

**Summary of the congress
"PROSA-Product Sustainability Assessment.
Challenges, case studies, methodologies"**

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1 Key Findings

The congress identified the essential elements of product sustainability strategies, debated the state of play and map perspectives – based on case studies throughout.

The challenges for product strategy and product development are new markets and new consumers, the struggle for resources, more demanding Product policy in EU and Japan and increasing awareness of societal stakeholders also on social issues (e.g. Stiftung Warentest with integration of social aspects). To support the business management there are new product sustainability tools like PROSA (Öko-Institut), SEEBalance (BASF), PSAT (Procter&Gamble) or Sustainability Compass (German Telekom). The discussion showed: Tools exist for company internal decision-making and public communication and have been proven - with different assets and drawbacks. On the long run they need further development, more transparency and a standardisation or at least an agreed methodology (comparable to the development of the LCA methodology). The product sustainability assessment should be combined with supplier audits.

Only a small minority of companies has integrated sustainability into both their business strategy and product/process design. But sustainability-driven innovation is starting to offer real business value. Business leaders are now focusing on winning tomorrow's customers, rather than just managing risks and they look for corporate social opportunities

It's essential to link the tools into all business processes. Proposals were made how to integrate the tools successfully. The possible *benefits* of the use of the product sustainability tools were pointed out:

- Identification of product opportunities, new markets and new customers
- Anticipation of product risks (avoid negative impacts on company reputation, identify real or perceived vulnerabilities, minimising risk to develop the "wrong" product, lower long term risks)
- More successful product innovation (holistic view, better understanding of consumers' requirements, long-term consumer needs and societal changes)
- Proactive response to more demanding legislation and external product assessments (e.g. Stiftung Warentest) and ratings.

2 Product Sustainability strategies: Status and Requirements

The congress was opened with a presentation about the challenges of product policy and changing markets followed by a role-play and discussions about fuel-efficient cars.

Sustainable products, new markets and product policy

(R. Griesshammer, Öko-Institut)

Overview of product-induced material flows in OECD-countries, the growing energy consumption of the emerging BRICS-countries and product policy strategies (integrated product policy, eco-design for energy using products, top runner concept of Japan, sustainable consumption initiatives and voluntary CSR approaches). The challenges are: new markets and consumers, struggle for resources, more demanding legislative, product policy in EU and Japan ask for voluntary approach. Some examples for new "Sustainability markets" are given.

Case Study "Examples of the automotive industry" (Golf Ecomatic, 3L-Lupo, Smart, Toyota Prius)

The discussion about new sustainable cars was addressed in a **role-play**. In preparation for the role-play the participants got a background paper about the history and experiences of fuel-efficient cars (Volkswagen Lupo 3L TDI; smart Fortwo CDI, Toyota Prius):

Andreas Manhart, Oliver Salzmann, Ulrich Steger, Carl-Otto Gensch and Rainer Griesshammer, "Invest or not? Does a fuel-efficient car make sense today?", IMD-2-0118 Freiburg/Lausanne 2005).

Role-play

Put yourself into the shoes of the CEO of the (fictive) car manufacturer "Autostar"

- 1) Would you invest into a car whose fuel efficiency is clearly beyond current market standards?
- 2) If yes: Why, for which target group and segment and size? Which distinctive features should the car have?
- 3) If no: Why not? What are the alternative courses of actions?

3 Presentation of the product sustainability tools

The product sustainability tools from BASF, German Telekom, Procter&Gamble and Öko-Institut were presented:

**PSAT – Product Sustainability Assessment Tool. A method under development.
(Marina Franke, Procter & Gamble)**

The new challenge for product sustainability was shown by way of the new product assessment of Stiftung Warentest (Detergents, Outdoor Jackets, Salmon). PSAT is an internal tool to assess sustainability opportunities and risks for new products or “big upgrades” of products. The method was illustrated with the case study "Swiffer".

Sustainability Compass (SC). Assessment of the contribution made by ICT services to sustainability.

(Tim Otto, Deutsche Telekom)

The goal of the Sustainability compass is to identify opportunities and risks of the ICT-services and to raise awareness for the subject of sustainability amongst product managers. The core element of the tool is a catalogue of questions including product benefits. It works with spread sheets and qualitative to semiquantitative answers.

The Socio-Eco-Efficiency Analysis: SEEBalance.

(Andreas Kicherer, BASF)

SEEBalance is a method for the comprehensive assessment of products and processes. It integrates quantifiable social indicators in the BASF eco-efficiency analysis (which is a standard tool in the BASF Group). The method was illustrated with the case study "Men's Shirts" (cotton shirt versus polyester/PET-shirt).

PROSA – Product Sustainability Assessment

(Rainer Griesshammer und Ina Ruedenauer, Öko-Institut)

PROSA is a method for the strategic analysis and management of product portfolios, products and services, mainly for companies, but also for product policy and dialogue processes. It works with existing subtools like Life Cycle Assessment, Life Cycle Costing, Consumers Research and the new "Social Life Cycle Assessment". The method was illustrated with the case study "EcoTopTen – Sustainable products in the mass market"

3.1 Discussion

Six study groups discussed the status and perspectives of the product sustainability tools in general and compared the four tools (scope and purpose, practical relevance, applicability and user friendliness, barriers for implementation).

PSAT and SC were assessed as internal tools, SEEBalance and PROSA as tools for internal and external use. SC was assessed as a tool for evaluation of existing products whereas PSAT, SEEBalance and PROSA aim at product development and product strategy. The use of fixed questions or indicators and graphs was accentuated for SC, PSAT and SEEBalance.

The possible *benefits* of the use of the product sustainability tools were pointed out:

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The (general assessment) better: key message of the new tools was reported to the plenary **in form of written 5 word sentences** – with some further oral explanation:

- Corporate survival necessitates sustainable development.
- Further development for strategic application.
- Good start, but standards needed.¹
- Already useful, not yet mature.²
- Good start, needs more credibility.
- Just link it to the business value.³

¹ A lot of things have improved since the beginning of LCA in the late 80s. Make tools more transparent and comparable (Fußnote unverständlich)

² Raise awareness, useful for marketing practices - reactive or pro-active, standardised, will it ever be possible to have?

³ Support market integration of more sustainable products

Prof. Steger summarised the results and the discussion in the plenary:

- Business relevance is essential – we need the process-link.
- Integrate across all functions.
- There is not the one right tool.
- Focus on application rather than sophistication.
- Results have to be measurable (without overdoing with quantification).
- Communication (internal and external) of results is key; transparency is important.
- Credibility and applicability are also very important factors. We need an agreed methodology or standard; ISO or industry association standards are one possibility.

4 Workshops

Selected issues and subtools of the product sustainability tools were discussed in more detail in workshops and further presentations:

4.1 Workshop 1: Ecoefficiency analysis

Ecoefficiency of consumer products (I. Ruedenauer, Öko-Institut)

The eco-efficiency tool within PROSA builds on Life Cycle Analysis and Life Cycle Costing and evaluates the effectiveness (reaching the goal!) and the efficiency (... with little effort!) of product alternatives or measures. A case study for passenger cars was presented.

Ecoefficiency Analysis – A sustainability decision tool for BASF (A. Kicherer, BASF)

(Eco-efficiency analysis is a standard tool in the BASF Group; more than 240 analyses have been carried out. Ecological and economic life cycle aspects are given equal weight in the assessments. Examples show cost reductions and increased sales. The tool was illustrated with the three case studies Furniture Clear Coat, House Insulation Systems and Indigo dying.

Essentials of the workshop and plenary discussion:

- Tools exist for company internal decision making and public communication and have been proven
- There are Real World success stories, linked to business performance.

4.2 Workshop 2: Social aspects and supply chain audits

Social LCA and Sociograde (R. Griesshammer, Öko-Institut)

The social LCA tool is structured like the environmental LCA – Life Cycle Assessment. This corresponds to the actual discussions within the UNEP/SETAC-Life Cycle Initiative Task Force “Integration Social Aspects into LCA”. The analysis within Social LCA can be linked with social audits of companies in the upstream chains. Sociograde is an assessment model for the social data.

EHS Audits in the Supply Chain (G.Fritz, Ciba Specialty Chemicals)

Ciba is committed to integrate EHS into the own business processes and to utilise EHS performance in the selection of business partners in the supply chain. It is shown why and how this approach is realised within Ciba Specialty Chemicals global activities. Internal rules and regulations and their application in the fields of supplier assessments, of tolling

agreements, of storage and warehousing of chemicals and transport of chemicals are presented and illustrated on basis of recently conducted audits and assessments. Ciba has an own supplier assessment program with minimum standards ("NO, NO-Criteria"; internal guideline 37) and support of supplier (EHS management, Employee training and education etc.).

Essentials of the workshop and plenary discussion:

- Supplier audits and social LCA are complementary and could be combined
- The methodology of the Social LCA 2005 has the status of the environmental LCA1990
- Societal processes more important than the results.

4.3 Workshop 3: Corporate strategy

Quantification the business case for sustainability. (O. Salzmann, IMD Lausanne)

Companies give priority to quantification of costs (rather than benefits). A survey shows that Sustainability leaders quantify more often (ex ante and cost), have a sound CSM business logic and feature less gaps of quantification. In general there is a lack of quantification caused *through internal factors* (insufficient issue tracking, lack of staff time and experience, less strategic approach to CSM). Systemic barriers to quantification (marginality of complexity) play instead a minor role.

Integrating PROSA in CSR and Innovation Strategy: A Portfolio Approach (C. Hochfeld, Öko-Institut)

Only a small minority of companies has integrated sustainability into both their business strategy and product/process design. But sustainability-driven innovation is starting to offer real business value Business leaders are now focusing on winning tomorrow's customers, rather than just managing risks. The Portfolio Approach within PROSA can be used as a strategic process to identify opportunities for sustainability/CSR-driven product innovations. The stepwise approach of the PROSA portfolio analysis is described.

Essentials of the workshop and plenary discussion:

- There is still a lack on quantifiable information about the costs and benefits of CSM in business and societal logic
- Sustainability driven product innovation is linking sustainability with corporate benefits
- Tools as PROSA which serve cross-functional and high-level decision making as a driver for sustainability product innovation are necessary and helpful to identify business benefits beyond minimising risks
- They are a starting point for the implementation of CSM in the corporate strategy

5 Preparing an action plan – how to make the use of such tools happen

The session was opened by a role-play and followed by discussions how to integrate product sustainability tools into the business management system.

Role-play: How to integrate product sustainability tools into the business management system

A controller joins your study group. Present to him, what you have developed so far. Can he be convinced? Finalise the action plan for debrief in the auditorium.

Essentials of the workshop and plenary discussion:

The general question raised was: *What does the company gain as a business from implementing the tool compared to not implementing it?*

For the procedure (how to decide and how to integrate) a stepwise approach was proposed:

- Cross functional expert team, guided by business leaders, budget plan and schedule
- Kick off meeting (presentation of tools, compare with existing tools in the company and outside)
- Pilot study (portfolio analysis, selection of one or two products)
- Check practical and economic outcome (costs, soft factors, benefits) define the assessment and procedures
- Convince the CEO
- Implementation and Integration of sustainability criteria into all business processes (including bonus systems)