *qualitative and exploratory* investigation was conducted. Seventeen semi-structured interviews were used as main source of empirical data. The study was scoped in a way that emphasized the *environmental principles* of UN GC along with the obligation of *transparent communication*. Furthermore, the implementation process was analyzed by applying a theoretical framework that emphasizes *organization acceptance* as a separate implementation goal.

Regarding implementation of the environmental principles of UN GC, the strategies of *pollution prevention* and *product stewardship* reflect conceptual relations to increased economic value creation. The former has gained most empirical support, mainly caused by its linkages to continuous improvement and resource efficiency. The latter is product oriented and based on stakeholder integration. The findings suggest that product stewardship is successful only if the willingness to pay among customers is in place, and in the maritime industry, this seems to be missing to some extent at present.

Transparent and honest communication can facilitate *corporate reputation* because it signals quality. However, when relieving information about failures and delays, a company must ensure that an action plan is in place and that resources are allocated in order to address the challenges. From a strategic point of view, the goal would be to convince stakeholders that the company is a proactive industry actor that learn from its mistakes.

The study pinpoints that organizational acceptance is especially important when it comes to sustainability initiatives because employees will most likely have difficulties seeing business relevance and relations to their daily tasks. Therefore, it seems crucial that management first relate the new activities to existing policies within business ethics and for instance health, safety and environment in order to pinpoint relevance. Second, it is likely to achieve

acceptance if employees are involved throughout the implementation process. Objectives and concrete measures should be developed using interdisciplinary groups and employees on different organizational levels. Furthermore, the findings indicate that people working towards customers or suppliers would see possible benefits more easily than those who are working closely with project deliveries and production tasks.

Regarding the strategy of pollution prevention, it seems clear that concrete performance indicators must be developed in order to get successful outcome. This would also show business relevance more clearly, and hence be advantageous when aiming for acceptance among employees that work with production or other tasks linked to daily operations. However, the main point is not such indicators in themselves, but how they are introduced to the organization. Ownership is needed which again would facilitate motivation and engagement among employees. The key point is to give new activities attention and follow them up at different levels within the organization, so that value creation in practice can take place.

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1. Introduction

From a business point of view, sustainable development can be conceptualized by *the triple-bottom line*. This means serving the interests of people, planet and profit, reflecting social, environmental and economic value creation (Economist, 2009).

From an academic point of view, an interesting debate exists in the literature concerning couplings between the three measures. Researchers often investigate causal links between environmental/social value creation and economic value creation. Is it so that well-performing companies financially speaking also excel in the two other areas? This makes intuitively sense because such companies will have resources enabling participation in voluntary activities based on social and environmental issues. Or could it be the other way around? Porter and Kramer (2011) argue that it is possible to create maximum economic value through creation of social and economic value. In other words, a company could gain competitive advantage by addressing sustainability strategically.

By asking the question “Does it pay to be green?” Hart and Ahuja (1996) show positive correlation between environmental and economic performance. That being said, results of empirical investigations in general seem to be somewhat mixed. For instance, Filbeck and Gorman (2004) do not find a positive relationship between environmental and financial performance, as their results indicate a negative relationship. Furthermore, as emphasized by King and Lenox (2001) the essence is probably that cause-and-effect explanations remain unclear.

Interestingly, the conducted studies seem to share a common finding, namely that there are variations among firms, also among those in the same industry. Some companies are able to transform environmental strategies into increased economic performance while others fail. Clarkson et al. (2011) point out that such a phenomenon is in accordance with the *resource-based view* of the firm. The reasoning being that firm-specific factors cause performance variations among companies in the same industry.

1.1. Problem description

Rational companies select and implement strategies in a way that secures alignment between internal resources and market positions (Wit and Meyer, 2010). Increased competitiveness is the underlying motivation. Furthermore, weakened competitiveness can be a risk if a company falls behind the industry average in terms of environmental and social performance (Moen and Jørgensen, 2009).

A generic strategy for companies would therefore be to reduce risk by adopting a sustainability profile that matches the average level in their respective industry. A more proactive strategy would be to differentiate on sustainability issues. Regardless of selected strategy, there is a profound need for research that explores and explains *how* a company

could implement sustainability activities in order to increase economic performance. Such a research approach towards sustainability can be interpreted as *prescriptive*, which would be in contrast to the more reactive and *descriptive* investigations found in the empirical literature (Figure 1)¹.

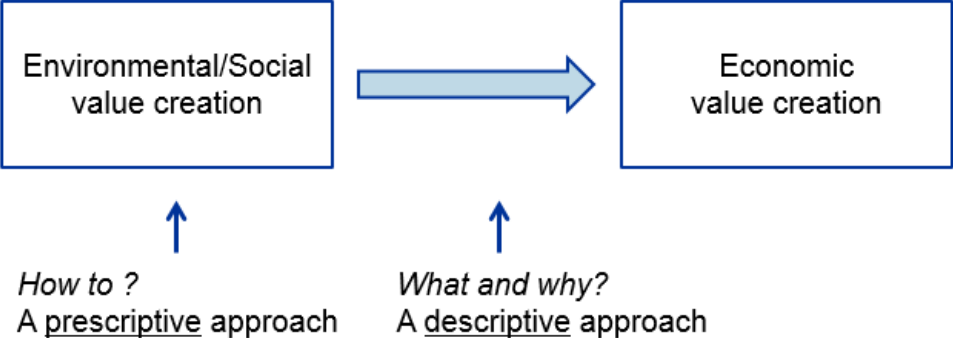


FIGURE 1: HOW TO ACCHIEVE SUSTAINABLE VALUE CREATION

1.1.1. Units of analysis

UN Global Compact (UN GC) is a voluntary initiative aiming to reach overall objectives within social and environmental issues, and acts as a unit of analysis in this study. The initiative comprises ten principles within areas of human rights, labor, the environment and anti-corruption to which companies commit.

The Norwegian Government expects that Norwegian companies consider signing the UN GC (St. meld. nr. 10, 2008-2009). In addition, it is demanded that every governmental owned company with international activity adhere to the UN GC principles (St. meld. nr. 13, 2010-2011).

The initiative today has over 10,000 corporations and other organizations in over 145 countries as members (Figure 2) (UN Global Compact, 2013a), and a rapid growth has found place in Norway as well. As of May 2013, the number of Norwegian participants have reached 79, of whom 42 have signed the ten principles during the last three years (UN Global Compact, 2013c).

¹ As indicated in the figure text, execution of sustainability activities that results in increased competitiveness is referred to and understood as *sustainable value creation* in this thesis.

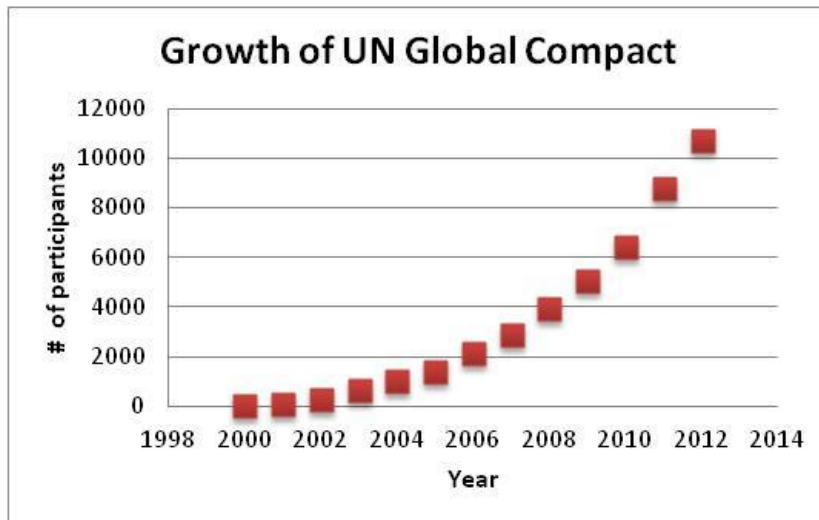


FIGURE 2: GROWTH OF UN GLOBAL COMPACT. SOURCE: UN GLOBAL COMPACT (2013C)

In other words, there exist external drivers for membership, but the potential for increasing a company's competitiveness needs to be explored further.

The second unit of analysis is the Ulstein Group², which is used as a business case. The company is internationally oriented and offers ship design, shipbuilding and power and control systems for ships. The Ulstein Group was investigated during the process of evaluating if UN GC membership represented potential value creation for them.

1.1.2. Research questions

In order to understand possibilities for competitive advantage when joining a sustainability initiative such as UN GC, potential long-term benefits involved when committing to the initiative must be investigated. Thus, the following research question is needed:

- 1) *What are potential long-term benefits from implementing the UN GC principles?*

The discussion of research question one is used to identify factors that are most likely to have an influence on firm competitiveness. Furthermore, this is regarded as a basis for answering the following research question:

- 2) *How could a company implement the UN GC principles in order to achieve potential benefits?*

Research question one is answered by a theoretical discussion. The conclusion of this discussion is then used as a guidance for empirical investigations in the case company. Research question two is answered by applying a theoretical framework along with empirical findings from the case study.

² Chapter 6 gives an introduction of the case company

1.2. Structure

Chapter 2 evaluates potential for increased competitiveness based on findings in empirical literature in order to scope the study. Chapter 3 discusses and concludes on the first research questions based on theoretical considerations, while chapter 4 addresses theoretical aspects of the second research question.

Chapter 5 regards the research methods with emphasis on qualitative investigations. Next, in chapter 6 the case company is presented, and results of the investigation is given in in chapter 7. The findings are discussed in relations to theory in chapter 8. Finally, conclusion on the second research question and implications are given in chapter 9.

The last part of the document is a guideline for implementation given in the context of the case company. Here the theoretical analysis is applied as foundation for practical suggestions and solutions.

2. Findings in the literature

In order to scope the study, relevant findings in the literature concerning UN GC membership and potential for increased competitiveness are discussed in this chapter. The first approach for evaluating potential benefits, is to address membership as a whole by investigating the commitment the company must make, for example to communicate on progress. The second approach is to explore more specific business aspects of implementing the ten principles.

2.1. Membership as a whole

Vildåsen and Magerøy (2012) suggest that becoming a UN GC member should not be regarded as something unique in itself, but potential for future benefits is key when discussing strategic relevance and relations to competitiveness. Furthermore, the study discovered that managers underlined UN GC as a useful framework for working with sustainability issues. In general, using UN GC to achieve incremental change seems to be the main motivation among participants (McKinsey, 2004). However, the analysis presented in Vildåsen and Magerøy (2012) indicate that membership could have strategic implications in the longer term, for instance through open innovation projects in collaboration with stakeholders.

Network opportunities are often mentioned as a source for learning when reviewing empirical investigations of UN GC (Cetindamar and Husoy, 2007, McKinsey, 2004). However, Runhaar and Lafferty (2009) argues that there most likely exist other more industry-specific networks which are more relevant for dealing with sustainability issues. In general, empirical evidence suggest that received benefits from UN GC are closely linked to membership dedication (Cetindamar and Husoy, 2007).

Another interesting aspect mentioned in the literature is stakeholder reactions when a company affiliates with UN GC. Janney et al. (2009) find that investors regard membership positively through market reactions. The obligation to transparent communication is suggested as an important factor behind this effect. It is emphasized that transparency most probably is perceived as a signal of quality in the market. Janney et al. (2009) state that stakeholder reactions and quality signaling is an important area to investigate further in UN GC memberships.

The process of affiliating with UN GC can be regarded as relatively easy, but managers are advised to evaluate carefully benefits and costs along with motivation for allocating resources in to the initiative (Vildåsen and Magerøy, 2012).

2.2. The ten principles

The ten principles encompass different areas and relations to increased competitiveness seem unclear and complex. Intuitively, possibilities for risk reduction, for example through anti-corruption activities (principle 10) could be rational to implement for companies.

Human Rights

- **Principle 1:** Businesses should support and respect the protection of internationally proclaimed human rights; and
- **Principle 2:** make sure that they are not complicit in human rights abuses.

Labor

- **Principle 3:** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- **Principle 4:** the elimination of all forms of forced and compulsory labor;
- **Principle 5:** the effective abolition of child labor; and
- **Principle 6:** the elimination of discrimination in respect of employment and occupation.

Environment

- **Principle 7:** Businesses should support a precautionary approach to environmental challenges;
- **Principle 8:** undertake initiatives to promote greater environmental responsibility; and
- **Principle 9:** encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

- **Principle 10:** Businesses should work against corruption in all its forms,

Regarding the environmental principles of UN GC (principle 7, 8 and 9) there exist interesting findings in the strategic management literature. The work of Sharma and Vredenburg (1998) is especially relevant because relations between competitiveness and a proactive approach to environmental issues are investigated. Their empirical study support that a proactive environmental strategy can lead to unique capabilities enabling competitive advantage. *“These findings suggest that, in fact, proactive environmental strategies may evoke*

processes suggested by the resource-based view of the firm and lead to competitive advantage” (Sharma and Vredenburg, 1998, p.749).

By using comparative case studies, Sharma and Vredenburg (1998) found that the following unique capabilities are most likely to be developed from a proactive environmental strategy: stakeholder integration, higher-order learning and continuous innovation. Their study strongly indicates the applicability of the resource-based view when it comes to environmental strategies. Thus, it is assumed that this theoretical perspective could prove valuable when analyzing the environmental principles of UN GC.

2.3. Scoping the study

Considering UN GC as a whole, interesting relations seem to exist between potential for increased competitiveness and commitment to transparent communication. Already existing empirical findings related to stakeholder reactions (Janney et al., 2009) support this as an interesting topic to explore further.

When it comes to implementation of the ten principles, the findings of Sharma and Vredenburg (1998) indicate that the environmental area represent potential for business opportunities and development of unique capabilities following the reasoning of the *resource based view*. The environmental principles of UN GC are therefore focused on when conducting further analysis.

In general, selecting a scope as indicated above could prove to be risky because further investigations will be conducted within such limits and one can miss important aspects. That being said, it is advantageous to focus time and effort in order to achieve depth and insight in some selected topics. In other words, conclusions given on the research questions in this thesis should be interpreted having these aspects in mind.

3. Theoretical discussion of the first research question

A general answer to the first research question³ could be that long-term benefits reflect capabilities and resources that increase the competitiveness of a company. In order to analyze such a premise, chapter 3.1 introduces the resource-based view, which is necessary for understanding the theoretical aspects related to a firm's capabilities. As suggested in chapter 2, transparency and environmental aspects are key words for further analysis, hence respectively discussed in chapter 3.2 and 3.3.

3.1. Resources and capabilities

The resource-based view articulates the relationships between firms' resources, capabilities and competitive advantage. The perspective is anchored in two premises. First, it assumes that firms within an industry may control different strategic resources, that the firms are heterogeneous. Second, this view assumes that these resources may not be perfectly transferable across firms (Barney, 1991).

When a firm is implementing a value creating strategy, not simultaneously implemented by competitors, the firm is said to have a competitive advantage. Whether this competitive advantage is sustainable or not, depends on other firms' ability to duplicate the benefits of this strategy by imitating or substituting the product. However, resources will be imperfectly imitable if they have a unique historical condition, are causal ambiguous or are complex social phenomena (Barney, 1991).

No generally accepted classification of these resources has yet emerged, but the distinction between tangible and intangible resources is commonly made (de Wit and Meyer, 2010, p.247). Tangible resources can be physically observed and can in general be purchased. Intangible resources are mostly carried within the people in the organization, and they need to be developed. Furthermore, a *capability* is an intangible resource needed in order to execute activities.

3.2. Which capabilities could be developed from implementing transparency?

The first part of the scope introduced in 2.3 regards the obligation to make information public and hence create transparency towards stakeholders. This chapter discusses how such commitment can enable long-term benefits.

3.2.1. Information asymmetry and reputation building

One can assume that stakeholders never know if information received from a company is correct, complete or both. Such information asymmetry reflects uncertainty, and lack of

³ RQ1: What are potential long-term benefits from implementing the UN GC principles?

information would make it difficult to judge the quality of a firm. The work of Akerlof (1970) suggests that consumers will assume low quality of a product instead of high quality when making decisions in an uncertain environment with information asymmetry. The reasoning seems to be valid also when stakeholders make their decisions regarding quality of companies. As an example Janney and Folta (2006) assume and apply that information asymmetry is a key element when firms are evaluated in the market.

Corporate reputation is a set of attributes ascribed to the firm, inferred from the firm’s past actions (Weigelt and Camerer, 1988). Reputation-building behavior is strategic in a situation of information asymmetry because stakeholders then need to form beliefs about the company. Furthermore, it is necessary for a firm to give signals of information to the market in order to be perceived as a high-quality actor (Spence, 1973). Certain actions made by a company today can be seen as signaling future actions. Signaling builds reputation because stakeholders will then ascribe certain attributes to the firm. As an example, acting reliable would strengthen the corporate reputation because stakeholders will expect the company to act reliable in the future. Investing in such behavior is rational because reputation is a valuable intangible asset for the firm (Storebrand, 2011). In other words, reputation building can be regarded as a capability enabling differentiation and thus competitive advantage (Figure 3).

Capability potential	Competitive advantage
Reputation building	Differentiation

FIGURE 3: REPUTBUILDING AS A COMPETITIVE ADVANTAGE

It seems logical that UN GC membership reduces information asymmetry because of the obligation to communicate on progress (COP) and to make this information public through UN GC’s webpage. Janney et al. (2009) investigate such aspects empirically. They hypothesize affiliation with UN GC as a signal evaluated by investors through market reactions. The results suggest that joining UN GC is viewed as a positive event by investors. Emphasis is put on transparency as a visible signal of high quality when explaining the results. COP creates transparency because firms are committed to publicly relieve both good and bad news. Furthermore, transparency allows investors to evaluate themselves if the information received is trustworthy. Transparency as a mean for reducing uncertainty and developing trust in general is backed up by empirical research on business networks and alliances (Kanagaretnam et al., 2010). Thus, transparency seems as an important factor when it comes to reputation building.

The results from the literature indicate that an important advantage involved when joining UN GC is that commitment to transparency signals quality. This means strengthened reputation and the company can differentiate themselves from lower quality competitors and gain a competitive edge (Figure 4).

Global Compact potential	Capability potential	Competitive advantage
Transparency	Reputation building	Differentiation

FIGURE 4: TRANSPARENCY AS A COMPETITIVE ADVANTAGE

3.2.2. Reflections and implications

The literature investigating UN GC as a signaling mechanism (e.g. Janney et al. (2009)) uses investors as unit of analysis, but it seems reasonable to assume that the signaling effect also would apply to other stakeholders. Especially when it comes to customers this assumption should be valid because the work related to information asymmetry and quality perception was originally applied on customer decisions (Akerlof, 1970). Either way, managers have incentives to use UN GC affiliation as a signaling mechanism in order to build reputation among stakeholders and secure a differentiated position. It should be noted that internal stakeholders, such as employees, also would serve as an important target group in this context. Employees have a perceived impression of what other stakeholders think of their company, and it seems natural to believe that strengthened corporate reputation would positively affect employee satisfaction. The important question is then how to develop such reputation building capabilities.

One answer could be to ensure that the annual reporting on progress reflects honesty and transparency. It is reasonable to assume that stakeholders regard UN GC membership positively only if they believe that companies indeed make credible obligations to implement the UN GC principles and to relieve harmful information. Critics would argue that the reporting-process is based on self-evaluation and therefore there is a risk of biased reporting. Furthermore, sustainability reporting in general is often accused of “green-washing”.

However, from a strategic perspective, managers should try to use such critique to their advantage. It seems logical that stakeholders would regard the company as trustworthy if reporting processes clearly differentiates positively compared to competitors and other actors. Being perceived as better than others in the industry could strengthen corporate reputation and competitiveness in general. In practice, such a strategy can be executed

because the COP reports are available on the UN GC webpage and managers can compare the reports of other companies in order to differentiate themselves.

3.3. Which capabilities could be developed from implementing the environmental principles?

The second part of the scope from 2.3 is the environmental principles of UN GC. From the resource-based view, it can be deduced that spotting and exploitation of business opportunities within environmental issues demand key resources and capabilities. The natural-resource based view (NRBV) introduced by Hart (1995) is important in this respect and is therefore chosen as theoretical background.

3.3.1. The natural-resource-based view

Hart (1995) refers to research within climate and ecology and pinpoints that the next 40 years present a big challenge. The world can either alter the nature of economic activity or risk irreversible damage to the ecological systems. Clearly, most of our past economic and organizational practices are not environmentally sustainable and cannot continue long into the future. Therefore he argues that competitiveness in the coming years will be rooted increasingly in emerging environmental capabilities, and thus cause a paradigm shift for the field of strategic management.

For the resource-based view to remain relevant, Hart (1995) calls on professionals and organizational theorists to begin to grasp how environmentally oriented resources and capabilities can yield sustainable sources of competitive advantage. He introduces the NRBV framework composed of three interconnected strategies: *pollution prevention*, *product stewardship* and *sustainable development*. Each of these builds upon different key resources and has different competitive advantages.

As one of the first to test Hart's theories empirically, Menguc and Ozanne (2005) analyze impacts of natural environmental orientation on firm performance by using data from 140 Australian manufacturing firms. They claim that the results support the NRBV, and they argue that firms should respond to environmental issues through development and deployment of valuable and non-substitutable resources. It is emphasized, that such resources should address both constraints and opportunities offered by the natural environment.

In a review Hart and Dowell (2011) discusses empirical evidence of the three NRBV strategies. They state that significant progress has been made within the understanding of pollution prevention and that some empirical evidence is found which show linkage to competitive advantage. The domain of product stewardship as had a growing amount of research, but a lot remains to be accomplished. Finally, research within sustainable development is regarded immature.

On a conceptual level, the work of Hart is assumed to be valid. Therefore, the question raised is whether membership in UN GC can facilitate the development of strategic capabilities. That being said, empirical evidence should be emphasized when applying the framework. Thus, pollution prevention and product stewardship are selected and discussed in the next subchapters (Figure 5). This due to the fact that empirical investigations in the literature mostly exist within those two areas, while the strategy of sustainable development has not been investigated significantly (Hart and Dowell, 2011).

Strategic capability	Environmental driving forces	Key resources	Competitive advantage
Pollution prevention	Minimize emissions, effluence & waste	Continuous improvement	Lower costs
Product Stewardship	Minimize life-cycle cost of products	Stakeholder integration	Preempt competitors

FIGURE 5: STRATEGIC CAPABILITIES AND ENVIRONMENTAL ISSUES. SOURCE: HART (1995)

3.3.2. Pollution prevention as strategic capability

Hart (1995) pinpoints that pollution abatement can be achieved through the primary means of control and prevention. While the former entails expensive sampling and treatment of pollution, the latter reduces the pollution during the manufacturing process. Hart (1995) argues that by continually improving resource efficiency and decrease waste, companies can realize significant savings, resulting in a cost advantage relative to competitors. It is reasonable to assume that companies with initial weak resource efficiency and high pollution levels easily will achieve cost advantages. The “low hanging fruits” are often inexpensive relative to savings, while later improvements will demand higher investments.

King and Lenox (2002) investigate the relationship between pollution reduction and profitability further. In their analysis of American manufacturing companies, they found support for the “pays to be green” hypothesis. However, the causality is caused by one factor alone – increased waste prevention. Waste generation, treatment and transfer are not found to have any significant impacts on profitability. An unexpected benefit from waste prevention is often cited to be increased process innovation (Porter and Van der Linde, 1995). The result could be higher resource productivity, less downtime and better utilization of by-products. This is supported by Klassen and Whybark (1999) where the best manufacturing performance was found in those plants that where increasingly allocating their environmental technology investments toward pollution prevention technologies, instead of alternatives as pollution control technology, management systems and end-of-pipe treatments. In other words, there seem to be satisfactory evidences that implementing the strategy of pollution prevention increase the profitability of a firm.

Given that business leaders are rational and have all information available they would therefore have implemented pollution prevention strategies already. However, those assumptions are not necessarily true and still in those cases where they are true, implementation could be delayed due to other prioritizations. In those occasions, UN GC has been said by some business representatives to push forward changes that would have been carried out later in time (Vildåsen and Magerøy, 2012). The demand for having some actions to report on was explained to be an extra driver for change. This argument can be seen in alignment with the two factors that Hart and Dowell (2010) found to affect the firm's ability to gain financial benefit from pollution prevention, namely managerial cognition and framing. The essence is that managers do not find profitable opportunities if not looking for them.

UN GC's environmental principles states that "businesses should support a precautionary approach to environmental challenges, undertake initiatives to promote greater environmental responsibility and encourage the development and diffusion of environmentally friendly technologies" (UN Global Compact, 2013b). Pollution prevention can be such an initiative and cause more environmentally friendly technologies. Therefore, if a company's organizational capabilities make them able to transform the initiative into actions and cultural change, then membership can indirectly cause better profitability. As King and Lenox (2002) emphasize, strong innovation capabilities and in special those related to continuous improvement are important in this respect. Therefore, the possibility seen in UN GC is to use this initiative as a tool for increasing employee involvement into environmental issues, and thus lead to higher resource efficiency and finally better financial performance.

3.3.3. Product stewardship as strategic capability

Product stewardship entails the integration of external stakeholder perspectives into the product development and planning processes (Hart, 1995). It expands the scope of a product's impact to include the entire life cycle and thereby the producer attempts to preempt competitors in the market.

In a quantitative study of UK manufacturers, Pujari et al. (2003) studied the development of new environmental friendly products and its influence on both market and eco performance. They found statistically significant relationships between market performance and several factors, e.g. environmental benchmarking, effective environmental database management and cross-functional coordination. The last one suggesting that life cycle analysis (LCA) conducted by environmental professionals should be integrated with other functional activities within the environmental new product development (ENPD) process. This finding is supported by de Bakker et al. (2002) as they through two case studies revealed the importance of a cross-functional cooperation in the process of organizing product oriented environmental management. Furthermore, since many managers have not yet embraced the "win-win" logic of the environmental innovations, Pujari et al. (2003) concluded that

“legitimation of the ENPD process is achieved through the explicit support and involvement of top management and by the appointment of an environmental manager to act as coordinator” (Pujari et al., 2003, p. 666).

UN GC’s environmental principles seem to support a product stewardship strategy because the system perspective integrated into life cycle management (LCM) thinking decreases the possibility for problem shifting and can lead to development of environmental friendly technologies. The initiative itself could probably also ease the collaboration within the value chain, which is required to get an effective environmental database management. However, whether product stewardship on firm level can lead to increased competitiveness, is most probably highly dependent on industry context.

3.4. Critical reflections

The theoretical foundation presented in this chapter is anchored in the resource-based view (RBV). Some critical remarks on this theoretical perspective are necessary in order to understand applicability and relevance of the framework.

RBV conveys that companies must be in control of intangible resources that competitors cannot imitate in order to achieve sustained competitive advantage. However, the key question from a manager’s perspective would be how to develop such resources? This is also the core question of this thesis, namely, how to implement a sustainability initiative in order to increase competitiveness. Interestingly, the issue of answering how-questions is an established criticism against RBV. As an example Priem and Butler (2001) emphasize that RBV researchers will find it challenging to answer questions like “how can resources be obtained?” and “how and in which context does it contribute to competitive advantage?”.

That being said, one must remember the axioms of the theory. For instance, if one assumes that RBV gave clear answer on how-questions, rational manager would know how to develop competitive resources. However, such a scenario clearly opposes that unique historical conditions, causal ambiguity or complex social phenomena are premises. The key point of the theory is that resources can be a source of sustained competitive advantage only when causal relations are unclear and difficult to imitate. Thus, the fundamental logic of the framework seems to make it difficult to deduce managerial recommendations.

As spin-off of the RBV, NRBV is interesting especially on a conceptual level because it relates environmental strategies to sources of competitive advantage. As discussed earlier, the strategy of *pollution prevention* has received most empirical support while *product stewardship* still needs further confirmation. Furthermore, because of the general weaknesses inherent in the logic of resource-based perspectives, challenges are present when it comes to practical application. However, the two strategies mentioned seem to represent potential for increased competitiveness, and the important issue will be to investigate empirically factors that could lead to a successful implementation.

As mentioned in 3.3.3, the strategy of product stewardship is probably more risky than pollution prevention. From a theoretical perspective, this could be related to some inherent assumptions in the framework. RBV and NRBV in particular emphasize how key resources, e.g. stakeholder integration, would enable unique products that are difficult to imitate for competitors. However, the customers in the industry must demand such products. Interestingly, it seems that the NRBV framework in many ways assumes that such markets conditions are in place, but this is not necessarily the case. In other words, customers' willingness to pay would be important when investigating applicability and relevance of product stewardship.

In general, the main application of the resource-based view is mostly descriptive because it can be used to analyze and explain why some companies are performing better than others in an industry. Thus, lack of prescriptiveness is probably the main weakness of the RBV, and this means that other theoretical aspects should be included when answering "how-questions".

3.5. Conclusion on the first research question

The scope introduced in 2.3 along with the theoretical analysis conducted in this chapter are used to answer the first research question.

- RQ1: *What are potential long-term benefits from implementing the UN GC principles?*

Commitment to transparency is a premise when a company becomes a UN GC member, and some benefits can be expected because open and honest communication signal quality towards stakeholder. Furthermore, by exploiting this opportunity, managers could build *corporate reputation* and turn it into as a source of differentiation and competitive advantage.

Pollution prevention represents an important strategic capability when it comes long-term benefits from implementing the UN GC principles. The reasoning being that it seems to exist sufficient evidence on the linkage between continuous improvement and resource efficiency, and increased economic value creation. The strategy of *product stewardship* could prove to be a source of increased competitiveness as well; however, empirical evidences in the literature are limited. Furthermore, industry context seem to be of major importance, especially when it comes to customer's willingness to pay.

4. Theoretical discussion of the second research question

In general, the resource-based view (RBV) contains weaknesses when it comes to prescribing how to implement the principles of UN GC. Thus, other perspectives are needed in order to answer the second research question⁴.

Furthermore, it is important to remember that the ability to execute strategies is a capability in itself. As an example, Christmann (2000) argues that implementation of best practices within environmental management only have competitive effects when capabilities for process innovation and implementation are possessed. In other words, company-specific factors will greatly influence the results, and therefore generic solutions are challenging to deduce.

Nevertheless, in order to propose recommendation for managers and to follow a *prescriptive approach*, the *process of implementation* could prove to be the crucial part. Christmann (2000) recommends that managers identify barriers to successful implementation as part of the process in order to increase likelihood for success. Following the reasoning of Krüger (1996), such barriers will most likely be related to cost-benefit analysis done by individuals within the organization, and his framework is introduced and discussed in this chapter.

4.1. A framework for managing implementation processes

According to Krüger (1996) managers tend to underestimate implementation, which should actually be regarded as the core task of change management. A typical point of failure is that the people concerned do not accept new solutions. Problems often arise from issues which are not directly related the change program or are hidden by day-to-day business. Furthermore, Krüger (1996) emphasizes that a recipe for implementation is unrealistic because it will depend on degree and depth of change and company-specific factors. Nevertheless, he introduces a framework that should be helpful for firms when managing implementation processes. The framework is introduced in the following paragraphs and is conceptualized by Figure 6.

⁴ RQ2: How could a company implement the UN GC principles in order to achieve potential benefits?

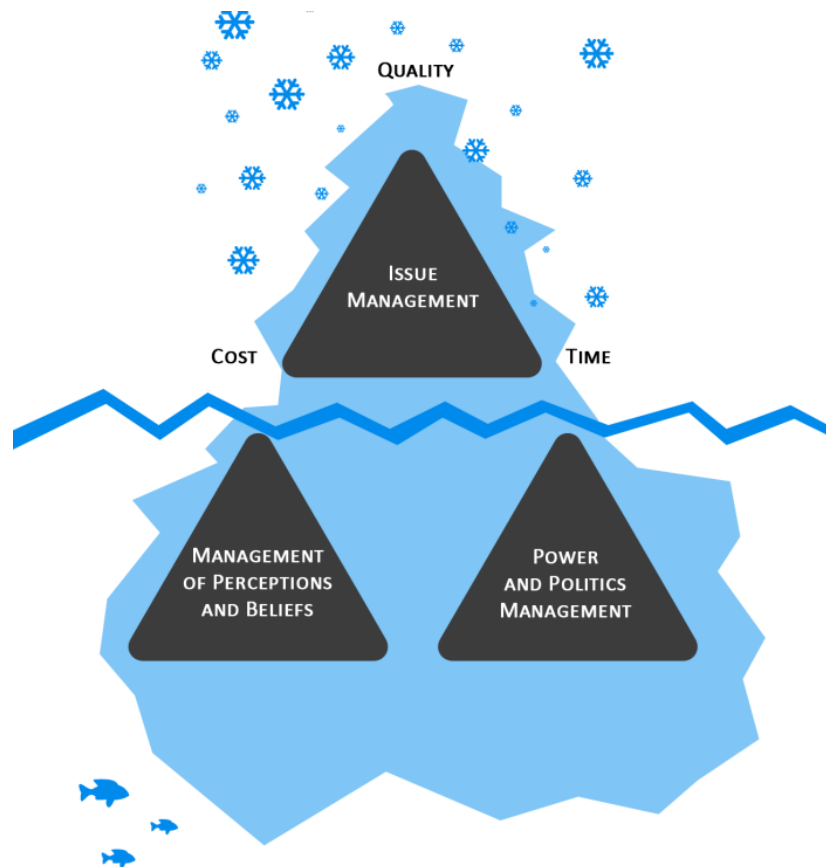


FIGURE 6: IMPLEMENTATION MANAGEMENT. SOURCE: KRÜGER (1996)

The main message is that individuals in the organization should be integrated in the change process through different means spanning from value-based integration to professionalized integration. The underlying reasoning is that management of perception and beliefs aims for *attitude acceptance*, while power and politics management deals with *behavior acceptance*. It is also important to note that change processes follow a sequence referred to as *unfreezing, moving* and *refreezing* as seen in the lower part of Figure 6.

For example, “unfreezing” would be linked to management of perception and beliefs and could be represented by formulation of new visions and missions statements. Next comes the moving stage, which is related to power and politics management. Here motivation and impacting are typical activities. The last stage is issue management where activities are based on information, training, supervision and control. This is the phase where new solutions and practices are learned in order to “refreeze” patterns of thinking and behavior.

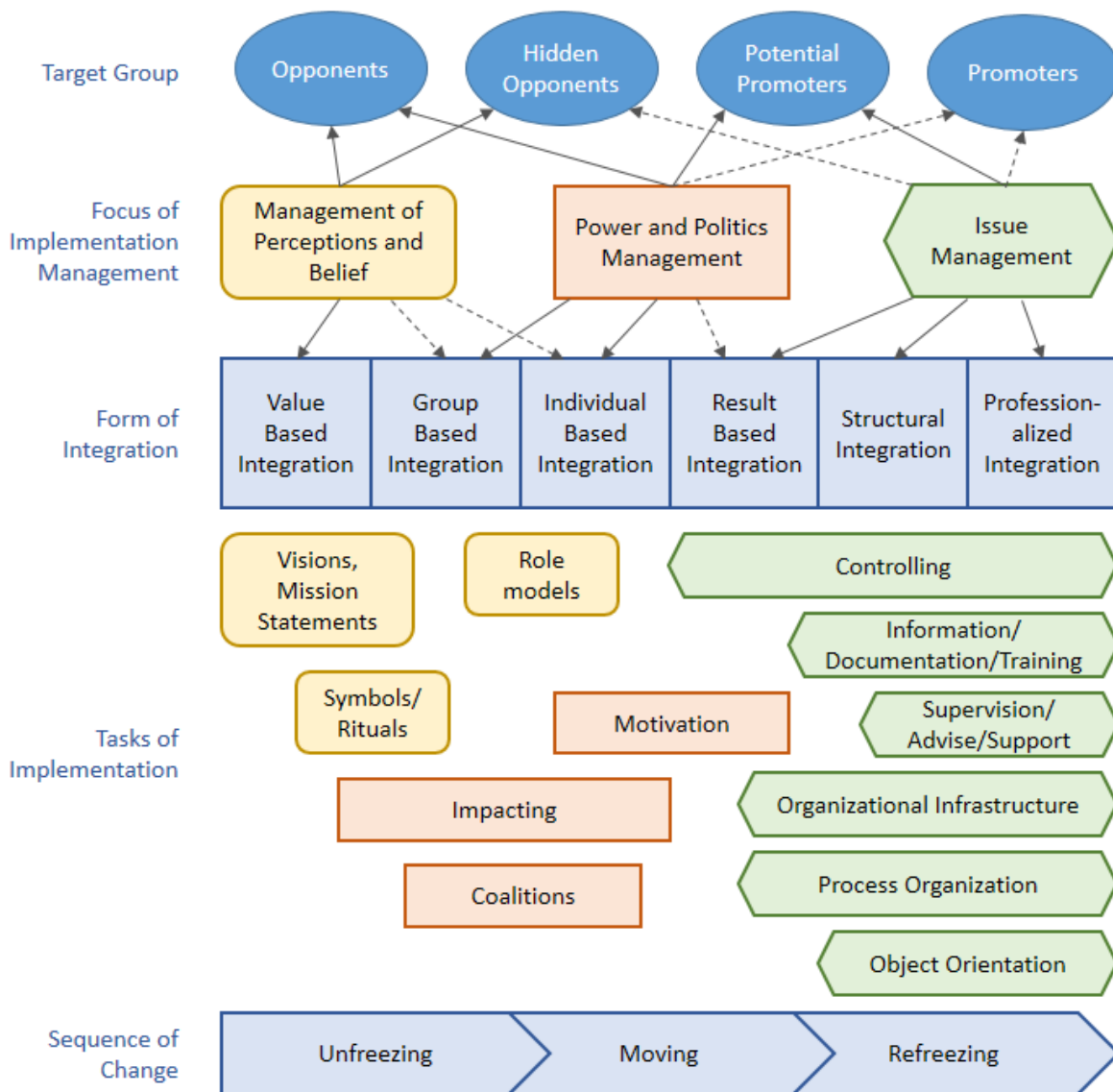


FIGURE 7: FRAMEWORK INTRODUCED BY KRÜGER (1996)

The framework highlights the importance of personnel barriers, which can be analyzed by introducing target groups as shown in the top of Figure 7. By doing so, it is possible to support positive and diminish negative attitude and behavioral patterns. *Promoters* represent both positive attitude and behavior while *opponents* are negative. The former would show joy, motivation and enthusiasm while the latter would show disappointment, resignation, disapproval and resistance. In general, those who expect to benefit⁵ from changes are likely to act as promoters and those who expect to suffer disadvantages, become opponents. However, sometimes there exists a gap between (internal) attitude and

⁵ An individual doing a cost-benefit analysis of a proposed change will consider the following: job security, working place, working time, income, tasks, authority, responsibility, requirements (qualification, motivation, behavior), symbols of position and status, organizational environment of the position, peer groups and private relations.

(external) behavior. *Potential promoters* have a positive attitude to change in general, but show negative behavior because of expected negative consequences. *Hidden opponents* have a negative attitude towards change in general, but show positive behavior due to expected advantages.

In the following, the *focus of implementation management* are elaborated and related to the different *forms of integration*. When it comes to different *tasks of implementation* as illustrated by Figure 7, these are also included and explained.

4.1.1. Management of perception and beliefs

Management of perception and beliefs represent the start of the change process. The focus here is on achieving attitude acceptance, which typically will target *opponents* and *hidden opponents*.

The need for change and the way in which change will occur, must be communicated. Hence, *vision* and *mission statements* along with *symbols* and *rituals* are important implementation tasks. The objective should be to ensure every employee's permanent personal commitment to values and norms. In practice, *role models* have proved to be of great importance. Both individuals and groups can serve as models, and it is regarded crucial that top management live the values they are thriving for.

As indicated, management of perception and beliefs focuses on *value-based integration*. When role models are used, *group-based* and *individual-based integration* are also targeted.

4.1.2. Power and politics management

Power and politics management aims at behavior acceptance, and target groups are therefore *opponents* and *potential promoters*.

Important means of power are rewards such as appreciation, praise, bonuses and compensations. The opposite is also possible, e.g. withdrawal of support and advantages, but this is restricted by strict legal limits. Rewards or punishments influence *motivation* and are linked to satisfaction and performance. A change supporting *coalition* is also crucial in an implementation process. For example, it is advantageous to use promoters who are already identified in order to achieve multiplication effects.

Power and politics can be exerted by individuals as well as by groups and this type of management are thus important for *individual and group-based integration*. Higher ranks and direct superiors do vertical integration, while single or group of colleagues carries out horizontal integration.

4.1.3. Issue management

Issue management can be regarded as the rational and factual dimensions concentrating on cost, time and quality. *Potential promoters* are the main target group.

Important activities would typically be *informing, training, documenting, supervising* and *consulting*. The main purpose is to achieve *professionalized integration*, which means that employees are adapted to new tasks, structures and procedures. Such activities should be initiated partly or entirely through project teams or steering committees as such represent examples of *organizational infrastructure* and *process organization*. *Result-based integration* reflects *controlling* progress and results during the implementation process.

Issue management will typically receive most attention from managers. This could prove to be risky because then the importance of *power and politics management* and the *management of perception and beliefs* is underestimated. The main point is that implementation must begin before the change project is defined because employees must be included in the process of identifying needs and intentions, as well as the establishment of goals. Thus, people concerned must be convinced of the need for change before the project starts.

4.2. Applying the framework in the case of UN Global Compact

The framework in Figure 7 should be discussed in relation to the type of change at hand. A business-reengineering project accompanied by radical changes will intuitively demand a different approach than smaller incremental changes. The important question is then how much energy and effort a firm should use on the integration forms spanning from value-based integration to professionalized integration. To evaluate this for UN GC the framework is applied in the following.

4.2.1. Support and resistance

As indicated in 4.1, divergence between attitude and behavior should be analyzed because such aspects reflects features of important target groups during implementation processes. Some central traits of UN GC are discussed in order to evaluate possible target groups in a company.

People showing both positive attitude and behavior (*promoters*, will expect advantages related to their own job. An example could be increased responsibility and visibility within the organization. Furthermore, people working externally towards customers and suppliers are more likely to find applications of membership because stakeholder dialogue are a core aspect of UN GC. A typical case for sales personnel would be when customers expect UN GC affiliation or regards such initiatives positively. On a more individual level, general attitude towards ethics, corporate responsibility and environmental issues would be intuitive motivational factors among promoters.

As discussed in 4.1, there will most probably be indecisive groups within the organization having the role as potential promoters or hidden opponents. *Potential promoters*, people that show positive attitude and negative behavior, could for instance be employees that genuinely support initiatives such as UN GC because they feel that business should take this type of responsibility seriously. However, if the related activities are irrelevant for their own role and tasks within the organization, or if they expect new reporting requirements to demand significant work, such people are likely to behave negatively. *Hidden opponents* will be characterized by opposite features because they would behave in a positive manner, but their personal attitude towards UN GC membership would be negative. This could be because they regard sustainability initiatives as on the side of what the company should focus on. Nevertheless, if they expect benefits from acting supportive, they could adopt to such behavior.

Some comments can be made regarding those who would adopt both a negative attitude and negative behavior towards UN GC, hence *opponents*. This group will probably see such initiatives as “nice to do”, but not related to core activities of the firm. Remembering that UN GC membership implies an annual reporting on progress, this group would most likely regard such resource allocation as unnecessary. In general, they are not going to see any significant benefits of affiliating with the initiative or they fear negative consequence for their own work situation. Having in mind the stakeholder and external-oriented design of UN GC, it is plausible to state that employees oriented towards internal processes such as operations and production are likely to have difficulties seeing benefits from membership.

In conclusion, it seems plausible that employees oriented towards external stakeholders are likely to be promoters of UN GC. Opponents could be people that work close to operations and daily deliveries because benefits of UN GC could be more unclear for them. Potential promoters and hidden opponents depend on individual attitude and it would be difficult to place generic traits on such target groups.

4.2.2. Ambition level

As mentioned in chapter 2, it is regarded crucial that management evaluate motivation for membership and related costs and benefits (Vildåsen and Magerøy, 2012). In general, dedication to the initiative is suggested to determine received benefits (Cetindamar and Husoy, 2007). Intuitively, this will influence how much effort that is invested in the implementation process.

Implementation of UN GC could reflect radical changes if the ten principles are transformed into major strategic actions. However, according to McKinsey (2004), it is more likely that management want to use membership to achieve incremental changes and learning effects through accelerating and facilitating implementation of existing policies.

It is important to evaluate amount of time and resources that should be used at activities found in the *unfreezing* and *moving* stages. As an example, it seems somewhat unrealistic

that management would see it necessary to introduce new mission and vision statements as a consequence of implementing UN GC. On the other hand, this would probably depend on current state within a company when it comes to social and environmental value creation. Given that a company aims to change deeply rooted values and norms in order to transform their operations in accordance with concepts such as the triple-bottom line and sustainable development, it would be rational to use GC strategically as means for achieving such objectives. However, that would be a level of ambition not commonly stated as motivation for membership (Vildåsen and Magerøy, 2012).

An important factor is probably what kind of role UN GC membership have in relation to other strategies and change processes. Based on the findings in empirical literature (McKinsey, 2004) it is reasonable to state that firms usually regard UN GC as a framework that they can use in existing implementation processes for instance related to sustainability issues and business ethics.

To conclude, management should be clear in communicating whether or not UN GC represents the beginning of an implementation process or if membership can be regarded as means in a larger context. Given the latter, it seems reasonable to assume that managers can ease some elements of the integration process given in the framework because ambitions then most likely represents incremental changes in the organization.

4.2.3. Summary and theoretical implications

The general implication from applying the chosen framework is that acceptance should be a separate implementation goal. Krüger (1996) argue that implementation must be designed as an individual and organizational learning process in order to overcome acceptance barriers. Furthermore, groups in the organization must be approached differently based on their likely attitude and behavior. As an example, it is reasonable to assume that employees working towards external stakeholders would more often be promoters of UN GC.

Goals and ambition level of UN GC membership should be defined in order to plan and conduct a suitable implementation process. This is assumed to be dependent on the specific case and will greatly influence what elements of the framework that should be utilized and focused on. Most likely, UN GC membership can facilitate existing policies regarding sustainability issues, and such aspects will influence the focus of implementation.

To conclude, the following implications are regarded beneficial for analytical purposes:

- In order to achieve acceptance it seems of great importance to involve employees and give them the opportunity to give feedback and recommendations.⁶

⁶ The authors regard such a process as crucial also in order to answer the second research question. Recommendations when it comes to implementation is therefore emphasized in empirical investigations in this thesis.

- A key factor for managers will be to determine whether implementation of UN GC should be regarded as a separate or part of a broader implementation process.

4.3. Critical reflections

The framework of Krüger (1996) was chosen because of its prescriptive nature, which makes it useful for managerial recommendations. However, some inherent weaknesses should be reflected upon.

A strength, but also a weakness of the applied framework, is its generic nature. Krüger (1996) points out that type and depth of change will influence how the framework can be used. However, there exists little guidance regarding which factors that are important and how the framework can be adjusted to the case at hand.

The discussion in 4.2.2 addresses the issue of applicability. A central point is that the framework in many ways requires that every type of change projects should follow a linear process of integration starting with value-based integration. Therefore, a challenge emerges when the change at hand is intertwined with other ongoing processes or policies. It is then difficult to determine if change processes have already started or if it is necessary to start with activities related to “unfreezing” the organization.

Another aspect giving practical challenges is that the different forms of integrations should be conducted in stages. For example, value-based integration should be completed before group-based integration is targeted. Even though the framework proposes relevant tasks for the different stages, there exist few guidelines when it comes to assessing when a certain stage is completed and when it is natural to continue to the next phase.

Despite of its limitations, the key concepts of the framework seem applicable in the case at hand. Most importantly, utilizing such a framework gives structure to the discussions, which again makes it less challenging to deduce managerial recommendations.

5. Research methods

The empirical investigations of this study are mainly based on a visit with the Ulstein Group⁷ in the period of 15th to 19th of April. Close contact with the company administration during the whole week made it possible to get hold of relevant documents and key personnel. An initial visit the 1st of February was also an important part of the process. Both researchers were present during the visits.

In the following, some reflections regarding the design of the study are given in 5.1. Furthermore, aspects regarding qualitative studies and semi-structured interview are presented in 5.2. Finally, quality and integrity of the investigations are discussed in 5.3.

5.1. Research design

Yin (2009) describes research design as a logical plan which typically starts with a set of questions and ends with some answers. This means that it should be a plan that helps figuring out what data to collect and how to analyze the results.

The purpose of the thesis is to investigate possibilities for establishing relations between environmental and social value creation and economic value creation. More specific, the goal is to explore and gain insight about factors that are important in order to increase competitiveness from implementing a sustainability initiative such as UN GC.

5.1.1. Exploratory approach

We chose to conduct a study more based on an exploratory approach rather than a conclusive approach. Table 1 summaries the major differences between those two.

Since our approach seems to differ from what is typically conducted in the literature⁸, generating insights were believed to be more relevant than verifying insights. Therefore, flexibility was regarded important when collecting data. That being said, a certain level of structure and formal methods were assumed necessary to ensure quality when analyzing obtained results. Therefore, we applied some of the recommendations given by Yin (2009). As an example, the theoretical discussion given in chapter 3 and 4 was conducted in order to guide collection of empirical data. However, the theory has been applied in order to scope investigation rather than to explain certain phenomenon.

⁷ The case company is presented in chapter 6

⁸ As discussed in the introduction most of the literature focus on describing relations when it comes to sustainable value creation and not *how* such relations can be established.

TABLE 1: EXPLORATORY VERSUS CONCLUSIVE RESEARCH. SOURCE: RESEARCH METHODOLOGY (2013)

Research project components	Exploratory research	Conclusive research
<i>Research purpose</i>	General: to generate insights about a situation	Specific: to verify insights and aid in selecting a course of action
<i>Data needs</i>	Vague	Clear
<i>Data sources</i>	Ill defined	Well defined
<i>Data collection form</i>	Open-ended, rough	Usually structured
<i>Sample</i>	Relatively small; subjectively selected to maximise generalisation of insights	Relatively large; objectively selected to permit generalisation of findings
<i>Data collection</i>	Flexible; no set procedure	Rigid; well-laid-out procedure
<i>Data analysis</i>	Informal; typically non-quantitative	Formal; typically quantitative
<i>Inferences/recommendations</i>	More tentative than final	More final than tentative

5.1.2. Case study design

By applying the classification of Yin (2009), the type of case study chosen can be characterized as a *holistic single-case*. The two next paragraphs discuss the rationality behind the choice of a single case and the holistic perspective.

According to Yin (2009) a *single case* is rational when the case is *revelatory*. This reflects situations where it becomes possible to investigate phenomena that are unique and previously inaccessible to researchers. In this study, investigation of the Ulstein Group was regarded highly interesting because the company was in the middle of a process evaluating benefits and costs of UN GC membership. This gave the authors a unique opportunity to get insights into business perspectives of UN GC. Because of this, we chose to focus on Ulstein Group as the case company. To the authors' knowledge similar investigations of UN GC has not been conducted earlier.

Yin (2009) argues that a *holistic case* is advantageous when logical subunits are difficult to identify. Given that UN GC membership will affect the whole organization, we decided to approach the case holistically. The negative aspects of this choice are the risk of examining phenomena on an abstract level. This risk was to some degree mitigated by scoping and narrowing investigations through application of theory. In addition, interviews of employees from all business areas and on different levels were conducted, and this helped gaining insight on a more operational level.

5.2. A qualitative study

Following the exploratory approach, we chose qualitative investigations as means for collecting data. In essence, a qualitative study deals with words rather numbers, the approach is open-ended and contextual understanding is emphasized (Bryman and Bell, 2011). Interviews were selected as the main source of evidence, and typical features of the research process are given in the following.

5.2.1. Interviews

Seventeen semi-structured interviews were conducted in total. Sixteen of them were recorded and notes were taken simultaneously. Both investigators were present at the same time and the interviews lasted in average an hour. One interview were more informal and documentation was done by taking notes only.

According to Bryman and Bell (2011), a typical feature of semi-structured interviews is to develop an interview guide. This was conducted based on the theoretical analysis in chapter 3 and 4 in order to specify topics to be covered. However, since the final list of people became accessible only few hours before the first scheduled interview, some adaptations and spontaneous changes to the guide was carried out during the process. For instance, questions asked during the interviews were adopted to the specific interviewee. This was mainly due to differences in background, meaning that some people were better qualified to answer some of the aspects. In other cases, certain topics were regarded relevant and interesting, and therefore people were allowed to speak more freely.

The interview guide was based on the scope given in chapter 2, e.g. transparency and the environmental principles, along with implementation processes as discussed in chapter 4. In addition we regarded it important to ask some company-specific questions that would give insight in organizational dynamics and culture. The guide is presented in Appendix A.

5.2.2. Interpreting and analyzing data

The notes taken during the interviews were used as data source when interpreting the findings. If topics and statements were perceived unclear, they were double-checked with the recordings.

The overall structure for presenting the findings in chapter 7 followed the logic given by the research guide, e.g. transparency, the environmental principles and implementation process. Topics were conceptualized in a manner making it possible to draw some overall inferences from the empirical findings. A central principle was to indicate in parentheses which of the interviews⁹ that was the source when grouping statements into topics.

⁹ The number of each interview is presented in chapter 7.1.2

The analysis in chapter 8 was conducted through application of the theoretical framework given by Krüger (1996). This is a generic framework, and therefore it was necessary to use the findings in order to discuss practical implications of theoretical considerations.

5.3. Validity and reliability

The quality of the research design is a core subject that should be discussed. Issues related to validity and reliability are therefore reflected upon in the following. Furthermore, qualitative research in general could be criticized for being too subjective (Bryman and Bell, 2011), and therefore this matter is discussed in 5.3.3.

5.3.1. Validity

Validity is concerned with the integrity of the conclusions generated (Bryman and Bell, 2011). Internal, external and construct validity are the typical forms of integrity measures (Yin, 2009). Internal validity is left out in the following because according to Yin (2009) this integrity measure is mostly relevant when conducting explanatory rather than exploratory investigations.

Construct validity concerns the issue of identifying operational measures for the concepts being studied. A recommended strategy is to use multiple sources of evidence. Even though some statements were supported by documentation, the main data source was interviews so this criterion is not regarded fulfilled. That being said, quite a large number of interviews were conducted which could enhance trustworthiness of results. Another strategy recommended by Yin (2009) is to maintain a chain of evidence that enables a logical link between initial research questions and case study conclusions. Efforts have been made to follow this strategy through usage of theory as basis for interview guide along with explicit citations to sources when presenting empirical results.

External validity deals with generalizability of the study's findings (Yin, 2009). Usage of theory would enhance external validity, but given the open and exploratory nature of this study, generalizability is regarded low. The results are probably better suited as a foundation for further research and investigations.

5.3.2. Reliability

According to Yin (2009), reliability is the criterion for securing the same results when an empirical study is repeated. The key principle is to document all the steps in the research process so that the research is replicable.

A recommended strategy in order to enhance reliability is to develop a case study protocol (Yin, 2009). This was to some extent taken into account through an interview guide based on theoretical considerations and data collection procedures during the stay in Ulsteinvik. Furthermore, sixteen out of eighteen interviews were recorded which would make it possible for other researchers to analyze the data collected. A complete transcription of all the interviews could have strengthened the reliability, but because of time constraints this

was not conducted. Most of the questions asked during the semi-structured interviews were quite open-ended. A weakness is therefore that respondents do most likely not answer an open question the same way twice.

Because of the open-ended and flexible approach of the investigations, reliability is regarded limited. In other words, it is likely that investigators would obtain slightly different results if conducting the same data collection procedures.

5.3.3. Confirmability

Confirmability parallels objectivity and concerns to which extent investigators values or personal opinions has influenced results (Bryman and Bell, 2011).

It is evident that a certain level of subjectivity is inherent in the study. First of all, the theoretical propositions used to guide investigations were influenced of subjective judgment. Furthermore, there were situations during the interviews where questions were posted in a manner that could have led the interviewee to answer in a certain way. However, the general tactic was to ask open-ended questions that gave the respondent opportunity to reflect on the matter freely.

In the interview guide, we planned procedures for writing down our preconceptions before starting an interview in order to analyze if this could have influenced the results. Unfortunately, because of a tight interview schedule we were not able to follow this strategy in practice. It is reasonable to assume that such procedures could have reduced risk for biased results. Another important criticism is the flexibility applied during the investigations. Questions were to some extent adopted to individuals because of their background or interests, and such spontaneous adaptations hold the risk of being influenced by the investigators personal values.

6. Case company – The Ulstein Group

Empirical data have been sampled through interviews and documents from the Ulstein Group. The two following subsections shortly presents the company and the process of deciding upon membership, before the interview findings are presented in chapter 7.

6.1. Corporate structure and strategy

The Ulstein Group is internationally renowned as a provider of ship design, shipbuilding and power and control systems for ships (Ulstein Group, 2013a). The family-owned company with history back to 1917, is today also established within shipping through Blue Ship Invest (Ulstein Group, 2013c). The Ulstein Group’s vision is to create tomorrow’s solutions for sustainable marine operations. Their overall strategy is sustainable growth, internationalization and innovation (Ulstein Group, 2013b). The Ulstein Group want to secure long-term competitiveness by a strong focus on results and active use of the firm’s three core values: innovative, engaging and advancing.

The group is divided into three main business areas: Design and Solutions (UDS), Power and Control (UPC) and Shipbuilding (USB) (Figure 8). UDS and UPC have subsidiaries abroad in countries as Brazil, China, Poland and The Netherlands. In addition, the support organization Ulstein International have sales offices in Shanghai, Singapore and Rio de Janeiro.

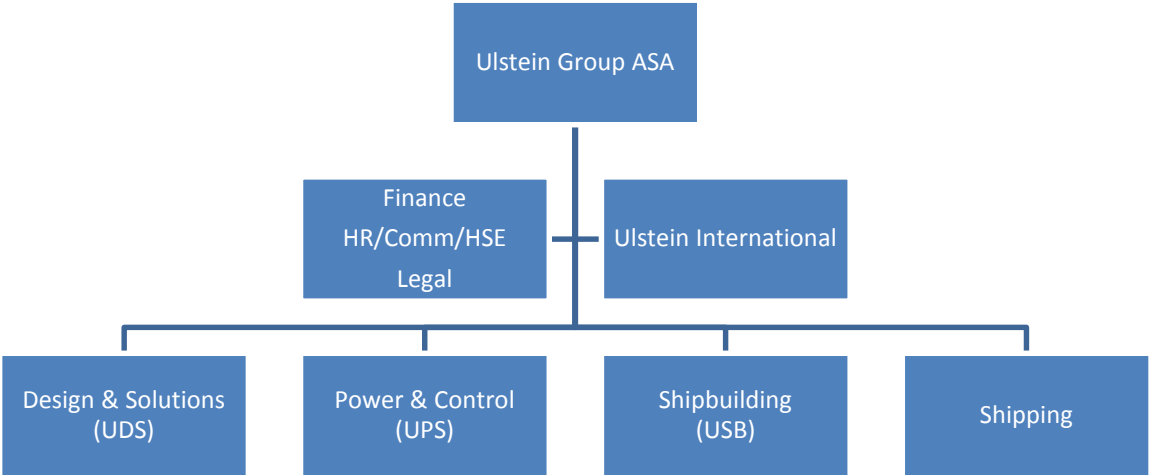


FIGURE 8: COMPANY STRUCTURE

Ulstein Group have recently been through a strategic process mapping strengths and weaknesses, as well as opportunities and threats. As part of this process, they have analyzed the strategic resources possessed by the company using methodology anchored in resource-based view (3.3.1). The findings give valuable understanding of the firm, and is therefore presented here:

Sustainable competitive advantages

- Functional integration
- Brand
- Family owned with long-term perspective
- Innovation reputation
- Commitment/proud working culture

Competitive advantages

- Capability to develop products
- Competences within system integration
- Yard support
- X-bow
- Ship catalogue
- Bridge vision
- Present globally
- Development department

6.2. Decision making process regarding membership in UN GC

Ulstein Group AS has been an important contributor to the local community for many decades, and the firm’s representatives have been very conscious of this role. However, according to the HR director, the interest in the concept of corporate social responsibility (CSR) has come to rise the last two-three years. Increased focus from the broad society and contract negotiations demanding higher degree of documentation, have both enlighten the importance of CSR-related work within the company.

At the board meeting the 24th of April 2012, it was decided that the administration should to a higher degree formalize their work within compliance and in special increase their focus at ethical guidelines and anti-corruption (Appendix B). In this setting, both the HR director and the legal counsel see UN Global Compact as a desirable way of embody compliance and give structure to the work. Therefore, they oriented the board the 24th of April 2013 of their recommendation and hope for a final decision in June 2013.

Ahead of this, membership in UN GC was discussed in the group management in March 2013. The discussion unveiled that the chief operating officers of two of the business areas did not consider membership valuable, as the extra work required was perceived more costly than the benefits. This opinion should be seen in relation to an ongoing process of reducing the indirect costs in the business areas. In other words, a new task instructed by the group management was considered inconsistent with current focus.

7. Empirical findings

The findings presented in the following are based on seventeen semi-structured interviews conducted during a visit with the Ulstein Group. In 7.1 general findings are presented, and sections 7.2-7.4 encompass topics related to the second research question, e.g. transparency, the environmental principles and the implementation process. References used in these chapters indicate number¹⁰ of the interviewee that has given the statement.

7.1. General findings

In 7.1.1, the overall impression towards UN GC is presented. Section 7.1.2 gives a short extract from each interview. The purpose is to give the reader insight in typical attitudes towards UN GC within the organization and increase the knowledge of the case company.

7.1.1. Overall impression

The recurring reflection among the interviewees was that the Ulstein Group operates in accordance with the ten principles. Everyone responded that the principles are important, and most of them believe that the company should become a member. However, many commented that practical relevance could be an issue. Relations to ethical guidelines was mentioned by several of the respondents, and it was suggested by some that UN GC could possibly increase the internal focus on such issues through measuring and communicating on progress.

7.1.2. The interviews

1. Sales Manager

The sales manager at USB has widespread experience from different maritime actors and has previously been working as a design chief in Ulstein for five years. Responsibilities today are to prepare sales contracts, manage the development portfolio and spot new technologies and strategic areas for future competitiveness.

One aspect on his mind when discussing environmental challenges is the importance of keeping a holistic perspective towards means and policies. Companies adapt to new regulations and when for instance taxes on NOx emissions are introduced, companies naturally try to reduce such emissions. However, some solutions cause higher CO2 emissions and other negative environmental consequences, but those do not affect the bottom line of the ship-owner and is thus not given attention by the actors in the industry.

Reflections regarding UN GC comprised that the ten principles are closely related to existing ethical guidelines and that the initiative should be coupled and related to those guidelines. It should furthermore be clear that such guidelines are based on UN GC. In addition, it is important that areas covered by the principles are implemented in supplier contracts and specifications.

¹⁰ As given in 7.1.2

Membership is most probably valuable for Ulstein. The company should become member if the costs are low and one can use GC also in a marketing point of view. However, one must evaluate how this should be used in relations to customers. *“Should we keep on selling to firms or countries that do not adhere to the same principles?”*, the manager asks.

2. Process Development Manager

The process development manager is responsible for procurement, inventory and production at UPC, along with quality management within the value chain from engineered products to final installation. HSE, continuous improvements and change management are important parts of this. Ahead of seven years within Ulstein, previous experience is obtained from different maritime actors as well as the Royal Norwegian Air Force.

Furthermore, the manager has been involved in the project of mapping the business and work processes. Next thing on the agenda is to use the process descriptions as foundations for improvements. On the way, they need to find out how to measure them, how they affect profit and unveil opportunities for improvement.

Regarding UN GC, the perception is that the initiative represents many good intentions and it is closely related to the concept of corporate social responsibility. Many of these things are taken for granted in Norway, but other countries have different standards and have a long way to go. This is also a question of cultural differences. For instance, in many countries, corruption is part of the business model.

Ulstein would not get problems from implementing the ten principles; they should probably become a member. However, Ulstein must carefully consider what it means. When it comes to relevance, corruption aspects are important for the sales activities. Environmental issues are important everywhere. Discrimination and child labor are not that relevant.

3. Business Consultant

The interviewee is one of the business consultants employed in the support organization Ulstein International. The job entails being a resource for the subsidiaries and support them during projects. Having a master in industrial design the consultant often support design projects. The consultant has now been working at Ulstein for six years.

The consultant states that the company is aware of many of the UN GC areas from before. If more and more companies become members, the relevance will increase. The environmental principles could be relevant in product design processes. UN GC could make it easier to formulate objectives in projects and one could use GC as background material and foundation for daily activities.

It will most probably not be many opponents towards membership, but some will be skeptic about more routines and reporting. People are generally a bit negative towards bureaucracy in Ulstein. Therefore, it is important that individuals see the use for themselves and their

department. Top management should uncover what membership bring along and a plan for implementation would be valuable.

*4. Chairman of the Board*¹¹

The chairman of the board is a member of the Ulstein family, and he also hold the position as deputy CEO. He focuses his effort on external activities and innovation, while his sister, the CEO, focuses on daily operations and administration.

Discussing sustainability and corporate social responsibility (CSR), he believes that such issues are in general not valuable in the short term, but most probably in the longer term. He emphasize that long-term thinking is central for Ulstein as a family-owned company. For instance in some cases CSR is beneficial in recruitment. Anti-corruption is very important and has gotten increased attention the last years. There exist many grey zones, and there will always be dilemmas in business relations. The topic relates strongly to cultural differences, which becomes increasingly important in a globalized industry. UN GC can contribute with network and arenas where dilemmas and grey zones can be discussed. In that way, Ulstein can build competences by being a member.

Regarding customers, Ulstein experience that expressed values of the oil companies does not stick that deep. After all, even though they often signal their environmental concerns strongly, they choose boat rentals only or mainly based on price. Therefore, investing time on HSE or developing environmental friendly solutions do seldom pay off for ship-owners nor for shipyards.

*5. HR Director*¹²

The HR director has a broad field of responsibilities spanning from HR, HSE, ITC to public relations. Within those areas, various challenges related to sustainability and CSR are met. Thus, the director sees the opportunity to use UN GC as a framework structuring efforts and activities on those areas. Further benefits of UN GC in the short run is believed mostly related to anti-corruption activities. Thus, UN GC should be seen in relation to compliance measures as instructed by the board of directors.

Another driver for becoming a member is that the HR director sees the importance of and opportunities for innovation on other areas than products. The company should focus at innovating their processes and organization structures as well. In addition, being the first Norwegian shipyard signing the compact has a value in its own.

The process of implementing UN GC is comparable to the implementation of ethical guidelines in 2006. The company learned then, the importance of discussing the dilemmas related to the principles. Some resistance where met, especially regarding guidelines for customer dialogue and representations.

¹¹ A short unstructured conversation was conducted.

¹² The HR director was interviewed on several occasions during the stay in Ulsteinvik.

Given a decision of affiliation, the HR director believe that they should approach the implementation broadly, but at the same time specific and to the point. One group should be targeted for each element, HR should be involved in issues related to labor, while sale and procurement should focus at anti-corruption. Concrete objectives should be set for the group and after some time for each business area. Such issues should be included in the plans of actions for each subsidiary. Key indicators should be found and measured. *“It is important that we get a system that is living and adaptable”*, the director concludes.

6. *Public Relations Manager*

The interviewee is managing a unit of two other consultants, which are responsible for press contact, exhibitions, web pages and social media as well as general internal communications. After seven years in this position and in total sixteen years in the maritime industry in Ulsteinvik, the manager knows Ulstein quite well. When characterizing the Ulstein Group, the focus at innovation and all the invested time and money on such is pinpointed. That the company has a long-term perspective and use so much of their resources on projects that are not yet sold, make the firm different from many competitors. The values of innovating, engaging and advancing is really the core of the company. However, this willingness can sometimes cause too many projects at the same time, resulting in poor quality of follow-up.

Introducing UN GC to the conversation, the principles are perceived as quite broad and generic, and should be regarded as a minimum. The ethical guidelines are more specific and goes deeper, the manager comments. It is not certain if Ulstein needs to work with these principles in addition. There is also a risk of increased administration, which is distracting for those who work in production and daily operations. Some people will say that Ulstein should focus on building boats and not everything else.

7. *HR and HSE Manager*

Coming from the public sector with previous experience within psychiatry and drug care, the HR/HSE manager at USB is today in charge of seven persons in that unit. After working five years within the company, a culture marked by proudness, passion and attitude to succeed is the manager’s perception. Furthermore, continuous development is key to future success, and the firm cannot live on earlier achievements, is the message.

UN GC fits well with what Ulstein wants to represent. *“We want to be a good actor in society, and then it is natural to actually show that we do something about it”*, the manager states. UN GC is something that commits, and thus it will be more embarrassing to be caught doing something negative.

The principles become relevant when evaluating international activities. An example is foreign shipyards where worker rights for instance could be below accepted standards. Collaboration will in general represent such challenges, which can be difficult to force through in negotiation, especially when legislation in certain countries are weak. UN GC could act as a useful tool in such dialogues, she concludes.

8. Business Controller

With a master in economics, the business controller at UPC keeps control of finances and evaluate projects and their progress. Ahead of projects, when the manager have put up the prognosis for it, the economic department evaluate if those are realistic. Adjustments are done in cooperation with the project manager. For clarification, the term project is used about an equipment delivery to a boat.

The impression so far, as a quite new employee of the company, is the short distance between the different units and up to top management. Knowing UPC the most, the controller informs that the company was established in 2010, and is characterized as high technology and with operations in China, Brazil and Singapore. Their main customers are USB and UDS, but the goal is to sell more externally.

The business controller believe UN GC is relevant in relation to international activities, because Ulstein have to front what they stand for in other countries. In Norway however, the principles are automatically followed already. It should therefore be possible to use GC in dialogue with suppliers in order to secure quality and honesty among them. *"We could also use this in supplier contracts, and especially then globally"*, the controller mentioned.

9. HR Manager

The HR manager at UDS has been working in the company for two and half year and her previous experience is achieved through various managerial positions in public sector. Current work tasks are recruiting, participation in wage bargaining, both at the business area and for the total group, as well as internal communication. She also offers the CEO of UDS various kind of support.

As responsible for employee development, supporting appraisal interviews are part of the job. In Ulstein they construct plans for development for each employee and conduct gap analysis. Everything registered in the data system. However, the bonuses are not individual based, but company based. Both the group and each business area as such give their employees bonuses if reaching budget. The bonuses amount to one's week salary, plus ten percent of the remaining profit equally shared.

One of her perspectives regarding UN GC is that it can be used to secure attention to related areas. UN GC could probably be valuable also for bottom line because many large actors in the industry demand that companies document systems and "clean" activities. This could be beneficial when fighting for contracts.

However, for persons working quite far from management and close to daily operations, UN GC could be perceived as of little use. *"This is probably a system that could be useful for managers on different levels and people that sees the bigger picture"*, the manager conclude.

10. Chief Designer

The chief designer is experienced after fourteen years in the company. Most of the time he has been working at UDS, but he has lately gotten a new position as chief designer in Ulstein International. He is now responsible for coordinating the innovation processes within the group and is therefore a key figure in strategy processes.

Shortly outlining future development, he states that there is a tendency towards bigger boats and stricter requirements for operations. Operational tasks will revolve to more maintenance of subsea installation as well as installations of renewable power. The demand for energy efficient boats will probably also increase.

The chief designer perceives UN GC as representing something positive, with long term perspectives and holistic thinking. Ulstein Group and the industry in general should probably aim to perform better on these issues. The organization will probably meet the initiative positively, and Ulstein is already working with such ethical issues and dilemmas. The environmental principles are relevant in design processes and they are related to strategic innovation.

11. Manager Supply Chain Department

After three years as a procurer and one year in charge of that department, the interviewee now holds the position as the manager for the supply chain department at UDS. They are seven persons in total, two of them working with post-contract procurement, while the other four work along the entire lifetime of the project having contact with suppliers delivering A- equipment¹³ ahead of final deal with UDS's customer.

The manager is also part of the catalogue group, working with the concept of standardizing vessels and increase the turnover by reaching out to the masses and not only the niches. While ship-owners buying customized vessels have special preferences regarding A- equipment and sometimes even B- equipment, the market for catalogue ships demand lower prices and have fewer preferences. This could lead to more sourcing internationally among low price suppliers and thereby increase risks.

The manager believes that UN GC is an advantage seen from a marketing perspective because it is a nice way of profiling the company. The challenge is to find useful ways of working with these topics. Furthermore, he stated that the principles are natural for them, but maybe not for their suppliers.

Regarding supplier audit programs, UN GC could be of value, for instance by using questionnaires based on the principles. The UN brand could make suppliers perceiving Ulstein's policy as even stronger. Such processes will be important when new suppliers are

¹³ Ulstein Group sort equipment into three groups, A to C, depending on value and importance. A-equipment is typically engines, generators, propulsion, switchboards and dynamic positioning.

considered, and especially if they are located in other countries and cultures, for instance in Asia.

12. Legal Counsel¹⁴

The legal counsel has been part of the process discussing membership of UN GC. As the HR director, the counsel has seen the opportunity to utilize UN GC as a framework systemizing activities related to compliance. Through communication with other companies that already are members, she has the impression that they have not experienced that many differences after joining the initiative. In Ulstein there has been a skepticism among the group managers caused by questioning if it is important to always be “best in class.” Should Ulstein rather wait and see? In addition, there is a risk that Ulstein later finds out that UN GC is not advantageous for the company and then decides to withdraw. However, she perceives UN GC as useful because of access to tools, training programs and e-learning platforms. Such things are expensive to develop in-house. Furthermore, the Nordic Network can be a useful learning arena.

Especially principle ten treating anti-corruption can be applied in various contracts. Firstly, supplier contracts will be in focus, but such clauses could be included in employer contracts as well. UN GC membership can make it easier to set forward demands in dialogue with partners since Ulstein can argue that they “have to do this”. However, that means everyone involved; sales people and sourcing departments need to be involved and familiar with UN GC.

13. Superintendent and Manager Service Department¹⁵

The superintendent and the manager of the service department constitute the two interviewees with the longest experience within Ulstein, respectively 31 and 46 years as employed. The superintendent is responsible for maintaining the site, buildings and equipment at the shipyard, but is also elected as employee representative in the board of the Ulstein Group. His background is as sheet-metal worker and mechanist. The service manager is responsible for service on previously delivered vessels and the after-market. He has mainly been working at the shop-floor in various managerial positions through his working life.

The two of them call attention to how the former CEO had a huge willingness to think ahead of time and execute major investments. If any employee argued convincingly then they got the chance to put their ideas into life.

Introducing UN GC into the conversation, they agree upon that the principles are included in existing policy. The Ulstein family are clear on these subjects, they do not want to end up in media because something is not as it should be. They want to take care of their workers and

¹⁴ Was asked mostly about implementing UN GC since she is highly involved in the process

¹⁵ Both were present at the same time during the interview

health, safety and environment for instance, are highly prioritized along with competence development.

Reporting and bureaucracy are typically not popular. There are cost involved with such activities because of administration needs. *“To some extent, this does not coincide with Ulstein’s focus on low cost operations because then we use resources on «extra» things”*, the superintendent comments.

14. Deputy Managing Director

The deputy managing director at USB is at the time of interview temporary appointed as the CEO. His experience within Ulstein is rather short and only amounts to one and a half year. Characterizing Ulstein, he pinpoints the multitude of education and employee development the company is doing. At all time they have around thirty apprentices at the site, and many of them disappear when getting the certificate. This is clearly a challenge.

The director remarks that UN GC deals with important topics, but Ulstein should not prioritize this. The company has a tendency to focus on different initiatives linked to branding, good intensions and idealism. As an example, it would be more important to prioritize ISO certification. UN GC will not worsen competitiveness, maybe improve it, but the point must be to focus on some core areas. UN GC is not important enough.

UN GC does not cost much; however, it takes time and focus. In addition, the competitors do not do this. There are not any reasons for Ulstein to be first mover in this initiative. It is better to sit on the fence and watch whether other actors in the industry become members. Ulstein has a long tradition of brand building and should now focus on other things in the director’s opinion.

15. Manager Strategic Sourcing

The manager of strategic sourcing at USB has a tight dialogue with the sales department because the managers’ department execute supplier contact before contracts are entered with ship-owners. The presale procurers cooperate with UDS sourcing and the quality department to evaluate if the price is reasonable. After the sale is closed, the project organization and their procurers take over the process.

“The UN GC principles are something that we all must follow anyways”, the manager says. There are not any large cost, but benefits broadly speaking could be large. Membership would be me bet positively and it could make employees become proud.

An important question is how far up in the supply chain one should go. There will always be a matter of deciding limits of responsibility and how much a single company should do. The suppliers of Ulstein are aware of such issues and take them seriously. In relation to suppliers, UN GC could be useful as a signal and show that Ulstein care about the principles. Maybe this can prevent certain supplier to engage in bribery or similar actions because they will know that Ulstein is a serious actor. Furthermore, corruption issues will be even more important when doing business with suppliers abroad.

16. Project Director

The project director at UDS has been working most of his time within Ulstein at the shipyard. As project director, he is responsible for the operating part of UDS; projects, engineering, supply chain management, quality assurance, etc. The project managers responsible for each individual sale project reports to the project director.

Talking about Ulstein, the director do not want to emphasize X-bow even though it is easy associated with the company. He rather pinpoints the firm's success history as an actor within the industry. It all started hundred years back with a few fishing boats and now the firm is located globally and they build big offshore vessels. *"The culture obtained through all these years is fantastic, especially at the shipyard"*, he comments.

Regarding UN GC, Ulstein is probably quite close to the principles in its business operations, and we generally behave well. Membership in UN GC would mean more bureaucracy because it needs to be included in our processes. Generally, such is not regarded very positive, but everyone probably agree that the principles are worth working for.

It is hard to say if Ulstein should become a member. In the industry in general, membership can become more attractive if more shipping companies join the initiative. Then it could serve a function in auditing processes.

17. Manager Planning Department

The planning department makes schedules for when a boat should be taken into the dock, plans the resources allocated to each boat in terms of equipment and employees and secures efficient material flow. In essence, they arrange the shipyard in a way that maximizes the share of time the employees use on creating value. The manager has been leading this department for six years. Recently interviewee has taken over the responsibility for the QMS¹⁶ as well.

The shipyard is described as an organization that has the capability to deliver good quality at the right time. Delivering on time is an important part of the culture. The yard is also known as flexible, e.g. in terms of the ability to adjust to new requirements from ship-owners during the projects.

Regarding UN GC, the shipyard is probably following these principles satisfactory. To the planning manager's experience, Ulstein has serious collaboration partners with currently no problems considering for instance corruption. *"In general, there can emerge new challenges when we orient ourselves more towards low cost countries"*, he remarks.

The cost of membership should not be too high since Ulstein follow much of these principles from before. From a marketing perspective, there would be advantages of membership concerning government expectations and similar aspects. This is especially relevant when

¹⁶ Quality Management System

working in the offshore business, because there are always new requirements and guidelines, which the oil and shipping companies follow up. However, membership is most probably not that important for tasks related to the planning department, the manager conclude.

7.2. Transparency

The first part of the scope introduced in 2.3 treated transparent communications and quality signaling. The analysis of the empirical findings on these aspects has been conducted by sorting statements into different topics, which are presented in the following.

7.2.1. Branding

Most of the respondents mentioned that the Ulstein Group has a strong brand name and thereby faces high expectations. One manager suppose that this can place the firm in a position where UN GC membership is expected to be part of the package Ulstein delivers (2). Therefore, he argues that Ulstein should become a member. On the other side, one of the directors argues that it is unnecessary to be an early mover within the shipbuilding industry. Ulstein should wait and see whether other sign up for membership. The reasoning is that Ulstein's brand is already so strong that the firm should focus at other areas for the time being (14).

One of the managers believes that the increase of UN GC memberships among Norwegian ship-owners could affect the yards as well and push more of them into membership (18). For instance, committed customers could include the principles into their supplier auditing processes. Another manager believe that becoming a member seems rational, especially towards the offshore sector as this industry gets a constant flow of new rules and guidelines from the government (17). He also sees opportunities for the Norwegian maritime cluster to increase their focus on such issues and be perceived as being in the forefront at this area as well.

7.2.2. Developing trust

During the interviews, the respondents were asked if they saw any value gained from communicating honestly towards external stakeholders in order to signal quality. The general feedback was quite mixed and people saw pros and cons as presented in the following.

Having an open communication outwards is worthwhile in most cases, and is probably something that characterizes Ulstein (5). Furthermore, telling about things the company is not so good at, could give higher integrity in some cases. At least if the firm at the same time explains why the goal was not met (3). That being said, the public relation manager emphasizes that a firm should communicate only aspects that are relevant in a business context. Most importantly, one should not be dishonest, but when communicating negative issues it should be relevant and often combined with the firm telling how they want to improve (6). Even though one of the managers sees a value of being open and communicate

the objectives not achieved as well, he stated that *“surely, no one want to tell that they have not succeeded”* (15). In addition, telling stories of failures could make the reader perceive Ulstein as a bad company even though they are ahead of common practice within the industry (1).

Some answers pointing towards a possible value of increased trust among customers when communicating openly were received, but a supplier perspective was also highlighted. A strategic sourcing manager stated:

“Having an as open dialogue as possible, at least to the extent it is possible on a single project, is kind of the way we think regarding communication with suppliers. This can result in both better solutions and better terms because the suppliers are able to adjust themselves more to our needs. And clearly, this idea can be transferred to such an initiative (ref. GC) as well. It can give value in itself if suppliers feel that they can trust us.” (15)

7.2.3. Sourcing

The company is currently revising their supplier contracts and as a part of the process looking into how they can use UN GC to implement requirements related to ethical issues (12). UN GC is believed to ease the argumentation towards suppliers as Ulstein can pinpoint that this is not some rules just made by them, but principles that UN recommend every company to follow (12). This could legitimize demands and requirements (12 and 15) and suppliers will probably feel less mistrusted as well (11 and 15). However, to gain those effect, the procurer in charge must be trained and know how to use the principles in practice (12).

Question arises how far upwards in the supply chain Ulstein should trace suppliers and sub-suppliers to ensure that no rules are broken. The strategic sourcing manager consider this to be a trade-off as controlling many steps upwards in the chain will demand resources. On the other hand, it gives control (15). However, from experience, suppliers have ethical issues at their forehead and take such considerations severe (15).

“It is useful that suppliers know that we take an active stand when it comes to such things. Maybe that has a preventive effect concerning cases where suppliers try to buy us off. It is probably useful to illustrate that such aspects are important for us.” (15)

The Ulstein Group has a tradition of choosing large, reputable firms as suppliers. This is due to many reasons, e.g. requests from ship-owners, Ulstein’s wish for a low risk profile and that the equipment delivered often need to be customized for the specific ship (11). However, this will slightly change as Design and Solution now build up their catalogue ship portfolio and aim for delivering more standardized vessels. Since this market is more price-sensitive, Ulstein will have to push prices also on the equipment onboard, probably leading them to source more internationally and among cheaper suppliers (11). This could represent a transition from today’s serious collaboration partners towards partners in low cost countries with other standards than within Norway. Such a development will probably

increase relevance of issues related to the ten principles and anti-corruption in particular (17).

7.3. Implementing the environmental principles

The second part of the scope introduced in 2.3 regarded the environmental principles. The interview findings on these aspects have been sorted into different topics, which are presented in the following.

7.3.1. Waste prevention

“...we are concerned about pollution of the local environment, when both our kids are going to grow up here and we are living here. So in a way it is in our self-interest that this is done.” (17)

The quotation is from one of the managers at the shipyard commenting on the environmental conditions at the site. Compared to some years ago, employees are more concerned about the environment today. For example, they do not throw remnants of oil or other fluids over board anymore (13).

Regarding waste treatment, they are not sorting the general waste at the shipyard per now, the company Franzefoss do this at their site. However, steel, wood and hazardous waste are sorted at the shipyard and sent further separately (13). The amount of waste depends strongly on whether the boat built is standardized or heavily equipped. The Ulstein Group get annually reports from Franzefoss regarding amounts of waste. Another remark from the two veterans at the shipyard is that they are probably better at cleaning up and throwing away things, than to reuse materials (13). Another manager, who believes they have potential for improvements when it comes to resource efficiency, supports this view (15). Areas as energy use and discard are likely only some of the areas with savings potential. The same manager stated that the environmental consciousness is strong within the company. Being asked about the possible contradiction between high environmental conscious, and still an unexploited potential for resource savings, the manager responded that it is a matter of prioritizations. Environmental considerations do not always come into account and the improvements initiated first are often those that increase the working efficiency (15). The manager continuous that UN GC could probably enhance the focus on such win-win solutions. *“Environmental awareness comes and goes, therefore continuous focus is a necessity, and we need reminders”* (15).

7.3.2. Continuous improvement

The Ulstein Group has been in a process of mapping and describing all of their business processes and the underlying working processes. Everything is now registered in Ulstein QMS (quality management system) and when employees wonder how a process should be executed, they can find all required information there (5). If an employee experiences that a process are not followed as intended, he or she can give feedback in the system to the one that deviate from instruction. Thereby, the deviation can be followed up and the process

changed if it turns out not to be optimal (8). Overall, the next step for Ulstein is to start questioning how adequate the processes are and how they can be measured (2). The hope is that employees more easily can learn from each other and that improvements can be achieved more often.

One of the improvements processes in focus at the shipyard lately has been lean shipbuilding. This project is about increasing the share of working hours used on value-generative activities (17). Efficient logistics and 5S (orderly working environment) has been in focus. One of the challenges met is that foreign workers have a high turnover rate and therefore are difficult to involve in improvement projects. Workers at the shop floor have a strong focus on building the boat as fast as possible given current conditions. Therefore, any environmental initiative most likely has to be managed and pushed forward by other employees (17).

7.3.3. Measuring environmental performance

"If you do not measure improvements processes, how can you ever tell they exist?" (2) The quotation is from a manager that have just finished the first improvement project using KPIs and the process description given in Ulstein QMS. When asked what motivates employees to find and implement improvements, and to what extent environmental considerations comes into account, the following was stated:

"I believe our employees care about the environment, but if the firm is not measured on environmental impact, why should they invest time then? As an employee, you get measured on money and on return on investment. (...) If we started measuring on environmental performance, then employees more easily would become motivated, while today as we do not have such measures I guess our employees think that money is the only thing that counts." (2)

If one would start to measure environmental performance, it is believed that the number of KPIs must correspond to number of KPIs in other areas (9). The employee continues explaining that Ulstein should probably not start measuring every environmental aspect available. The challenge is rather to find good performance indicators. Another interviewee informs about the practice of swapping out a KPI when that specific condition seems to be good enough (8). Finally, another manager pinpoints that environmental performance indicators should be connected to issues the company are already aware of because then there want be a lot of extra work (15).

7.3.4. Market opportunities

UN GC principles request the firm to take a precautionary approach, promote greater environmental responsibility and encourage development and diffusion of new environmental technologies. In general, many respondents see future opportunities after being presented for the environmental principles. An example is to develop more energy efficient ships, but also to change the way they are built (2). Another manager elaborates

this as he pinpoints that Ulstein could increase efforts in delivering LNG ships to their customers.

The chief designer pinpoints that development of new environmental technologies is exactly what they want to do. Right now, they are in the process of developing technologies directly connected to environmental issues (10). However, one respondent argued that Ulstein does not need the principles to reinvest into machines that are more efficient and environmental friendly. Those investments will be done regardless of membership, and as long as customers do not require membership or affiliation to the principles, it is uncertain whether it will pay off to become a member(14).

7.3.5. Stakeholder integration

The general impression is that the willingness to invest in environmental friendly technologies is low for most of the actors in the maritime market. Customers emphasize environmental criteria differently depending on whether they operate on the Norwegian shelf or in China (16), but even in the home market price is the major decision criteria (4, 10, 15).

The offshore shipping industry is a complex arena requiring firms to adapt to different wishes and requirements. This is typically the case within the customized segment. The ship-owners very often have special requests for which A-typed equipment that should be chosen (11). This could be equipment as e.g. machinery, propulsion and control systems. On the other hand, operators at the shelf have their own requirements. They prioritize safer operations, bigger operation window and environmental issues in that order. The recently delivered boat, Seven Viking, is a good example of how the interests of both operator and two cooperating ship-owning companies were taken into consideration throughout the design and shipbuilding process (18).

7.3.6. Life cycle thinking

The chief designer is in the opinion that the holistic perspective and life cycle analyses (LCA) are not demanded by the market, and whether some competitors offer this information is unknown to him (10). He states: *“It is about a holistic perspective on the whole boat throughout the value chain. I believe the industry will get there”* (10).

Subjected by the question whether Ulstein Group could lead the development of life cycle thinking within the industry and push the international standard forward, the deputy CEO answers that the International Maritime Organization (IMO) is a slow mover. Even deciding on some design parameters have been a long process. There are many forces working against higher standards, as both countries’ and companies’ fleets would be outdated. (4)

The last couple of years the focus on reducing NO_x-emissions have been considerable due to the introduction of the NO_x-fee (15). The manager elaborate that changing to LNG as fuel has been very popular as this reduces the NO_x-emissions substantial. However, the deputy CEO pinpoints that this increases the methane emissions, which causes no such emissions

fee by the moment. *“This is an example of the lack of a holistic perspective within the industry and from the government side,”* he continues (4).

7.4. Implementation process

Empirical findings regarding the process of implementing UN GC are presented in this section. First, some general observations are presented which give an overview of typical internal attitudes. Second, some of the topics are discussed on a more detailed level.

7.4.1. General observations

“Most people will think that GC is a good idea, but most probably they don’t want to have anything to do with it. Some will probably not understand why this is important.” (2)

When it comes to how the initiative will be received in the organization, opinions are quite divergent. One statement is that attitude towards UN GC is most probably divided in two because some will say that this initiative is something we must have and will actively support, while others will argue that Ulstein should focus on ship building and not everything else (6). Another statement is that attitude towards UNGC will differ on an individual level and not necessarily on department level (5).

It was mentioned that resistance is likely because people in the organization see UN GC as more bureaucracy and more reporting which create frustration (12). Some think that the initiative will be met positively because people in the company identify themselves with these values. However, the same person said that overall perception most probably depend on reporting requirements and extra work load (7). In general, employees that get extra work are prone to be more negative (5).

Another states that it should not be difficult to sell internally, but one have to be clear on whether Group or the business areas should be responsible for implementation (8). It was also remarked that perception of UN GC internally will be closely related to the way things are presented and introduced. Especially when it comes to extra task and reporting requirements it is important that benefits are highlighted and why Ulstein is doing this (16).

7.4.2. Support and resistance

“Both sales and supply departments are likely to meet dilemmas, for instance with regards to corruption, in their daily activities. Within operations and especially the ship yard it is very important that this does not become only a reporting drill because then it will be perceived as a burden.” (16)

It was mentioned in most of the interviews that sales, marketing and external-oriented departments most probably will see possibilities within UN GC membership or that they are important target groups on the process (1, 2, 5, 6, 9, 12, 15 and 16). However, it is noted that sales representatives and brokers located internationally could be more skeptic towards UN GC (1). People working with supply chain management are also believed to support the initiative (12, 15 and 16). It was noted that academic oriented people will most probably be

most enthusiastic. Such groups are typically found in Design and Solution and Power and Control (7).

A common point made was that people more production and operational oriented could have difficulties seeing benefits of UNGC (6, 7 and 16). It was also stated that those who have worked for a long time in the company and have seen many initiatives come and go during the years, will probably not invest that much time in this. This group is typically focused on delivering operational results (6). Furthermore, people that have ship building as their main task are mostly concerned about how they can limit time spent during projects (7). As an example, it could have some use when Ulstein is using third-party companies in production activities because it is important to ensure that they are up to standards (16).

A general remark is that UN GC will be a burden if actions are not related to daily operations. For instance, in the shipyard there must be measures and activities oriented towards daily operations, and in sales departments they clearly will be motivated if this helps them in their relation to shipping companies (16).

7.4.3. Concrete activities

“Implementation must result in concrete changes in documents and processes. Only nice writings on the webpage are of no use.” (15)

During most of the interviews it was mentioned that the core issue is how different roles and function can use UN GC membership in practice. One argument is that when people can see that UN GC can be helpful in their work, then it is easier to make things happen (16). Here it is crucial to focus on concrete activities and content (6). One way of doing this could be to link the initiative to action plans (5). Another example could be to use workshops in order to identify what this could mean for different groups (15). A central actor in the implementation process mentioned that the company today does not exactly know implications of membership and this will be important to identify (12).

It was a common finding that UN GC membership should be coupled to existing activities. One example was recruitment processes because younger, well educated people are more concerned about things that the ten principles represent (7). Furthermore, some found it useful to see the principles in relation to existing ethical guidelines (1 and 8). Issues related to legal compliance and corruption was also mentioned (5 and 12). It was stated necessary to refresh knowledge about ethical guidelines through training programs, and that dilemma training and anti-corruption needs to be developed. UN GC membership could act as useful tool in this context (12). Another example was to see implementation of UN GC as a project where Ulstien’s project management model should be utilized by identifying which employees to involved and related costs. A pre-project should be conducted along with a cost-benefit analysis (2).

The need for concretization was by many related to the need for understanding why the company should become a member. It is crucial that people see clear what benefits that are

involved for their tasks and on department level. If this is neglected it could be a risk that people see this as something extra and on the side of core operations (3). Understanding could be accomplished by arguing linkages to strategic choices, such as being proactive, preparing for future regulations or because of international activities (8). It was stated that people in general are not that interested in things that are “nice to have”. Therefore, it is important to spend time to inform and explain reasoning behind the decision (9).

7.4.4. Reporting and measuring

“The most important aspect is to get things done and to limit paperwork.” (16)

A recurrent point made was that UN GC membership should not involve too much administration and bureaucracy (2, 13 and 16). However, it is also regarded beneficial to link UN GC activities to regular reporting and measurement systems (8). In this context it is argued that membership could be easier to execute if there will be a continuous focus and not just annual reporting (16).

Furthermore, it is important to establish a “living” system that measures progress. This would mean that concrete targets on Group level are established first. In the next round, it is natural that business areas and department on lower levels also develop similar ones. Concrete performance indicators, which are checked regularly, are necessary, but this is typically difficult to establish for human capital (5). Nevertheless, it is regarded crucial to measure other factors than just cost and earnings in order to get a successful outcome because people are in general motivated to do things on which they are measured (2).

In order to develop realistic objectives, it was suggested that relevant departments within the organization should be involved in an open process where ideas are discussed. Workshops could be good arenas for such activities (11). A similar suggestion was to use multidisciplinary groups with members on different levels along with union representatives in the implementation process. This could be a good way to identify and evaluate measures in different areas (17).

7.4.5. Anchoring

“Anchoring in top management is crucial and initiatives have to be announced by them.” (13)

The role of top management is emphasized in several of the interviews. One person states that change processes can be “born” down in the organization, but it must be anchored in the top management (2). Another thinks that top management should work out a plan for implementation and it should be identified what membership means for the company (3). Top management should focus on ownership, responsibility and guidelines for how to implement in the departments (2). It was noted that a too top-down governed process is risky. The worst thing you can do is to force such an initiative down on people because it will create resistance and they will think that the decision is poor (10).

Anchoring and ownership were mentioned in many of the recommendations given. First, it was emphasized that every member of Group management should support membership (16). In the next phase, management groups on lower levels are mentioned as important actors in the process along with union representatives (7, 9, 13 and 16). Some argue that involvement of these groups also should happen before the decision of membership is taken (7 and 9). In this context, the Group committee meeting¹⁷ and extended management groups could be relevant discussion arenas (7). HR functions are assumed to play an important role during the whole process (16). In general, group management, HR, sales, marketing, sourcing departments and communications are important target groups in an implementation process (1 and 6).

7.4.6. Involvement

“Involvement does not take much time and it is important that people feel listened to. It often takes much longer time to achieve same support if processes are governed too much top-down, and it could actually become impossible.” (9)

Information should be sent to every employee (7), and giving information is in general something which should be prioritized in an implementation process (8). A concrete way of doing this could be through “question and answers” on internal webpages (6). In general, marketing both externally and internally is essential (15). When it comes to involvement that is more active it was argued that it is useful to involve a broad set of employees because if people are allowed to contribute, they will feel ownership and pride (10). That being said, it is important to evaluate the number of employees involved in order to spend a reasonable amount of resources (6 and 7).

Regarding target groups, HR could have main responsibility for worker rights while for instance anti-corruption is especially relevant for sales and supply (5). It is natural to include some groups even more, for instance sales and supply along with management groups (15). Furthermore, it is wise to involve department managers first and give them mandate to give feedback and input. Next, they will then be responsible for involving their own department (10). In general, it is very important to involve department managers in order to reach out to production workers (13).

¹⁷ Union representatives participate here. Norsk: Konsernutvalgsmøte.

8. Discussion

In order to analyze the results, the theory evaluated in chapter 3 and 4 is discussed in relation to the empirical findings presented in chapter 7. First, reflections regarding scope of implementation is given in 8.1. Then the process of implementation is discussed in 8.2. In 8.3 both these aspects are linked by applying the framework of Krüger (1996). Figure 9 shows the logic and structure of the analysis by illustrating how the different chapters are related.

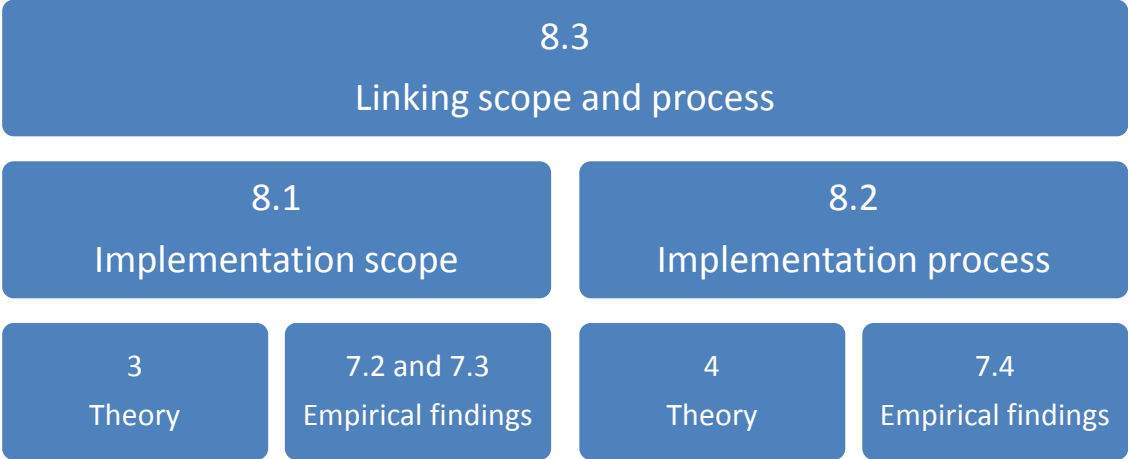


FIGURE 9: STRUCTURE OF THE ANALYSIS

8.1. Implementation scope

In chapter 3.5 potential long-term benefits were concluded upon, and *transparency* and the *environmental principles* were evaluated as core issues. Empirical findings on these topics are discussed in order to evaluate prescriptive recommendations.

8.1.1. Transparency

Transparency is an important obligation when implementing the principles, and the theoretical discussion in 3.2 emphasizes building of corporate reputation in that context. Furthermore, it could be an advantage for a company to differentiate on their way of communicating. Thus, honest communication, which reveals both positive and negative information, was suggested. The logic is based on Akerlof (1970), as reducing information asymmetry could increase the perceived quality of a firm. In the following, some reflections are given regarding how to achieve such benefits.

As presented in 7.2.2, some respondents believe honest communication could increase trust and give the firm integrity. On the other hand, the findings indicate that this must be done without giving the receiver the misleading impression that a company is below industry standards. The logic is that a company being more open and honest than competitors, could risk being perceived as low-performing. Another respondent emphasized that the issues communicated should be of relevance and something the company want to improve. This is probably a key point since listing of failures could give a bad impression. However,

communicating negative issues that the company shows progress on could secure an honest impression.

In essence, sharing information openly and honestly is not necessarily the same as being perceived as open and transparent. It is reasonable to assume that a company can be perceived as communicating honestly, even though they withhold some information from public access. Thus, from a strategic point of view this seems rational when it comes to reputation building. However, one should keep in mind that making information public could have a risk-reducing effect because external stakeholders, for instance media, will not unveil any new critical aspects in a company that truly communicate transparent.

Interestingly, one strategy is to communicate openly on what a company knows, another is to actively search for additional information through dialogue with suppliers and sub-suppliers. It is probably risk involved if a company claims to be transparent when it does not have access to information that external stakeholders expect from them. On the other side, as pinpointed in 7.2.3, it is quite demanding to control many steps upwards in the supply chain. However, a certain amount of resources seems necessary to allocate in order to ensure insight in supplier activities. As mentioned in 7.2.3 such issues become probably increasingly relevant when engaging international suppliers in low-cost countries.

In conclusion, managers would benefit if developing a communication strategy where honesty and openness are crucial means. However, caution must be exercised when relieving information about delays in progress and failures in general. Thus, an action plan should be in place before the company communicates openly so that external stakeholders perceive them as a proactive actor that learns from mistakes. In other words, the objective is to be perceived as a quality actor even though it does not reflect reality to full extent. In addition, companies should ensure that they have routines that give them access to information regarding suppliers and sub-suppliers and particularly those located in low-cost countries.

8.1.2. The environmental principles

When introducing the environmental topic or presenting the environmental principles for the interviewees in the Ulstein Group, most of the them brought either waste treatment or new product development into the discussion. The quote opening chapter 7.4.1 indicates that pollution of the surrounding environment are on peoples mind. This does not necessarily reflect anything else than an end-of-pipe-treatment thinking. Furthermore, as discussed in the theory chapter, the strategy of *pollution prevention* only becomes economically sound when pollution or waste is prevented in the process itself (3.3.2).

Following Hart's (1995) argumentation, development of environmental products using a life-cycle perspective could preempt competitors. However, as concluded in 3.5, potential for increased competitiveness is strongly dependent on industry context. In the case of Ulstein Group, it is evident that their market is highly driven by financial consideration and that

environmental friendly choices meet low willingness to pay. Therefore, Hart's proposed strategy of *product stewardship* seems somewhat farfetched in the maritime industry at the moment. However, during the interviews it was discussed if and how UN GC could drive the development in this direction.

Pollution prevention

The conclusion on RQ1 was that if a company's organizational capabilities make them able to transform the initiative into actions and cultural change, hence towards a pollution prevention mindset, then membership can indirectly cause better profitability. Interviews revealed that employees are maybe not conscious of economic aspects when it comes to reducing the amount of waste they generate (7.3.1). Furthermore, projects with the aim of improving resource efficiency get lesser attention as working efficiency has been the major concern. This tendency in focus is probable caused by two reasons. First, inefficient working regimes are visible as workers waiting on other operations or machines constitute such. Second, operating in a high-cost country implies that the potential savings from reducing working hour surpass most other cost reductions.

According to Hart (1995) continuous improvement is a key resource when building the capability of pollution prevention. As continuous improvement should involve every employee in the organization, engaging all of them is a critical factor. Interviews unveiled that Ulstein Group have a hard time engaging the construction workers in improvement processes due to high turnover and language barriers (7.3.2). When asking the respondents whether they believed the environmental principles of UN GC could be used to enhance employees' engagement for continuous improvements, the given answers were mixed. However, many pinpointed that the company need to start measuring environmental issues to affect the worker's motivation (7.3.3). This is in accordance with key learning circles within the field of continuous improvement, e.g. the DMAIC¹⁸ circle where defining the problem and measuring status quo are the first two steps.

As commented, introducing environmental performance indicators would be a central part. Such indicators will also constitute core information to the COP reports. They should be easy to measure and perceived relevant by the employees. The criteria of relevance could be difficult to obtain for organizations with suppliers delivering a substantial part of the final product or firms producing products with long lifetime. In the case company, environmental impacts of producing raw materials and equipment required at a boat, as well as impacts from the operation phase are clearly much higher than those caused at the shipyard. Employees will therefore probably be very sensitive if they are met by measures they do not think are relevant in a holistic perspective and only causing them more bureaucracy.

¹⁸ DMAIC is short for Define, Measure, Analyze, Improve and Control, and is a well-known cycle for improving and optimizing business processes.

Conclusion is that if UN GC should support the building of pollution prevention as a capability, first of all the firm needs to use the principles to focus in that direction. They should translate the initiative to concrete activities along with environmental measures easily understandable at the shop floor. Furthermore, this should be combined with an extensive focus at building a culture for continuous improvements. First at that point, will improvements that effect both environment and profit be achievable.

Product stewardship

As presented in the empirical findings, many of Ulstein Group's employees relate the environmental principles to new product development. However, a major challenge opposing the diffusion of such environmental friendly technologies is the willingness to pay. This is in line with the critique presented in 3.4 pinpointing a weakness of the NRBV framework, namely that external factors such as market conditions are assumed to be present.

Thus, the question is whether a firm can use UN GC to change this behavior among their customers. It was revealed during the interviews that the UN initiative could legitimize requirements towards suppliers. A firm does not usually have the same power against its customers, but it could be assumed that fronting UN GC could put more pressure on them if inviting them to join development projects. Moreover, as a member one could use the local networks to initiate projects with other members in their industry. In other words, UN GC membership could have a facilitating and indirect effect on customer behavior.

Initiating projects that reduce costs and environmental impacts over the life cycle would be the first steps towards a capability of product stewardship. If one takes Hart's (1995) perspective into account, such skills will be more and more important for competitiveness. Knowing that the use of LCA and life cycle costing are more developed within construction industry (e.g. BREEAM¹⁹) it is not inconceivable that the maritime industry will continue in a similar direction. Furthermore, as seen in the example of the newly delivered boat, Seven Viking, collaboration between operator, ship-owner, ship design, yard and even equipment suppliers are crucial in such projects (7.3.5). Companies with equivalent ability to integrate stakeholders within their value chain would according to Hart (1995) hold the fundamental resource for products stewardship.

Conclusion is that while implementing UN GC a firm could emphasize the network opportunities this gives (2.1) and use the initiative as a builder of legitimacy towards other organizations. By establishing a coalition and lobbying through those networks as well as demonstrating an example of product stewardship, it could maybe push the development within an industry in this direction. However, being a first mover implies the risks for economic losses as it is not certain whether customers ever will be willing to pay.

¹⁹ BREEAM is the world's foremost environmental assessment method for buildings taking into account a vast amount of the components used.

Summary

When it comes to environmental principles, an organizational culture of continuous improvement is needed, and a success factor is to translate generic policies into concrete measures applicable in daily operations and work processes. Furthermore, managers must evaluate opportunities and risks related to UN GC principles as the first step towards a life cycle approach of their products. Using membership to influence policy-makers and future regulations of the industry could be a relevant strategy in that context.

8.2. Implementation process

The theoretical implications from 4.2.3 suggest involving employees and defining focus of the implementation process as generic answers to the research question. Practical relevance of such premises is discussed in the following.

8.2.1. Involving employees

Enabling the opportunity to give feedback and recommendations seems of great importance in order to achieve acceptance among employees. This presumption is discussed in the following taking into account empirical findings regarding UN GC.

Reasons for involving

The recommendation from Krüger (1996) is that acceptance should be a separate implementation goal. In the following it is argued that acceptance could be even more important when it comes to a sustainability initiative such as UN GC.

As presented in chapter 7, employees highlight the importance of concrete activities in order to grasp relevance and usage of the initiative. In general, there seems to be a fundamental need for understanding why the company is doing this. Furthermore, it is argued that activities related to UN GC should be coupled to measurements and reporting systems, however, it is crucial that sense of bureaucracy is limited.

When reflecting on the findings, there seem to be a fundamental attitude among employees, namely that UN GC is perceived as something “nice to have”, but that relevance for daily business is limited. This is probably why many are underlining the importance of explaining why the company is doing this. Considering the nature of UN GC, this is probably intuitive because it can be challenging to relate the ten quite generic principles into concrete operational tasks. Therefore, establishing concrete objectives seems to be crucial. In addition, the process of developing such goals is regarded as an important way of involving employees.

The core message is that risk of resistance is probably higher when it comes to a sustainability initiative such as UN GC because people will have difficulties grasping relevance and benefits. Thus, acceptance as an implementation goal should be regarded especially relevant in this case.

Time of involvement

Anchoring and ownership are common topics mentioned during the interviews as reasoning behind involvement. It is probably much harder to achieve support after a decision is made, than if one involves people on forehand. It is typically argued by HR managers that union representatives and management groups below Group level also should take part in the decision-making process. Other employees focus on the importance of involvement during implementation. A central point is that people will feel ownership and pride if they are allowed to contribute in developing activities and objectives.

The key point mentioned in the theory is that everybody concerned should be convinced of the need for change before the change project starts (4.1.3). One implication could therefore be to involve groups of employees before decision is made. This could prove to be an efficient way of achieving support and reduce risk of resistance later on. As pointed out by one of the HR representatives, such involvement does not need to take much time. On the other side, an argument mentioned is that involvement in general demand resources and one should therefore include a reasonable amount of employees in such processes.

In the case of UN GC, it does not seem of major importance that complete acceptance must be in place before decision is made. How the decision is introduced to the organization is probably the crucial part. It can be assumed that people are motivated if given the opportunity to influence goals and targets which will affect their situation later on. This can be regarded as an important part of power and politics management (4.1.2).

Ensuring support and mitigating resistance

The findings reflect that certain groups in the organization will approach implementation of UN GC differently. Similar aspects were discussed in 4.2.1 regarding supporters and opponents. In other words, this would influence the way different groups are involved in the process.

The theoretical discussion concluded that employees oriented towards external stakeholders are more likely to be promoters of UN GC. Opponents could be people that work closely to operations and daily deliveries, because benefits of UN GC will most probably be unclear for them. These inferences are in line with empirical findings. People believe that marketing and sales department along with procurement departments will see benefits from membership more easily than employees that work with shipbuilding.

The implication is that involving supporters in another way than people likely to be opponents is beneficial. One concrete example could be to use people in procurement or sales roles as part of a support coalition (4.1.2) in order to convince key personnel in roles that intuitively not regard the initiative as important. When it comes to opponents, it seems especially relevant to link UN GC activities to existing systems and guidelines in order to highlight relevance. This could be done through a process where employees themselves are asked to identify such relations in order to secure motivation and ownership.

Summary

Organizational resistance is a considerable risk when implementing a sustainability initiative such as UN GC. Thus, managers should aim for organizational acceptance through involvement of employees during the process. In that context, it would be beneficial to give employees the possibility to influence concrete targets and means that relates UN GC principles to daily business and operations.

Furthermore, groups of employees should be targeted in accordance with their respective attitude and expected behavior. It is probably crucial to involve employees prone to be opponents, especially when developing objectives and targets of implementation that could influence their work tasks. Employees most likely supportive of UN GC could be used actively to convince others of business relevance.

8.2.2. Defining focus of the implementation process

The second theoretical implication from 4.2.3 is that implementation of UN GC must be classified and framed as a separate or part of a broader implementation process. This will influence how the theoretical framework should be applied. Furthermore, this aspect is assumed to be highly dependent on the specific case because firms' ambition level in UN GC may differ.

In the case of Ulstein Group, a quite clear picture emerges from the empirical findings. Formally, the process of becoming a member is a consequence of the company's engagement in legal compliance activities. Furthermore, it was stated several times that implementation of UN GC should be related to existing ethical guidelines and dilemma training. Therefore, implementing UN GC seems to facilitate and supports existing policies, which is in line with earlier findings (McKinsey, 2004). An interesting implication is that implementation of UN GC could be seen as part of a broader process in the company.

The introduction of ethical guidelines around 2006, could be seen as the beginning of an implementation process aiming for ethical behavior and sustainability within business activities. Following the framework, it is necessary to evaluate in which of the integration phases that UN GC could play a role. Interestingly, the findings reflect that people regard the ten principles of UN GC as something in accordance with the way the company is doing business. Even if there will be individual differences, it seems plausible that topics and principles of UN GC is something that people in general have a positive attitude towards. This could be a sign of a certain level of attitude acceptance within the organization, which could imply that elements of *value-based integration* most probably have been achieved as part of earlier activities and mission statements.

The conclusion is that a company could use UN GC as a framework in order to facilitate a broader change process for instance within business ethics and sustainability. This would prove advantageous in many ways. First of all, it would be possible to draw on existing

resources and established routines. Most importantly, employees' need for concrete results is met, which again could increase acceptance and support.

8.3. Linking scope and process

In order to link the analysis conducted, some reflections are given by applying main concepts from the framework.

8.3.1. Modifying the framework

The analysis in 8.2.2 indicates that it is likely that the implementation process of UN GC could be seen in relation to other ongoing processes. A theoretical implication is that a certain level of *integration* can be regarded achieved. This is illustrated in Figure 10 by referring to an adopted version of the theoretical framework.

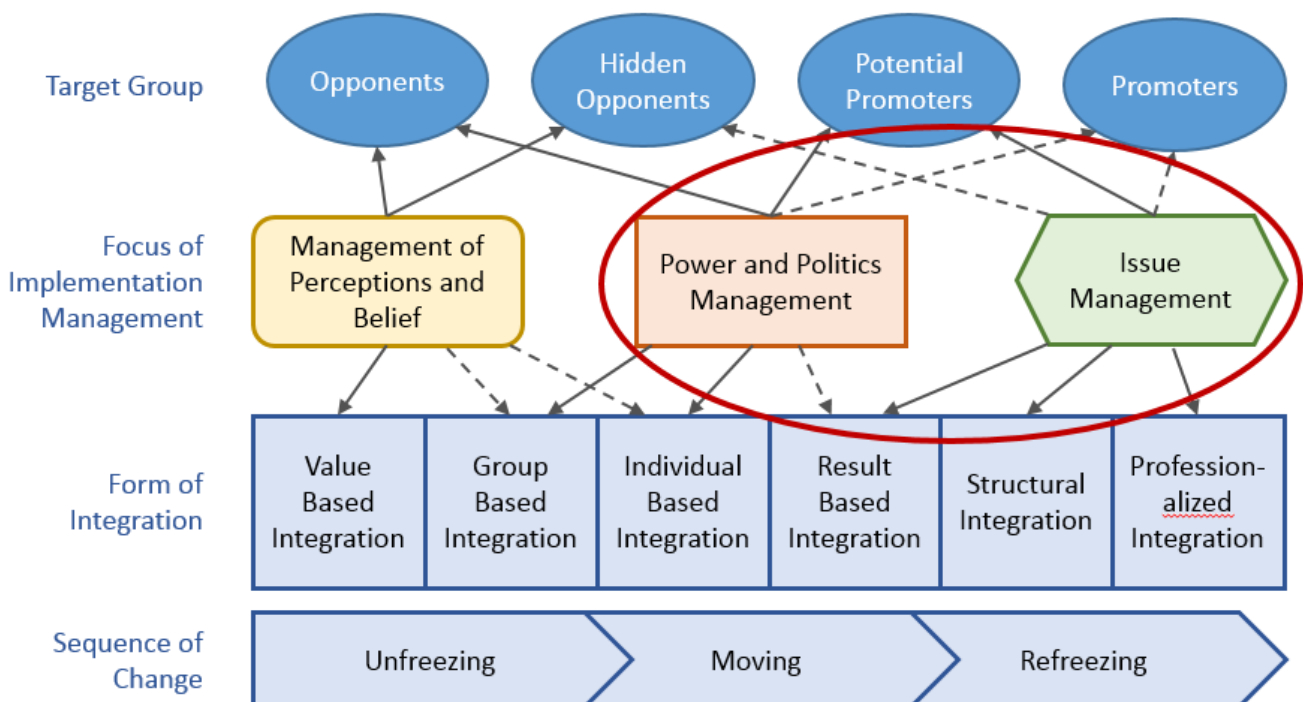


FIGURE 10: ADOPTED VERSION OF KRÜGERS FRAMEWORK

The premise from 8.2.2 is that attitude acceptance, e.g. *management of perception and beliefs* (4.1.1), is on a sufficient level. This means that introduction of UN GC should be aimed at behavioral acceptance, e.g. *power and politics management* (4.1.2), and *issue management* (4.1.3). In order to indicate what this could imply, some relations to implementation scope (8.1) are given in the following.

8.3.2. Power and politics management

Behavioral acceptance typically concerns competence development or incentive and reward systems, which again are important elements of individual motivation. Employees will not adapt to a certain change if they do not know how to relate it to their daily tasks and routines. The same is true if they do not receive any rewards or positive feedback.

A recurrent observation from the empirical findings is that people become motivated if new activities and procedures are followed-up and given attention. Following the logic of power and politics management, people must be rewarded when showing what is considered right behavior. Furthermore, a way of enabling incentives is to measure aspects that management expects to be done as part of the implementation process. For instance, managers and departments that prioritize implementation of the environmental principles as part of their daily tasks must be rewarded and given credit.

Taking the environmental strategy of *pollution prevention* as an implementation scope, the interview answers reflect that environmental factors are not traditionally something that is given attention in reporting systems and KPI's. Therefore as discussed in 8.1.2 it is of major importance that the company develops environmental performance indicators regarded relevant and useful by employees. Concerning behavioral acceptance, the key point is not the measures in themselves, but the way they are introduced to the organization.

Workshops and interdisciplinary project groups could be relevant when developing them, because it will enable ownership and thus acceptance among those involved. This could prove especially beneficial towards opponents, which are likely among employees in production-oriented departments as reflected upon in 8.2.1.

8.3.3. Issue management

The core of issue management is to ensure progress in the implementation process. This could mean establishing project groups and linkages to daily operations and activities. Furthermore, every employee must receive relevant information so that they are capable of applying new routines and tools. In addition, it is important to aim for results during the process, so that people can see possibilities for applications and benefits in practice.

As elaborated on in 8.1.1, the obligation to communicate on progress (COP) can be utilized in order to build corporate reputation. However, there is also an important internal aspect when it comes to communicating externally. The reasoning being that such reporting must be based on concrete targets and indicators that are linked to daily tasks. As mentioned in 8.3.2, the way such indicators are included into daily work processes are the crucial part of implementation. An important part of issues management will therefore be to secure that the COP-process is integrated in existing reporting and measurement systems. One possibility could be that each business unit in a company is asked to relate new measures and indicators with existing activities within HSE, quality assurance and HR.

As a final reflection, the aim of issue management is to achieve *professionalized integration*, which means that employees are adapted to new tasks, structures and procedure. In other words, the implementation process can be regarded complete when the annual COP is something departments and individuals regard as part of their overall objectives.

9. Conclusion and implications

In 9.1 a conclusion on the second research question²⁰ is given. Implications for managers, policy-makers and future research are presented in 9.2.

9.1. Conclusion

As presented in the introduction, the second research question was evaluated by utilizing findings from the case study. Furthermore, this was discussed in relations to theory in chapter 8.

- RQ 2: *How could a company implement the UN GC principles in order to achieve potential benefits?*

It is first of all necessary to establish a *scope* of implementation that gives focus and aids resource allocation in the process. Transparent communication and the environmental principles of UN GC are recommended areas in this context.

Regarding transparency, it is recommended to use the obligation to communicate on progress strategically in order to build reputation. Openness and honesty are core issues, but the company must ensure that they are perceived as a learning organization. The implication is that action plans must be in place when a company communicates failures and set-backs to stakeholders. Companies must also ensure that they have access to relevant information and especially when considering suppliers and sub-suppliers.

Business opportunities can be exploited by focusing on pollution prevention and product stewardship as environmental strategies during implementation of UN GC. The former enables economic value creation through resource efficiency. However, internal competence within continuous improvement is necessary and a company's current state in this area will influence means taken during implementation. The latter is highly dependent on current and expected willingness to pay among customers with respect to product designs that adopt a life-cycle perspective. A company could use UN GC implementation to take the first step towards a first-mover position within the industry, however, this could also be a risky strategy if willingness to pay do not follow.

The implementation *process* has two central features. First of all, the need for organizational acceptance is substantial because employees may have difficulties seeing benefits and business relevance of a sustainability initiative such as UN GC. Second, top-management needs to define the focus of the change process, and this should be related to the company's existing policies on the area.

²⁰ Conclusion on the first research question is given in chapter 3.4

Achieving acceptance can be done by involving employees throughout the implementation process. In this way, people can participate in developing concrete objectives and activities, which meet the need of seeing business relevance. The reasoning is that engagement and motivation are probably strengthened when employees are able to relate UN GC to their daily tasks. In general, training of employees along with incentive systems are important factors to ensure motivation and dedication. Furthermore, organizational acceptance is probably easier to accomplish if UN GC membership is seen in relation to already existing policies and processes within business ethics and issues of sustainable development.

Involvement is especially important towards groups of employees that are likely to be opponents. This could be employees working in operational roles where short-term delivers are main focus. These groups probably perceive the generic nature of the UN GC principles as distant. Employees working towards customers, suppliers or other external stakeholders will most probably see potential benefits more easily. These groups could then be used actively in promotion of UN GC.

In general, the overall objective of the implementation process should be to show business relevance of the initiative in order to reduce organizational resistance. Furthermore, it appears rational to focus on some core areas, for instance environmental aspects, so that resources can be concentrated. In that way, related activities are given attention and are followed up at different levels in the organization. This is probably the most important aspect in order to create value from a sustainability initiative such as UN GC.

9.2. Implications

By reflecting on results and conclusions, it is possible to highlight some implications from this study. Managers, policy-makers and researchers are regarded as important target groups in this context.

9.2.1. Implications for managers

When it comes to sustainability initiatives such as UN GC, it is crucial for the individual company to evaluate ambitions and motivation for spending resources on such activities. Furthermore, it is necessary to identify areas of application within existing work processes and daily tasks. HSE (Health, safety and environment), QA (Quality assurance), HR (Human resources) are typical areas where complementary processes can be found. Such internal mapping should involve employees on different levels in order to receive support and acceptance. The core aspect for managers is to assign sustainability initiatives concrete content and practical relevance for the organization.

The state of a company's brand and reputation will influence the possible gains when promoting sustainability initiatives. Companies that are established within the industry and perceived as winners are probably expected to engage in such initiatives from stakeholders. Managers in such companies should therefore use initiatives such as UN GC to strengthen their position, but it is unlikely that considerable branding effects can be gained. Managers

in companies with relatively unknown brands would have more possibilities for reputation gains. However, they must ensure to adopt realistic targets and objectives. It could be damaging if customers or other stakeholders do not regard a company's actions for credible and trustworthy.

Interestingly, both acceptance and resistance are likely factors in organizational dynamics when implementing sustainability initiatives. Employees are likely to relate the principles of UN GC to their personal values and what they believe is right to do. In other words, this could be an important source for internal support. However, the risk concerning internal resistance is also substantial because such initiatives can be perceived as irrelevant for core operations. The important task for managers is then to communicate how this can be of relevance, and to develop incentive systems so that people are rewarded for spending time on these activities.

Finally, the following suggestions would aid managers when implementing a sustainability initiative.

- Identify and formulate linkages to existing policies before introducing it to the rest of the organization.
- Use the obligation to communicate on progress (COP) strategically and proactively in a way that relates UN GC to daily tasks and operations.
- Involve employees early in the process and ensure that real influence on performance targets and overall objectives is possible.
- Include implementation tasks in performance assessment and appraisal of managers and key employees.
- Relate new activities to existing tasks and work processes at different levels in the organization for instance within HR, HSE and QA.

9.2.2. Implications for policy-makers

Policy-makers, for instance the Norwegian Government, often promote voluntary initiatives such as UN GC. However, potential benefits for companies are not always communicated clearly. It would be wise to promote how companies can use such initiatives in order to exploit business opportunities and reduce risks. Furthermore, incentives in form of financial support, for instance through Innovation Norway, could be practical means in this context. Another example would be to give tax refunds if a company invest in innovation activities based on its membership in UN GC.

Concerning environmental policies, regulations and tax regimes should support a holistic approach in order to obtain the best solutions. Furthermore, when it comes to promoting environmental strategies that is rational from a business perspective, regulations are needed. Otherwise, it seems unlikely that willingness to invest in technologies and customers' willingness to pay will come in place.

9.2.3. Implications for further research

How companies could implement strategies based on sustainable value creation would represent interesting research in the field of strategic management. Furthermore, this would be a more proactive approach compared to descriptive investigation of correlation between measures of value creation often found in the literature. A qualitative approach of further studies could be advantageous because contextual insight seems necessary in order to understand success criteria.

It would be interesting to investigate how concepts and frameworks from the field of change management can be applied when implementing sustainability initiatives. Following the reasoning of Krüger (1996), organizational acceptance is an interesting factor in this context. It would be valuable to understand if and how sustainability issues can facilitate internal motivation and engagement. This could for instance be related to value-based management or similar areas. The risk of resistance because people fail to see initiatives as relevant for business is also an interesting topic to explore further.

In general, using quantitative studies in order to evaluate factors that increase employee motivation would be beneficial. Those questioned should have different backgrounds in order to understand aspects related to organizational dynamics. More concrete, a hypothesis could be based on the notation that sales and supply-oriented personnel seem to have a more positive attitude towards sustainability initiatives compared to those in production-oriented roles.

An external perspective is also valuable when conducting further research. For instance, it would be interesting to gain insight in the decision-making process happening in customer-supplier relations. The role of sustainability initiatives such as UN GC would be relevant for further research. As an example, in the maritime industry it would be valuable to investigate strategic implications for supplier companies when important shipping companies or offshore companies signal their obligation to UN GC.

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HOW TO CREATE VALUE FROM UN GLOBAL COMPACT

Implications for the Ulstein Group



Part Two of Master Thesis at NTNU, Spring 2013

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PREFACE

This document serves as a guide for the Ulstein Group on how to implement the principles of UN Global Compact. The purpose is to utilize key takeaways and implications from the theoretical analysis in a practical context.

That being said, it is important to note that the reader must adopt a critical view on the following suggestions. Furthermore, the recommendations should be considered as a foundation for further development within the organization and not final solutions. This is in line with the main reasoning from the theoretical analysis, namely that involving employees when developing objectives and concrete measures is crucial. People must see that it is possible to influence the final results of the implementation process in order to be supportive of the initiative.

The scope introduced in part one of the master thesis is to a large extent followed, meaning that the environmental principles are prioritized. However, other aspects are also included when regarded relevant in the case of the Ulstein Group, e.g. principle ten on anti-corruption is referred to explicitly.

The report is structured in two main sections. Firstly, the context of implementation is given. Here opportunities and risks brought along with membership, as well as practices among other companies are treated. Secondly, the theoretical framework of Krüger [1] is utilized to frame the recommendations for the implementation process. Finally, ideas for further developed are suggested. However, first of all, a short introduction to the UN Global Compact is given.

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What is UN Global Compact?

UN Global Compact (UN GC) is based on ten principles, presented underneath, treating issues as human rights, labor standards, the environment and anti-corruption. Affiliation to UN GC means that the firm would do its best to operate in accordance with the principles. Through the annual Communication on Progress (COP), members have to report their progress at the area. UN GC is currently the largest voluntary initiative for corporate social responsibility (CSR) in the world, with more than 10 000 participants from 145 countries. More than 7000 of them are companies. The initiative has two main goals: (1) Make the principles part of the business activity in enterprises all over the world and (2) promote activities and partnerships that contribute to sustainable development UN's broader goals.



The Ten Principles of UN GC

Human Rights

- 1) Businesses should support and respect the protection of internationally proclaimed human rights; and
- 2) make sure that they are not complicit in human rights abuses.

Labor

- 3) Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- 4) the elimination of all forms of forced and compulsory labor;
- 5) the effective abolition of child labor; and
- 6) the elimination of discrimination in respect of employment and occupation.

Environment

- 7) Businesses should support a precautionary approach to environmental challenges;
- 8) undertake initiatives to promote greater environmental responsibility; and
- 9) encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

- 10) Businesses should work against corruption in all its forms, including extortion and bribery.

IMPLEMENTATION CONTEXT

OPPORTUNITIES AND RISKS

Affiliation with UN GC brings about opportunities and risks. Some of them would exist already, but membership could make opportunities easier to spot and risks more urgent. The Ulstein Group should therefore identify both risks and opportunities following membership. This assessment

should be continuously executed as by unveiling emerging trends, Ulstein Group would be capable to proactively address potential risks and capture new opportunities. A preliminary analysis based on the case findings is presented here.

Risks

- ⇒ Suppliers not operating in accordance to the principles
- ⇒ Employees violating the principle on corruption
- ⇒ Employees perceiving the initiative as bureaucratic and not relevant

Opportunities

- ⇒ Increased reputation and trust
- ⇒ Energy savings
- ⇒ Increased resource efficiency
- ⇒ Preempt competitors by life cycle management

Supplier behavior

Firms are more and more expected to be accountable for what their suppliers do. Signing UN GC would probably increase such expectations, also for the Ulstein Group. As a consequence, some firms have used the principles as part of their supplier code of conduct, while others have contracts influenced by those. Furthermore, it is reasonable to assume that UN GC could legitimize new requirements to suppliers. Another benefit is that suppliers will probably feel less mistrusted if new requirements are based on the initiative. Many of Ulstein Group's current suppliers are established and serious companies that give considerable attention and focus to issues treated by UN GC. In addition, they are often located nearby Ulsteinvik and are well-known to the company. However, the introduction of catalogue ships will probably change this over time as lower costs become increasingly important. Future suppliers are expected to be more often located in remote countries and hence, risks should be expected to increase. Therefore, using

Reputation and trust

The Ulstein Group currently reports on sick leave, accidents and gender equality in their annual report. Employees seems to believe that more reporting and honest communication on issues connected to GC could increase the trust among customers, and probably among suppliers as well. Previous studies have found that increased transparency reduces uncertainty and builds trust, and finally strengthens the quality perceived by stakeholders. On the other hand, it is a risk of being perceived as below industry average when revealing more negative information than competitors do. Overall, the conclusion is therefore that becoming a member of UN GC enables an opportunity to stand out as a transparent firm and thereby increase trust and reputation. However, Ulstein Group should be aware that their marginal gain could be small as they already have a strong brand name.

UN GC into supplier contracts could play an even more important role. Since Ulstein Group's strong brand name already is assumed to give high expectations of not violating such principles, the risk-reducing benefits seem to surpass the increased consequence of non-alignment with the principles.

Employee behavior

The ethical guidelines introduced in 2006 seems to be slightly under-utilized. Indeed, they are communicated in the personal handbook. Additionally, employees recognizes the UN GC principles as something the company already want to be known for, which signals some knowledge of the internal guidelines. However, some employees comments that the principles are probably not well-known to the workers at the shop floor. UN GC could possibly increase the internal focus on such issues. In special for anti-corruption, the initiative and the accompanying network are believed to bring educational resources and prior experience. Furthermore, participation could probably make business partners more reserved to bribery, as they know Ulstein Group's point of view. Again, signing GC would increase expectations and hence, increase reputation loss of nonalignment, but the accompanying benefits are evaluated to be more favorable.

Employee's perception

There is a risk that employees perceive UN GC membership as something that creates more bureaucracy without seeing the benefits. Sustainability initiatives could be perceived as further from everyday operations causing the benefits to be less visible than compared to other initiatives typically implemented in an

Energy savings

The Ulstein Group seems to have potential energy savings because of current property ownership structure. Ulstein Verft Eiendom owns the properties at the site in Ulsteinvik, while companies such as Ulstein Power and Control and Ulstein Design and Solution are tenants. Hence the owner and the payer of electricity bill is not the same, giving both parties few incentives for energy-reducing upgrading. By changing the structure or taking a holistic view of costs, more energy saving investments would probably have a positive present value.

Resource efficiency

Previous research have found that increased focus on waste prevention positively affects a firm's profit and amount of process innovation. Few such initiatives where found in the Ulstein Group as most efficiency projects aimed at increasing the working efficiency. Therefore, it is assumable that more focus on environmental issues and problem awareness could lead to new projects causing increased profit. Especially at the shipyard, this is considered an opportunity.

Life cycle management

At the product level, previous research have pinpointed the opportunity to preempt competitors by including the life cycle perspective into product development. A major concern in the maritime industry is to reduce the fuel consumptions while operating. Clearly, this is an important issue with vast effects on environmental impacts. However, tools as life cycle costing and life cycle analysis are to a lesser

organization. Several of the interviewees pinpointed the importance of communicating such benefits. Maintaining consciousness about this and clearly express benefits throughout the organization could prevent or at least reduce such risks.

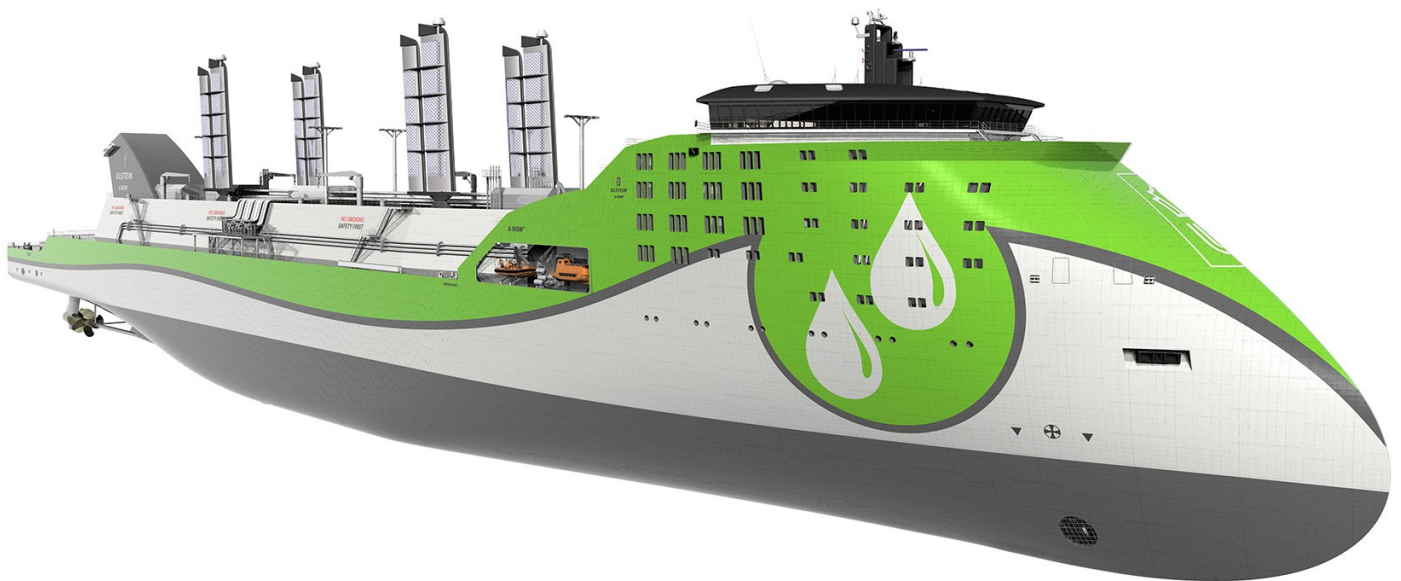
extent utilized. Comparing with the land-based construction industry, life cycle costing and the use of the BRE environmental assessment method (BREEAM) have grown substantially the last couple of years. This evolution could be expected within maritime industry as well. Again, affiliation to UN GC could secure required managerial cognition, but even more importantly, membership could give opportunities to establish partnerships targeting such development.



UN GC PRACTICES IN THE MARITIME INDUSTRY

The number of Norwegian members of UN GC has increased considerable the last couple of years, so also in the maritime industry. The newest COP reports [2] from seven of them have been analyzed and the results give valuable insight to reporting practices. Furthermore, the table on the next page gives some information about what companies usually emphasize the first years after signing the initiative. The focus of the analysis were on the environmental principles and the checkpoints were derived with inspiration from UN GC's guide for reporting [3], but also based on findings in the COP-reports themselves.

Constructing the analysis, two different indicators was made. The X is marked for tasks that are completed or that the firm continuously work at, while the arrow indicate that the firm communicate an intention to do this. Studying the results, it becomes evident that companies are prudent in their communication of plans and ambitions. Whether this is a signal of low ambitions or a choice of not communicating those, is unknown. However, it is likely that firms are reserved when it comes to communicating plans and goals, as failing to achieve them would be more evident.



Environmental issues reported in COP	Finished or already doing = X Planning to do = →	Farstad Shipping	GC Rieber	Wallenius Wilhelmsen	Odfjell	Aker Solutions	Kongsberg Gruppen	Ekornes
ASSESSMENT, POLICY AND GOALS								
Describes environmental policy		X	X	X	X	X	X	X
Describes concrete environmental goals		X		X	X		X	
Describes company relevance of environmental protection							X	
Requires suppliers to adhere to the principles or related aspects			X				X	X
Executes supplier audits							X	
Requires customers to adhere to the principles or related aspects			X					
Reports for each subsidiary			X					
Reports at GC Advanced level								
IMPLEMENTATION / ACTIONS								
Carries out training of employees on environmental issues								X
Reduces waste or consumption (not energy)								X
Increases internal energy efficiency		→	X	X	X	X	X	X
Raises awareness among suppliers								X
Raises awareness among customers			X					
ISO 14001 certified		→	→		X	X		
Improves environmental performance of products sold			X			X	X	
Introduced Life Cycle Management			X			X		X
Established UN GC Task Force			X			X		X
Internal environmental awards				X		X		
MEASURING / MONITORING								
Informs about dealings with incidents								
Informs about investigations / legal cases / fines								
Describes specific progress in last period			X	X	X	X	X	X
Uses Greenhouse Gas Protocol / Carbon Disclosure Project etc.							X	X
Implemented Global Reporting Initiative (GRI)							X	
Uses external auditor of environmental performance				X			X	
Reports waste disposal / recycling			→			X	X	X
Reports energy consumption						X	X	X
Reports consumption of other resources			→				X	X
Reports CO2-emission				X	X	X	X	X
Reports other air emissions (NOx, SO2)				X				
Reports accidental oil-spills						X		

DECISION MAKING AND SIGNING PROCESS

Complete acceptance throughout the organization is not considered of major importance before enrollment to UN GC because the crucial part is how the decision is introduced to and implemented within the organization. However, the entire group management should agree upon commitment, as they all are key persons in making the ten principles part of strategies, culture and day-to-day operations. Support from the chief operating officers is assessed especially

important. As it is often much harder to achieve support after a decision is made than beforehand, consensus in the group management is considered key criteria for membership. Obviously, over time Ulstein Group should engage more and more managers and make them part of the processes, but this is not considered important before signing membership.

Signing UN Global Compact

- ⇒ Send Letter of Commitment and complete the online application form
- ⇒ Schedule reporting process within one year after enrollment

Example

H.E. Ban Ki-moon
Secretary-General
United Nations
New York, NY 10017
USA

Dear Mr. Secretary-General

I am pleased to confirm that Ulstein Group supports the ten principles of the UN Global Compact with respect to human rights, labor, environment and anti-corruption. We hereby express our intent to advance those principles within our sphere of influence and make them part of the strategy, culture and day-to-day operations of our company.

We also commit to report on progress within one year of joining the UN Global Compact. Through annually submission of a Communication on Progress (COP) we support public accountability and transparency.

Sincerely yours

Mrs. Gunvor Ulstein
CEO Ulstein Group

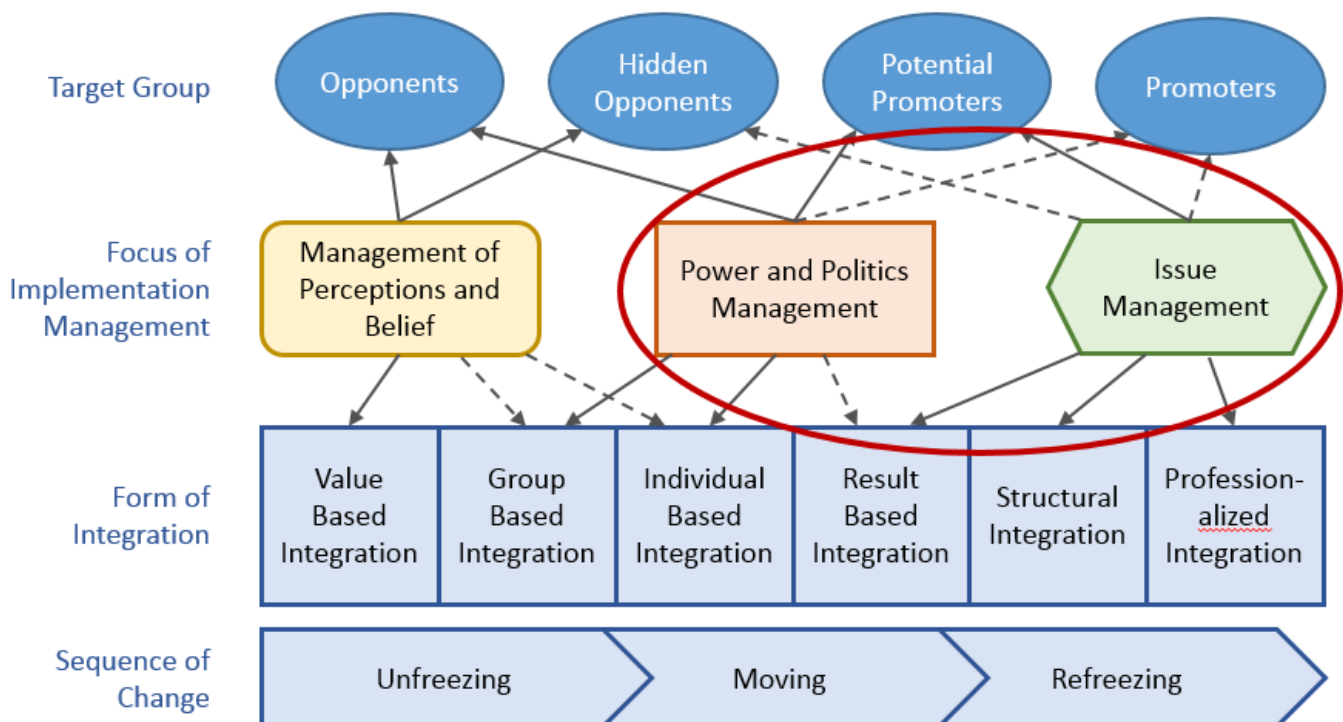
KEY TAKEAWAYS FROM THE ANALYSIS

As found in the theoretical analysis in the first part of the master thesis, the implementation of UN GC in the Ulstein Group can be seen as part of an overall process within business ethics and sustainability. The Ulstein Group's employees have in general a positive attitude towards the UN initiative and they express that the principles are analogous to what they already want to follow. The implication is that related activities should be focused on power and politics management and issue management, as attitude acceptance is already obtained. Thus management of behavior acceptance and factual barriers remains important for Ulstein Group.

IMPLEMENTATION GOALS

Since the outcome of UN GC membership is very much up to each individual firm, there is a need for defining what implementation constitute in Ulstein Group's case. Furthermore, professionalized integration is considered reached when the goals presented underneath is obtained.

Given final decision of membership in June 2013, the objectives should be achieved before conducting the first COP-report in first quarter of 2014. The process of reporting is recommended to be scheduled alongside the already existing annual report.



Goals - Power and politics management

- ⇒ Increased internal knowledge
- ⇒ UN GC connected to existing activities
- ⇒ Managers are followed up

Goals - Issue management

- ⇒ Task force established
- ⇒ System for anti-corruption training in place
- ⇒ All new supplier contracts requires compliance to the UN GC principles
- ⇒ Reporting structure established
- ⇒ Implications discussed by business areas

POWER AND POLITICS MANAGEMENT

Power and politics management aims at behavior acceptance and key tools for integration are the power to reward and coerce. Furthermore, one could obtain motivation by increasing knowledge or by using support coalitions to influence other employees.

Some employees within the Ulstein Group seem reserved when it comes to membership. Such

behavior is probably individual based, but probably with a higher rate among those that have daily operations as focus. Employees with high degree of external relations, through either sales or supply, see more relevance and possibilities in UN GC.

Recommendations for the Ulstein Group are given in the boxes below.

Emphasize internal knowledge building

Employees should be aware of the benefits, even though they may not be linked directly to their daily activities. The Ulstein Group should therefore distribute newsletters to all employees or use slides at the information boards. In addition to the ten principles and information about the already existing ethical council, it should give a short brief of motivation for signing and expected benefits of membership.

Connect UN GC to existing activities

This could increase the perceived relevance and motivate employees to engage in UN GC. Which activities and how to achieve such connections is discussed under issue management.

Follow up managers

It is important that it counts positively for leaders to spend sufficient time on implementing the principles within their organizational unit. This could be achieved by introducing the ten principles into the individual performance assessment and appraisal interview. Managers must be followed up and their work should be noticed and appreciated.

Direct benefits of UN GC

- ⇒ Structuring framework
- ⇒ Network possibilities and learning
- ⇒ Anti-corruption training modules
- ⇒ Strengthening reputation



ISSUE MANAGEMENT

The core of issue management is to ensure progress and results during the implementation process by focusing on factual barriers. It typically concentrates on tasks familiar to project management like informing, training, documenting, supervising and consulting. The individual employee is given the chance to adapt to new work requirements and develop his knowledge and skills. Issue management is therefore closely in-

terrelated with personnel change barriers and capability barriers. Another issue of high relevance is how the implementation process is organized. Small successful steps obtained early on, will increase acceptance and support for later and bigger steps.

Some concrete recommendation for the Ulstein Group are given in the following.

Establish task force

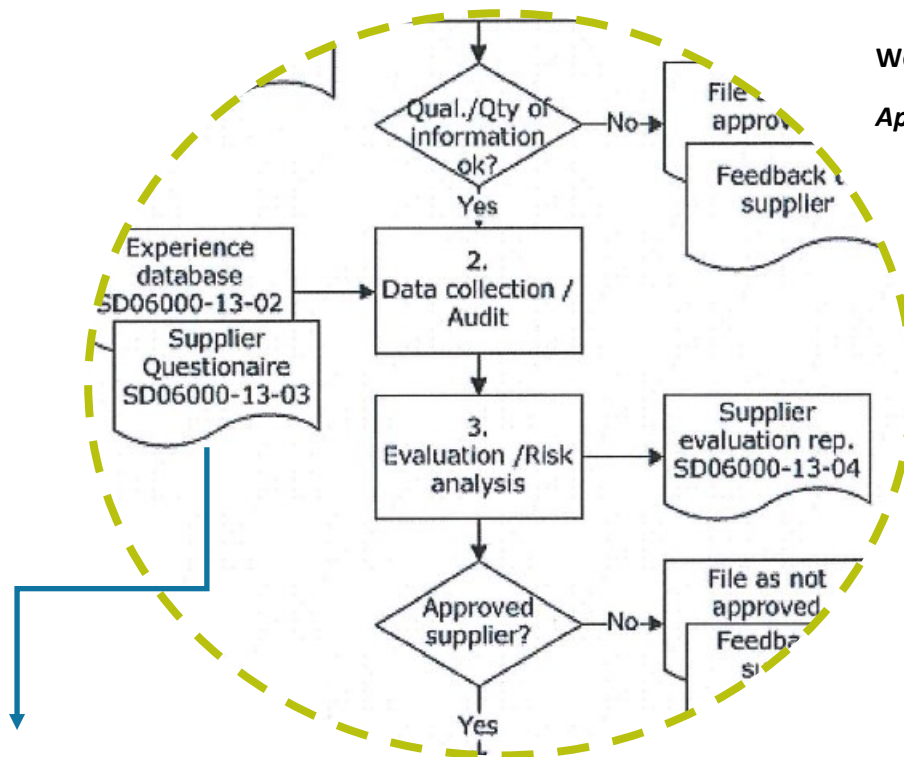
The Ulstein Group is recommended to establish a task force with representatives from each of the business areas. They would follow up the process of implementation and secure anchoring in each business area. If successful, the Ulstein Group should consider maintaining the task force, but now with the mandate of continuously evaluating risks, opportunities and strategies connected to the ten principles. This could be part of the internal auditing process when ISO 14001 is implemented as environmental management system. Additionally, the task force can constitute a new arena where employees across the different business areas can bound and thereby support the goal of increased cooperation. The task force members should be chosen among UN GC promoters and from different functions as maintaining the holistic perspective is considered important.

Anti-corruption training

The Ulstein Group should assess the risks of fraud and corruption and thereafter classify the employees into high risk, medium risk and low risk groups. There should be made differentiated training and notification programs for each group and accomplishment should be registered. Repetitions are assumed to maintain such issues at the forefront, and support the building of a culture where such challenges are discussed openly. As UN GC provide e-training modules those should be included in the training programs. This would probably increase employees' impression of membership benefits and thereby one early successful step is achieved.

Implementation in supplier contracts

The company should develop supplier contracts to include requirements related to the UN GC principles, e.g. demand zero incidents of corruption and fraud. Furthermore, they could include such issues into the approval of suppliers as well. Extract of the work process *Approval of Suppliers* is given on the next page along with suggested extensions of the supplier questionnaire given in red.



...

10. HEALTH, SAFETY AND WORKING ENVIRONMENT

The Ulstein Group have signed UN Global Compact and we want our suppliers to operate in accordance with the ten principles.

10.1 Are your company a member of UN Global Compact?

NO YES

10.2 Are your company familiar with relevant Health, Environment and Safety Regulations which are applicable to the work being performed at your facilities?

NO YES

10.3 Who is responsible for monitoring HES conditions:

Name: _____

Title: _____

10.4 Do you have an environmental policy?

10.5 Do you assess the environmental impact of your company?

10.6 Do you require business partners and suppliers to improve their environmental performance?

10.7 Do you have a written company policy on respecting and supporting internationally proclaimed human rights (e.g. in code of conduct)?

10.8 Do you assess human rights related risks and impact in your supply chain?

10.9 Can you provide guarantee that children are not used as labour at any step of your supply chain, including subcontractors / suppliers?

11. ANTI-CORRUPTION

11.1 Do you have a publicly stated policy of zero-tolerance of corruption?

11.2 Do you have risk assessment procedures conducted for potential areas of corruption?

11.3 Do you have a policy on anti-corruption regarding business partners?

Reporting structure and measuring

The Ulstein Group should develop their systems and routines to secure the ability of measuring, monitoring and interpreting its impacts on society and environment, as it is crucial for achieving the long term goals. When developing performance indicators, we recommend that the company emphasize two conditions.

- ⇒ Measures should be easily obtained from the IT-system. The company already does this for economic performance indicators as they have competent personnel following up projects. The challenge is to define parameters for measurements on different levels, and translate these into performance indicators that can be aggregated to group key indicators.
- ⇒ The measures should give insightful data to management. Data that enables key knowledge about the processes are valuable in order to improve and obtain the defined goals.

Regarding reporting structure, reporting related to the ten principles should be included within structures already established. Currently, every legal company within the group reports key indicators monthly to Group Finance through the Ulstein Key Information Report. Indicators such as sick leave and employee turnover is included here. HSE is reported monthly from the subsidiaries to the respective boards and the group, while Norwegian companies also send their reports directly to the HR Director. Those reports include number of injuries, with and without leave and number of undesirable incidents and near incidents. Injuries are broken down on type of injury and per department, while incidents are not. The same information channels are used for annual reporting. Additionally, the shipyard receives an annual outline of waste sent to Franzefoss that is included in the annual HSE report.

New, quantitative measures related to economic performance should be included in the key information reports sent to finance. Furthermore, measures related to working conditions and the environment that are free coupled from economic values, should be part of the HSE-reporting. In general, new measures should be reported on a monthly basis as well, however for those that are hard to obtain or have natural sessional fluctuations (e.g. heating) an annual reporting period should be considered. Finally, as Ulstein Group is in the process of becoming ISO 9001 and ISO 14001 certified, it is important to emphasize that reporting key performance indicators related to UN GC should be seen in coherence to routines derived from those management systems. The initial focus should be on increasing the understanding of different operations. Some measures could even be estimates in the beginning, followed by more accurate and detailed data over time. Suggestions for key performance indicators related to UN GC are given in the blue box on the next page. References to Global Reporting Initiative (GRI) are given in brackets.

Suggestions for key performance indicators related to UN Global Compact

Labor

- Employee turnover – already measured
- Injuries – already measured
- Sick leave – already measured
- Expenditure on continuing education
- Expenditure per employee on continuing education or credits taken per employee.

Environment

- Energy consumption
 - Direct energy consumption by primary energy source for each business area (EN3)
 - Direct energy consumption per man-labor year for each business area
- Waste treatment
 - Total weight of waste by type and disposal method (EN22)
 - Total weight of waste per turnover
- Undesirable environmental incidents
 - Broken down in different measures as for accidents
 - Total number and volume of significant spills (EN23)



Environmental portfolio

One idea for Ulstein Design and Solutions could be to establish an environmental portfolio of equipment and machinery that outcompete equivalent solutions on environmental performance. By using this portfolio, UDS could brand new innovations that they really want to sell. The option between “normal” choice and “environmental” choice would be clearer for customers. UDS could then assess how many products they sell from the environmental portfolio each year and report on this. This would efficiently illustrate that ship-owners are key actors, put more pressure on them and ease the pressure at Ulstein Group.

Implications for business areas

As part of the implementation, each business area should organize a discussion where employees from all fields are present; management, procurement, sale, planning, design etc. The members of the task force could be put in charge of such happenings in their respective subsidiary. Ideas and feedback should be collected and brought up in the task force meetings for alignment across companies. However, most importantly it hopefully starts some processes in the companies and can increase the local ownership to UN GC.



COMMUNICATION ON PROGRESS

The Ulstein Group is recommended to communicate openly to its surrounding environment through the COP. Parts of the COP could also be included in the annual report. Some suggested guidelines for reporting should be considered:

⇒ When communicating failures and setbacks, always include action plans and show commitment to learning

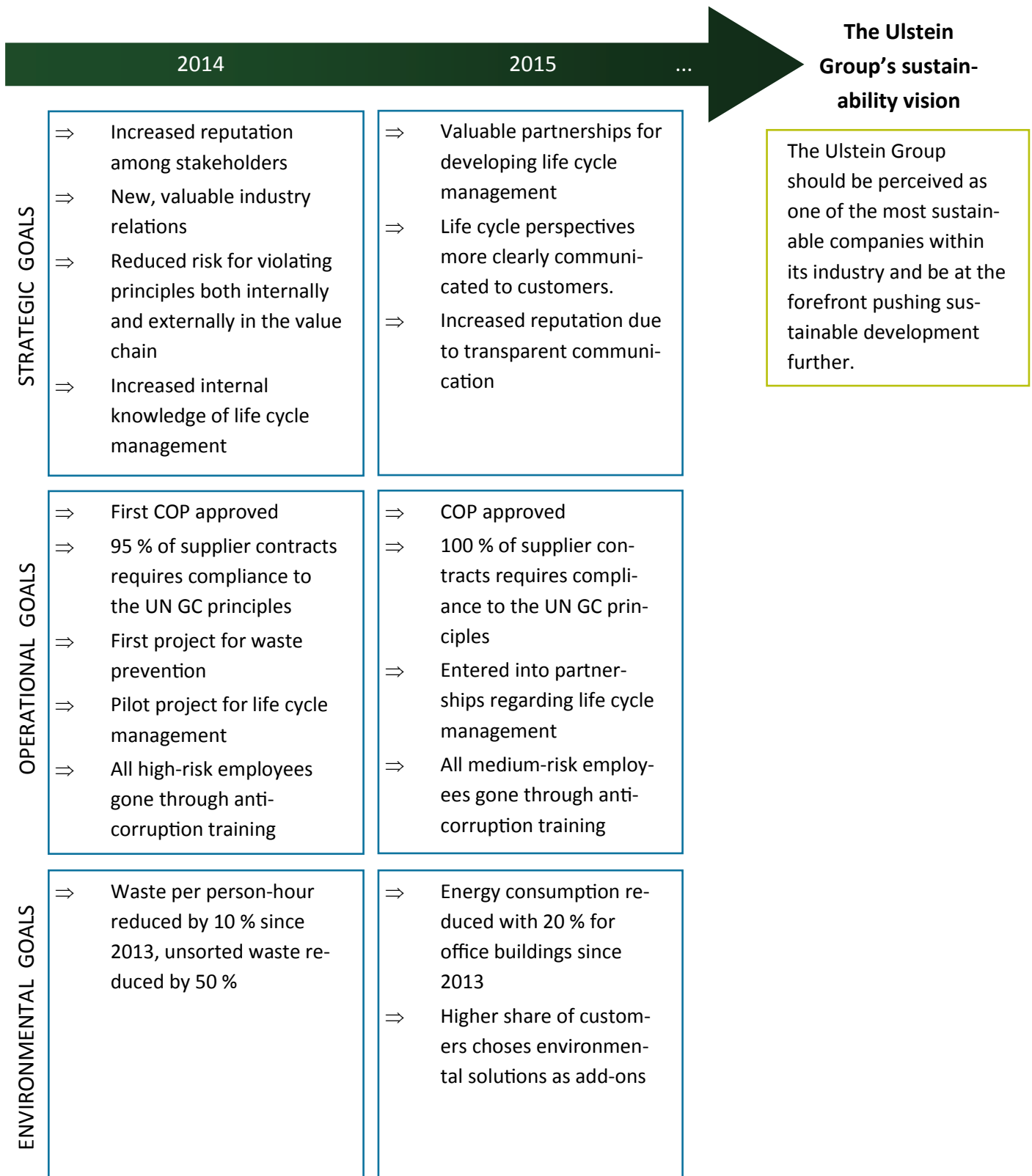
⇒ Be cautious about sharing goals and ambitions as failing to reach them would be more evident then. However, there are opportunities to differentiate from other companies as they rarely share goals and plans for the next period (ref. COP-analysis).

⇒ Work at raising awareness among customers and focus on issues related to them in the COP. Finally, share the report with them.

FURTHER DEVELOPMENT

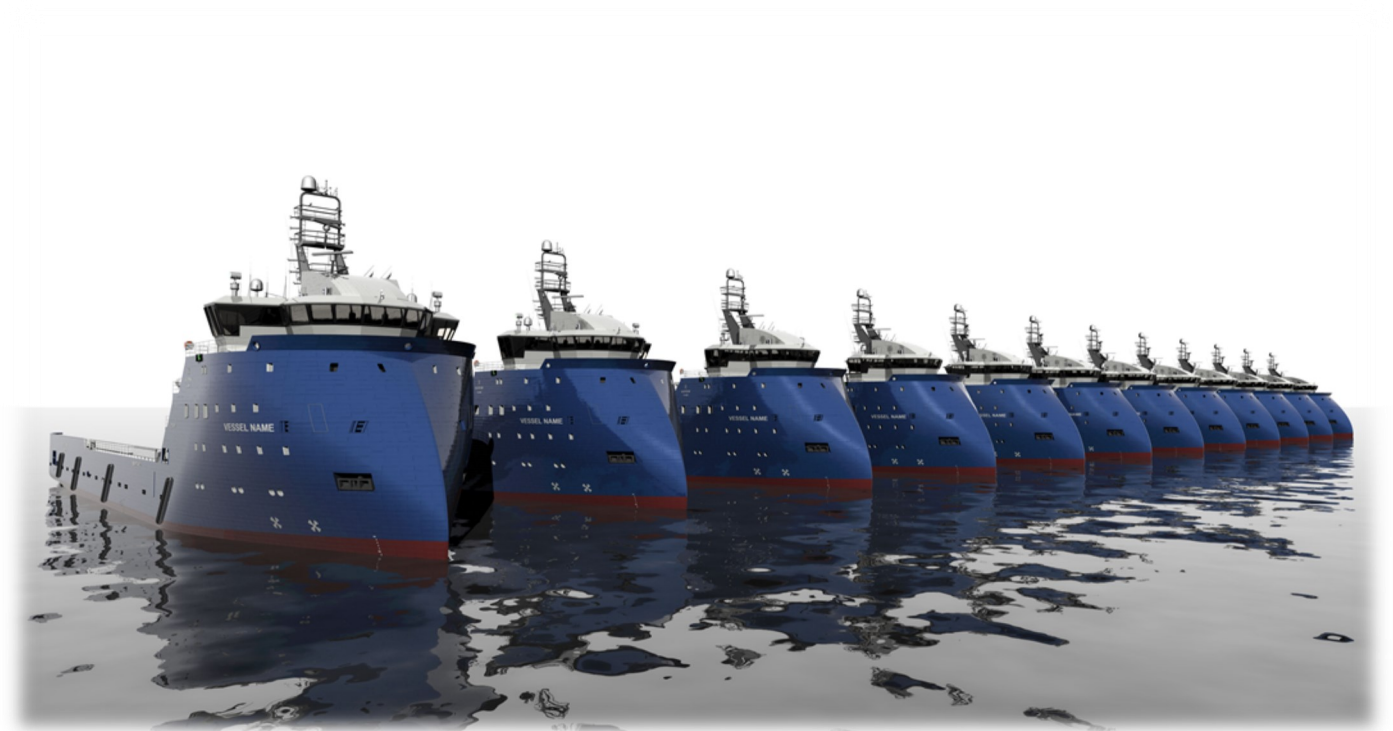
The Ulstein Group is recommended to set some long-term goals or a sustainability vision to help define short-term goals and strategies. Furthermore, the company is recommended to focus on the risks first, thereby working with supplier con-

tracts and anti-corruption training. Following this, the firm should try to exploit the opportunities unveiled. The goals suggested for Ulstein Group is divided into strategic goals, operational goals and environmental goals.



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Appendix A - Intervjuguide

Introduksjon

Denne guiden skal sikre en god gjennomføring av intervjuene hos Ulstein Group og sikre høy troverdighet for resultatene.

Research questions

- 1) What are potential long-term benefits from implementing the UN GC principles?
- 2) How could a company implement the UN GC principles in order to achieve potential benefits?

Intervjumetodikk

Semistrukturert – en plan for hva som skal dekkes, men spillerom for nye spørsmål og uventede vendinger i intervjuene.

Etterstrebe å følge Kvale (1996) sine kriterier for suksessfulle intervjuer. Gjengitt på side 476 i Bryman og Bell (2011).

Personer i toppledelsen blir sitert med navn/konkret stilling, mens andre nedover i organisasjonen blir anonymisert. Slik vil de i større grad kunne gi uttrykk for sin oppriktige mening uten fare for personlige konsekvenser.

Spørre om hva personen tror er den generelle oppfatningen i bedriften. Slik reduseres fokuset på intervjuobjektet og mer ærlige svar kan oppnås.

I forkant av intervjuene skal vi skrive ned hvilke svar vi forventer å få. Slik kan vi lettere avdekke om vi selv er kilde til feil.

Intervjuinnhold

Intro

Introdusere oss selv og formålet med intervjuet.

Om intervjuobjektet

Målet er å skape tillit mellom intervjuer og intervjuobjektet.

- Hvor lenge har du jobbet i Ulstein?
- Hva slags bakgrunn har du?
- Hva er dine ansvarsområder?
- Hvor lenge har du jobbet i den maritime bransjen?

Generelt om Ulstein

Styring

- Hvordan gjøres kostnadsføringen i Ulstein?
- Hvordan blir ressurser fordelt?
- Hvordan måles prestasjonen til ansatte/avdelinger? Hvilke belønninger gis?
- Hvordan fungerer UQMS?
- Har Ulstein et miljøledelsessystem?

Historie og framtidsutsikter

- Hva kjennetegner Ulstein?
- Skiller selskapet seg ut i fra sine konkurrenter? Hvordan?
- Hvor tror du Ulstein er om 10 år? Hva nytt har skjedd?

Informasjon om UN GC

- Se eget notat som blir sendt ut i forkant av intervjuene
- Nøytralt presentert – ikke fremstå som selgere

Spørsmål

- Hvilke refleksjoner gjør du deg når det gjelder UN Global Compact?
 - Kost/nytte
- Hva tror du er årsaken til at bedrifter melder seg inn?
- Hvordan tror du et slik initiativ vil bli møtt i virksomheten?
- Hvordan vurderer du relevansen av UNGC i forhold til dine arbeidsoppgaver?

Implementering

- Hva vil du si kjennetegner endringsprosesser i Ulstein?
 - Tidsperspektiv (kjappe beslutninger, top-down, kontra lengre prosesser, bottom-up)
 - Måling og oppfølging
 - Har prosessene vært ulik blant ulike forretningsområder og avdelinger?
- I hvilken grad har Ulstein Group lyktes med implementeringen av tidligere og lignende initiativ som Global Compact? Var du involvert? Hvordan vil du beskrive prosessen?
- Ser du et potensiale for å kunne realisere interne synergieffekter og «ett Ulstein» gjennom å implementere GC?
- Ut i fra ditt ståsted, hvilke ansatte bør eventuelt involveres i en slik prosess?
- Hvilke avdelinger/ansatte tror du eventuelt vil promotere et initiativ som Global Compact?
- Hvilke avdelinger/ansatte tror du eventuelt vil kunne gi lite støtte til et initiativ som Global Compact?

Ulike moduler

Reputation and culture

- Hvordan opplever du at eksterne interessenter som kunder/samarbeidspartnere ser på Ulstein Group?
- Hvilket inntrykk opplever du at de som bor i Ulsteinvik har av Ulstein Group?
- Hvilket inntrykk opplever du at ansatte i andre maritime virksomheter har av Ulstein Group og selskapets ansatte?
- Hva tror du er viktig for å bygge et godt omdømme i lokalsamfunnet?
- Hva tror du er viktig for å bygge et godt omdømme i bransjen?
- I hvilken grad tror du at rapporteringen i årsrapporten er avgjørende for dette omdømmet?
- Hva tror du vil være effekten av ærlig kommunikasjon som også påpeker svakheter, forbedringspotensialet og områder som ikke prioriteres?
- Er det noen av områdene i Global Compact der Ulstein kan skille seg positivt ut sammenlignet med konkurrentene? Tror du det kan gi positiv omdømmeeffekt å belyse disse områdene i kommunikasjonen utad?
- Tror du økt måling av miljø- og samfunnsansvar vil øke bevisstheten internt på slike problemstillinger? I så fall, hvorfor?
- I hvilken grad mener du Ulstein er tilstrekkelig gode på å fordele informasjonsdeling internt og på tvers av avdelingene?
- I hvilket grad vektlegger du miljø- og samfunnsforhold hos en eventuell framtidig arbeidsgiver?
- Opplever du at potensielle arbeidstakere vektlegger forhold som miljø- og samfunnsansvar?

Miljø

- Prinsipp nr. 7 sier at bedriften skal støtte en føre-var-tilnærming til miljøutfordringer – hvilke muligheter gir dette Ulstein?
- Prinsipp nr. 8 sier at bedriften skal ta initiativ til å fremme økt miljøansvar – hvilke muligheter gir dette Ulstein?
- Prinsipp nr. 9 sier at bedriften skal oppmuntre til utvikling og spredning av miljøvennlig teknologi – hvilke muligheter gir dette Ulstein?

Pollution prevention

- Hvordan vil du beskrive arbeidet med avfallshåndtering og effektiv ressursbruk i produksjonsprosessene?
- I hvilken grad mener du miljøvennlig teknologi og produkter er viktig for at Ulstein skal gjøre det bedre enn sine konkurrenter?
- I hvilken grad tror du kundene vektlegger miljøkriterier (utslipp, energibruk osv.) når de velger leverandør?
- Med kontinuerlig forbedring mener vi små forbedringer på produktet, i prosessen eller i organiseringen. Hvor god vil du si dere er på kontinuerlig forbedring? Hvor ofte innfører dere slike endringer i din avdeling?

- Tror du at GC sine miljøprinsipper kan brukes for å engasjere ansatte til å jobbe med kontinuerlig forbedring? I så fall, hvordan?
- Hvilke miljøtiltak har blitt gjennomført tidligere, og hva har vært resultatet?
- I hvilken grad undersøker dere muligheter for å redusere avfall og utslipp?
- Hvem er pådrivere for slike forbedringer?
- Tror du at økt fokus på miljøkonsekvenser kan motivere ansatte til å involvere seg i kontinuerlig forbedring?
- Tror du at et økt behov for å rapportere selskapet miljøprestasjoner vil føre til at miljøvennlige løsninger tas raskere i bruk?

Product stewardship

- I hvilken grad mener du miljøvennlig teknologi og produkter er viktig for at Ulstein skal gjøre det bedre enn sine konkurrenter?
- I hvilken grad tror du kundene vektlegger miljøkriterier (utslipp, energibruk osv.) når de velger leverandør?
- Blir disse kravene kartlagt på noe vis og hvordan følges de opp?
- Etterspør kunder estimerer for miljøpåvirkningen til et produkt gjennom hele livsløpet?
- I hvilken grad tilbyr konkurrenter i bransjen livsløpsanalyser av sine produkter?
- Hvem har ansvaret for miljøaspekter ved utviklingen av nye produkter/ gjennomføringen av prosjekter? En spesifikk person eller felles ansvar?
- Ulstein Group har i det siste fokusert på hvordan båtproduksjonen kan gjøres modulbasert. Er det hele moduler/deler av en båt som det vil være naturlig å fornye for båtens levetid er over? Er det tenkelig at økt modulisering kan øke levetiden på båtene?
- Er det tenkelig å innføre et system der utgåtte moduler gjenvinnes når de byttes ut?
- Hva med båten totalt? Kan Ulstein selge tjenesten båt i stedet for båten, og slik sikre at den blir gjenvunne når levetiden er over?
- Kan denne tankegangen brukes ovenfor leverandører også? Der en betaler for hvert år båten er malt og ikke per liter maling?
- Innen byggenæringen har BREEAM blitt et mye brukt verktøy for å sikre miljøvennlige bygninger. Når verktøyet tas i bruk av alle leverandørene til et nybygg sikrer dette et mer miljøvennlig resultat. I hvilken grad ser du muligheter for at Ulstein Group kan pushe på for et slik ordning innen den maritime industrien? Hvilke fordeler/ ulemper ser du ved å involvere seg i noe slikt?

Avrundning

- Mange mener initiativ som for eksempel Global Compact tar fokus fra kjernevirksomheten til en bedrift, hva tror du om det?
- Gitt at Ulstein velger å signere Global Compact, hvordan bør den prosessen være?

Spørre respondenten om det er noe han eller hun lurer på avslutningsvis.

Appendix B - Styresak

Styresak nr.: 21.240413



Går til:	Styret og observatører i Ulstein Group ASA	
Kopi til:	GUL – LLO – ISA	
Selskap:	Ulstein Group ASA	
Styremøte:	24.04.2013	
Styresak nr.:	21.240413	
Dato:	17.04.2013	Sakshandsamar: ISATBU

Vedrørende: Compliance – UN Global Compact

Kommentar:

I styremøte i Ulstein Group ASA, den 24. april 2012 (sak 21.240412) vedtok styret at administrasjonen i større grad skal formalisere arbeidet med Compliance, og herunder mellom anna auke fokus på konsernet sine etiske retningslinjer generelt og arbeidet med antikorrupsjon spesielt. Styret har bede administrasjonen rapportere til styre årlig, i siste styremøte før ordinær generalforsamling.

Administrasjonen har i løpet av det siste året sett ei sterk auke i krav frå kundar med omsyn til å kunne dokumentere gode retningslinjer innanfor dette området, og fleire av våre store kundar stiller krav om vidtrekkande erklæringar med omsyn til antikorrupsjon, prissamarbeid med vidare.

I den internasjonale marknaden som ULSTEIN® opererer i, er vi langt på veg underlagt både UK Bribery Act, US Foreign Corrupt Practices Act og anna internasjonal lovgiving i tillegg til den norske straffelova. Det blir stilt stenge krav til det enkelte selskap i forhold til både retningslinjer, opplæring og oppfølging av tilsette, leverandørar og samarbeidspartar samt rapportering ved avvik og mistanke om straffbare forhold.

Økokrim har analysert rettspraksis innanfor korrupsjonsområdet, og har nyleg utarbeidd ei liste med ni sjekkpunkt som eit føretak bør oppfylle for å unngå føretaksstraff.

Administrasjonen har det siste året iverksett ein revisjon av konsernets etiske retningslinjer, og kome godt i gang med å regulere Compliance generelt, og antikorrupsjon spesielt, i relevante kontraktar. Det er ikkje rapportert om hendingar som kan gi grunnlag for mistanke om korrupsjon eller ulovleg prissamarbeid sidan førre presentasjon. Det er rapportert om to avvik frå dei etiske retningslinjene.

Administrasjonen har vurdert ulike system for den vidare implementering av dette arbeidet, og har undersøkt korleis andre bedrifter i same marknad handterer dette.

Administrasjonen vil råde til at Ulstein Group ASA søker om medlemskap i UN Global Compact, som er eit internasjonalt nettverk i regi av FN for bedrifter som ønskjer å aktivt og seriøst med samfunnsansvar. Global Compact baserer seg på ti prinsipp på områda menneskerettar, arbeidslivsstandardar, miljø og antikorrupsjon. Tilslutning til Global Compact inneber at bedrifta forpliktar seg til å gjere sitt beste for å drive verksemda i tråd med dei ti prinsippa.

Forslag til vedtak:
Styret tar saka til orientering.

