Sustainability
– Sustainability in US and EU companies, in their strategic concepts and their actions

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Executive Summary

What contributions will you make to the community? Will you help address water, sewer, and education needs? What type of pollutants will you generate and how will you handle them? Will you use local suppliers and, if so, how will you treat them? In short, are you the kind of corporate citizen we want to have as a long term partner and does your company practice “development that meets the needs of the present without compromising the ability of future generations to meet their own needs?” What these questions and this report really entail is: Is your company working toward sustainable development or against it?

Bautron AG and Grant Homes are two general contractors who perform residential construction. Bautron AG works with 4DH-Architekture, Ökotech, Franz-Hasler, G&H Energy to in order to build homes. This team of companies will be representing the construction process for the German speaking countries in the assignment. On the other end of the pond, Grant Homes is a general contractor and realtor who will be representing the construction process in the US.

An interview and ten question survey was performed with each company in order to understand the difference in how US and EU companies approach sustainability in both their strategic concepts and their actions. Followed by much research, how and why sustainability is understood differently among the countries, critical analyses and assessment at how much sustainability is used as an (empty?) marketing positioning and communication concept versus how well it is carried through on all levels in the company and its value chain is analyzed as well.

**Bautron** coming from a heavily environmental regulated culture chooses to approach sustainability through focusing on being environmentally sustainable. By creating more energy efficient-green homes for people, and exceeding all the average standards of code in residential construction, Bautron exercises on a daily basis being both a socially and environmentally sustainable company. The less energy a home uses throughout its lifespan, the less natural resources must be consumed in the long-term, thus benefiting the capability of future generations to meet their own needs as well-sustainability.

**Grant Homes** coming from a culture where philanthropy is a very common practice chooses to approach sustainability by being socially responsible through the acts of philanthropy and customer loyalty. Although philanthropy correlates with social responsibility by going beyond their obligations to generate profits for the owners and maximize long-term wealth of shareholders, it does not exactly draw a parallel with how sustainability is practiced in the construction process and activities everyday within the business. Therefore, in this case it is correct to assume sustainability is being used as more of an empty marketing positioning and communication concept versus how well it is carried through with throughout the company and the company’s actions.

The problem of sustainability not being completely carried through with on all ends can result from stagnant habits which lead toward strategic drift, behavioral lock-in and becoming “institutionalized.” Grant has been a leading construction company within their region for many years and their methods have worked successfully. However, not being aware of threats outside one’s organizational field and the “blinders” of strategic drift, especially in a time where building “green,” global warming, and new energy efficient technologies are thriving, can have a rude awakening in the long-term.
Preface

Living in the time period of such a non-stop and thriving global economy, there is clearly a challenge for the business community to rationalize its traditional activities against a wider and more sustainable agenda. The environment is a crucial part of all our lives and should be a concern in every aspect. The dangers today are clear: exploding population growth, rapid depletion of resources, and even more industrialization and urbanization are creating a terrible environmental burden. Thus we should expect nothing less from our business leaders than they commit to protecting the environment and conserving the ecological balance, which is why this topic has been chosen for research. This assignment involves taking a look beyond the “claims” of a company’s sustainability and to discover the true sustainable actions which they are implementing into their everyday agenda.

As a second semester international exchange student completing a bachelor’s in Business Administration at the Vorarlberg University of Applied Sciences, and having already completed an associate’s degree in construction management, I have been challenged with completing a research assignment dealing with how sustainability is understood in the US as compared with EU. The assignment started on February 15, 2009 in Dornbirn at the Fachhochschule Vorarlberg and was completed on June 15, 2009.

Writing this paper, I hope to attain international and cultural differences in terms of sustainability in the field of construction. By publishing this paper, I also strive to highlight some of the many factors that influence sustainability, but more importantly to raise awareness and stimulate strategy makers and business managers to consider alternative approaches in business that are more sustainable.

The report is primarily written for the Marshall Plan Scholarship Program, however it is also written to benefit the two companies chosen and any party interested, by giving each a more in depth look at sustainable differences in the construction field amongst the different cultures. I would like to thank Nik Graber, Stefan Koch, and Karin from 4D-Holzarchitektur for their time and help regarding the construction process in the German speaking countries. I would also like to thank Kristen Roselli at Grant Homes for volunteering her time in order to give me the information needed for researching the company from the US. I would also like to thank Sabine Stickel and Karin Wüstner-Dobler in the international office at the Vorarlberg University of Applied Sciences for their support and help.

Dornbirn, 15 June 2009

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1. Introduction

Sustainability or sustainable development is a concept of growing popularity aimed at producing long term global well being through the wise use and management of economic and natural resources, and through respect for people and other living things. Sustainability is a concept describing mankind’s ability to create a world for humans and non-humans that environmentally, socially, and economically provides a current population’s needs without damaging the ability of future generations to take care of themselves. In a more clear definition, sustainability can be described as: “Development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”

Within this report, the social responsibility a construction company undertakes as a business to be profitable and sustainable is examined more closely. Managers often see sustainability programs as outside the circle of things essential for success. Occasionally some enlightened company sets course towards sustainability, but commonly this is understood and pushed by only a few executive champions with the rest of leadership following along. Therefore, sustainability tends to be used as an image polishing concept which is not fully carried through with. This paper will take a deeper look behind the image polishing of sustainability and see how the two construction companies actually follow through with their claims as being a quality home builder.

The project requires a single spaced, twenty page paper on how sustainability is understood in the US compared with EU and or/specifically the German-speaking countries, and assesses how this strategic concept is lived in corporate decisions, processes and activities of two construction companies. The research assignment is indeed qualitative therefore will be conducted in a qualitative research process containing 5 phases. The phases includes utilizing the theoretical paradigms and perspectives of sustainability, creating a research design/strategy, collecting and analyzing the empirical materials produced from that strategy, and finally the arts and politics of interpreting and evaluating the empirical data.

The phases in a more specific manner involve analyzing both construction companies located within two different geographical cultures and regions with a fifteen question survey which has been created. The survey consists of main questions and sub-questions dealing with how each company approaches the idea of being sustainable in an economical, socially responsible, and environmental manner. After interviewing each company and documenting their responses from the survey, the empirical materials were collected and analyzed about their correlation, weak or strong, to sustainability.

The time, research, and conclusions drawn from the paper will intern produce a more enhanced awareness of sustainability and give both companies an open look into another culture’s views and methods of construction and sustainability. As a student of business, and a construction worker I as well hope to gain cultural knowledge on the topic to be a more well rounded and “sustainable” student/worker.

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1 (Blackburn 2007:5)
2. Purpose of Research

The intent of this research assignment is to discuss the topic of sustainability in EU and US companies in their strategic concepts and their actions. It will entail how both the EU and US Company both understand or comprehend the topic of sustainability according to their region.

The research involves a critical analysis and assessment to see how much sustainability is used as an empty marketing positioning and communication concept, versus how well it is carried through on all levels in a company and its value chain. Many times in business, sustainability is seen as a voluntary and socially responsible option, so it sits, written in the business plans and theoretical obligations of the company but is never actually implemented or followed through with. The purpose of this assignment is to find out if companies both “talking the talk” of sustainability, and following through by “walking the walk.”

In order to conclude these results, the economic “bottom line,” environmental and social performance factors on a theoretical and empirical level must be more closely analyzed. These three categories and how they are used by a business to support the common welfare of the economy and its environment are the basis of what describes how a company is sustainable. Therefore, they are the main topics of research within the research assignment on sustainability and what the questions within the survey are based upon. For a closer look at the exact questions which were used in the survey, the questionnaire can be found in the Appendix.

The two construction companies which are analyzed in the primary research are Bautron AG, who is the general contractor partnering with 4 other major companies (From the German speaking EU), and Grant Homes (From the US). These two companies have been chosen in order to compare the sustainability in each company’s residential construction methods of how they build homes. By interviewing each company and documenting their methods of the construction process, it is then possible to interpret how each company views and practices being sustainable in their every day processes.

Nik Graber, the architect at 4-D Holzarchitekturre (one of the five companies working together within the German speaking countries or EU) was whom the interview was executed with in order to collect the empirical data from Bautron AG. The interview was performed, blue prints and specifications were assembled, and the physical construction process of a residential home currently being constructed were analyzed and documented at an arranged meeting.

Kristen Pierri, a project supervisor at Grant Homes, was whom the interview with the construction company from the US was performed with in order to collect data from Grant Homes. The interview was performed via phone call and email and blue prints were assembled as well. I, being a former worker for the framing sub-contractor (Roselli Construction) at Grant homes, and having completed a two year associates degree in residential construction management, know the construction process which is carried out. Therefore it did not need to be seen or documented via photograph and involve an arranged meeting. I have helped physically construct some of the houses sold by Grant Homes and know the process well.
3. Theoretical Definition of sustainability

At one level, sustainability is simply about the ability to survive (and thrive) over a given period of time, preferably the long term. Sustainability is seen as a derivation of the concept of sustainable development, “a development that meets the needs of present generations without compromising the ability of future generations to meet their needs.” This is in fact the most well known definition of sustainability throughout the last decade. In 1997, a man named Briton John Elkington introduced a definitional term drawn from financial accounting: the triple bottom line (TBL). By this he meant to reach sustainability, one must achieve not only economic “bottom line” performance but environmental and social performance as well. When the Global Reporting Guidelines for organizations in 1999, it proposed that sustainability entailed all three TBL elements as well. The final version published in 2002 continued the assumption.²

Confusion among sustainability

However, sustainability also remains a contested concept, which to a greater or lesser extent draws from and overlaps with notions of human development, corporate citizenship, social responsibility, social justice, environmental management, ethics and stakeholder management. Dr. Wayne Visser, a research director at the University of Cambridge programme for Industry and head of the program of researching sustainability leadership, stresses the fact that it is important to acknowledge that sustainability is in no way an objective, scientific or neutral concept, but rather a normative or subjective topic, which always contains a set of implicit or explicit values³. This could explain why sustainability lacks a clear, black and white definition.

Sustainability also involves rethinking current business models to develop and incorporate a wider approach to sustainability that reaches across the whole life cycle of goods, services, and materials. This means the business action must extend right along the supply chain, tackling the issues arising in the extraction of raw materials, in product design and manufacture and when consumers eventually use and discard these products and services. Governments have a key role to play in creating the environment for business adoption of sustainable consumption and production practice through standard setting, economic incentives, regulation, voluntary agreements, business support programs, communications and consumer policy⁴.

On the other hand, indeed, trends and events ascribed to sustainability, the scores of definitions of it, have reflected a common theme about its meaning. That meaning deals with the two R’s, which stand for the wise use and management of economic and natural resources and the respect for people and other living things. The aim of the 2 R’s from an organizations perspective is long-term well-being, both for society as a whole as well as for itself.

William Blackburn, the author of “The sustainability Handbook-The complete management guide to achieving social, economic and environmental responsibility,” explains how the more we learn about the challenges of sustainability, the clearer it is that we are poised at the threshold of a historic moment in which many of the world’s industries may be transformed.⁵ Living in the time period of

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² (Blackburn 2007:4)
³ (Visser 2007:446 )
⁴ (Egan 2007:448)
⁵ (Hart, 2007: 102)
such a non-stop and thriving global economy, there is clearly a challenge for the business community to rationalize its traditional activities against a wider and more sustainable agenda. As time goes on and corporates\economical development takes its toll on society the topic of sustainability is one that is becoming more and more important each day.\(^6\)

Therefore, in order to approach the topic of sustainability correctly, at least in a theoretical manner, a company should focus on three major responsibilities of environmental performance, social responsibility, and financial objectives it must uphold being a company in today’s society.

### 3.1 Sustainable Financial Objectives

In an economy which is clearly calling for a more sustainable approach, it is time to reconsider how a business approaches producing its “bottom line” profit. Is the typical stock market-capitalism approach where the market is king and success is measured in terms of shareholder value and profit the method in which our global society should put their faith in? We must ask ourselves some more fundamental questions such as: Whom and what is a business for? And are traditional ownership and governance structures suited to the knowledge economy? What are our motives as a business?

According to corporate law, a company’s financiers are its owners, and employees are treated as property and recorded as costs. But while that may have been true in the early days of industry, it does not reflect today’s reality. The language and measures of business must be reversed. In a knowledgable economy, good business is a community with a purpose, not a piece of property. If a business considers itself a wealth-creating community consisting of members who have certain rights, those members will be more likely to treat one another as valued partners and take responsibility for telling the truth. Such a community can also help repair the image of business by insisting that its purpose is not just to make a profit but make a profit in order to do something better. In-turn, this will help putting honesty and healthy motives back at a business’s “bottom line.”\(^7\)

### 3.2 Environmental Sustainability

The derivation of indicators of environmental sustainability requires first of all some classification of environmental issues. This is usually done through the categorization of either the environmental state which the current environment is in, or the environmental pressure in which influences how we must sustain our environment.\(^8\) Beyond categorization, why companies should be performing in environmentally efficient ways in order to be a sustainable company and how a construction company can practice sustainability through environmental performance is discussed as well.

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\(^6\) (Blackburn 2007: 4)  
\(^7\) (Handy 2003:104)  
\(^8\) (Ekins and Simons 1998:156)
Environmental Issues

The greenhouse effect, which keeps the temperature about 30 degrees Celsius warmer than it would otherwise be, is the process of absorption of infrared radiation by the gases in the earth’s atmosphere. Recently, the term climate change has been used to describe the human caused variation to the climate. As this is associated with the average increase in temperature it is also referred to as global warming. Anthropogenic (Human caused) climate change is caused by the additional greenhouse gases emitted from activities such as transport, power generation and deforestation. These emissions affect the carbon balance and this has resulted in an average temperature rise of almost 0.7 degrees Celsius. This rise in temperature has a large effect on the climate, altering weather patterns around the world. As the demands of society for fossil fuel-based energy continues, the temperature also continues to rise. Therefore, construction companies who are creating the homes which people live in should focus on how to construct and sell energy efficient and environmentally sustainable homes in order to help cut back on emissions of greenhouse gases.

Why a company should perform environmentally

Three decades into the environmental revolution, many companies in the industrialized nations have recognized that they can reduce pollution and increase profits at the same time. But beyond corporate “greening” lies the enormous challenge and opportunity to develop a sustainable global economy, one that the planet is capable of supporting indefinitely. Corporations are the only organizations with the resources, technology, global reach, and the motivation to achieve sustainability through being environmentally friendly. This is why it is important for companies to incorporate environmental decisions into their business. The greatest threat to sustainable development today is depletion of the world’s renewable resources. Forests, soils, water, and fisheries are all pushed beyond their limit by human population growth and rapid industrial development. Harvard Business Review states that by some estimates, humankind now uses more than 40% of the planets net primary productivity. If, as projected, the population doubles over the next 40 years, we may out-compete most other animal species for food, driving many to extinction. Taking the entire planet as context in which they do business, companies must ask whether they are part of the problem or part of the solution to environmental problems. Only when a company thinks in those terms can it begin to develop a vision of sustainability.

Building Green

To achieve sustainability, policies should be considered that constrain the day to day operations of the economy in ways that enhance the natural resource endowments of future generations, but with an eye towards economic implications of specific steps to implement such policies. Activities that entail the possibility of irreversible effects and immoderate costs are identified as unsustainable.

One of the most popular ways to become environmentally “friendly” or responsible is going green. Green homes involve construction in a energy efficient manner. Well designed green buildings yield lower utility costs, greater employee productivity, less absenteeism and stronger attraction and retention of workers than standard buildings do. Green materials, mechanical systems and furnishings

9 (Jones 2007: 80)
10 (Hart 2007:102)
11 (Ekins and Simons 1998:94)
have become more widely available and considerably less expensive than they used to be—often cheaper than their standard counterparts. Green construction is not simply getting more respect; it is rapidly becoming a necessity as corporations push it fully into the mainstream over the next 5 to 10 years. Charles Lockwood, an environmental and real estate consultant states that the owners of standard buildings face massive obsolescence in the near future. To avoid the problem, they should carry out green renovations. Corporations no longer have an excuse for eschewing environmental and economic sustainability. They have at their disposal tools proven to lower overhead costs, improve productivity and strengthen the bottom line.\(^\text{12}\)

Most companies hear of greening and immediately think of risk reduction, reengineering, or cost cutting. However, when greening becomes a part of strategy, opportunities in staggering proportions open up. Environmental strategy can not only build a company’s reputation but can open the doors to new market possibilities. Rarely is greening linked to strategy or technology development, and as a result, most companies fail to recognize opportunities that can stem from it. Companies can distance themselves from competitors by differentiating products and commanding higher prices for them. Others may be able to “manage” their competitors by imposing a set of private regulations or helping to shape the rules written by government officials. Some may be able to cut costs and help the environment simultaneously. Almost all of them can learn to improve their management of risk and thus reduce the outlays associated with accidents, lawsuits, and boycotts. And some companies may even be able to make systematic changes that will redefine competition in their market. All five of these approaches can help managers bring the environment down to earth. And that means bringing the environment back into the fold of business problems and determining when it really pays to be environmentally “green.”\(^\text{13}\)

### 3.3 Social Responsibility and sustainability

Corporate Social Responsibility (CSR) refers to the general belief held by growing numbers of citizens that modern businesses have responsibilities to society that extend beyond their obligations to the stockholders or investors in the firm. The obligations to investors, of course, are to generate profits for the owners and maximise long-term wealth of shareholders. Other societal stakeholders state that businesses would also have some responsibility to typically include consumers, employees, the community at large, government and the natural environment.

Corporate Social Performance (CSP) is defined as a business organization’s configuration of principals of social responsibility, processes of social responsiveness and observable outcomes as they relate to the firm’s human, stakeholder and societal relationships. The CSP concept recognizes that business is a powerful social institution with responsibilities to use that powerful wisely on behalf of societies, stakeholders, and people. Every business firm exists and operates within a dense social network CSP provides a way of assessing every firm’s inputs, processes and outcomes with respect to that network. It does not focus narrowly on maximising shareholder wealth, but instead emphasises self-regulation.

Corporate social responsibility describes the structural relationships between a firm and the business institution, the firm and its stakeholders, and the firm and the managers who act in its name. At the institutional level of analysis, the principal of legitimacy states that a firm’s long-term survival

\(^{12}\) (Lockwood 2007:2)  

\(^{13}\) (Reinhardt 2007:42)
depends in large on its responsible use of power and resources. At the individual level of analysis, the principal of managerial discretion states that managers are first of all moral actors, that is, their capacity to reflect ethically and to choose ethical and socially responsible behaviours cannot be negated by other organizational demands.\textsuperscript{14}

**Responsiveness**

Corporate social responsiveness is a boundary-spanning behaviour that serves as the vehicle by which firm’s link social responsibility principals to behavioural outcomes. Social responsiveness is one of the main results concluded from the research. Primary responsive process includes (a) environmental assessment: gathering and assessing information about the firm’s external environment; (b) stakeholder management: managing the organization’s relationships with those persons, groups, and organizations that can affect or are affected by the company’s operations; and (c) issues management: tracking and responding to societal issues that may affect the company.\textsuperscript{15}

Outcomes of corporate operations include the triple bottom line categories of economic, social and natural environment impact; feedback-loop changes to the firm’s policy and practices; and voluntary and involuntary harms and benefits to stakeholders and society. An important assumption of CSP is that a broad range of outcomes results from corporate behaviours regardless of the firm’s intent of knowledge. Thus, CSP-relevant outcomes include traditional economic variables such as profit, return on investment/assets, share value, and market share, but also include stakeholder and societal-relevant outcomes such as product and workplace safety, human rights concerns, natural resource use, pollution, corruption, and effects on local communities, which all directly relate to being sustainable.\textsuperscript{16}

Simon, Zadek, has presented four different business rationales for being a civil (socially responsible) corporation. These reasons form a composite justification for business adopting a CSR strategy. First, is the defensive approach, this approach to CSR is designed to alleviate pain. That is, companies should pursue CSR to avoid the pressures that create costs for them. Second, is the cost – benefit approach. This traditional approach holds that firms will undertake those activities that yield a greater benefit than cost. Third, is the strategic approach. In this rationale, firms will recognize the changing environment and engage in CSR as part of a deliberate corporate strategy. Finally, the innovation and learning approach is proposed. Here, an active engagement with CSR provides new opportunities to understand the marketplace and enhance organizational learning, which leads to competitive advantage. Most of these rationales have been around for years, but Zadek has presented them as excellent, composite set of business reasons for pursuing CSR.\textsuperscript{17}

\textsuperscript{14} (Carroll 2007:131) 
\textsuperscript{15} (Carroll 2007:131) 
\textsuperscript{16} (Carroll 2007:131) 
\textsuperscript{17} (Carroll 2007:131)
4. Reason for different cultural approaches on sustainability

Organizational field

The culture of an organization is also shaped by work-based groupings such as an industry (or sector), a profession or what is sometimes known as an organizational field, which is a community of organizations that interact more frequently with one another than with those outside the field and that have developed a shared meaning system. Such organizations may share a common technology, set of regulations or education and training. In turn, this can mean that they tend to cohere around a recipe: a set of assumptions, norms and routines held in common with an organizational field about organizational purposes and “shared wisdom” on how to manage organizations.\(^{18}\) In areas of residential construction, this is very likely.

For example, construction directly falls into its own organizational field and recipe. In order to construct a house (In the US), it takes communication and interaction between numerous subcontractors or groups of people such as excavators, masons, framers, plumbers, electricians, roofers, Dry-Waller, interior finishers, and of course the managers or contractor to oversee the entire project. In a culture where population is on a consistent growth rate, residential developments become a norm. Lot after lot is sold and home after home is built in a routinely manner. The subcontractors each have different roles and detailed descriptions, which must correlate with each other causing them to interact with each other at certain stages of the construction process. Therefore, they have developed shared ways of understanding and debating issues that arise and operate common routines or readily accommodate the routines of others in the field. This links to the concept of path dependency discussed above. The different parties in the organizational field form a self-reinforcing network built on such assumptions and behaviors that, very likely, will lead to behavioral lock-in. Such cultural influences can be advantageous – say to customers – in maintaining standard consistency between individual providers. Managers can, however, become “institutionalized” such that they do not see the opportunities or indeed threats from outside their organizational field and their recipes are also likely to be very difficult to change.

Legitimacy

In the field of residential construction, where your typical home is constructed in the same way, over and over can easily cause managers or contractors to fall into “behavioral lock-in.” The same subcontractors working together and the consistency of customers purchasing similar residential homes allow a contractor to produce the same product repeatedly. Once a contractor has mastered managing the schedule of constructing the house, it’s just a matter of keeping steady customers and a good reputation. As long as the contractor follows specified codes and regulations, the construction is considered legitimate.

However, legitimacy can cause a company to become even more “institutionalized.” Legitimacy is concerned with meeting the expectations within an organizational field in terms of assumptions, behaviors, and strategies. Strategies can be shaped by the need for legitimacy in several ways. For example, through regulation (for example, standards and codes of behavior specified, perhaps by a

\(^{18}\) (Johnson, Scholes, and Whittington 2008:192)
professional body), normative expectations (what is socially expected), or simply that which is taken for granted as being appropriate (for example, the recipe). Over time, there tends to develop a consensus within an organizational field about strategies that will be successful or acceptable – so strategies themselves become legitimized. By conforming to such norms, organizations may secure approval, support and public endorsement, thus increasing their legitimacy.\(^{19}\)

Stepping outside that strategy for either company may be risky because important stakeholders (such as customers and bankers) may not see such a move legitimate or simply risky investing. Therefore, organizations tend to mimic each other’s strategy within their own culture. Of course, some fringe players may actually represent successful future strategies, but initially this may not be seen – customers may remain loyal to established investors, bankers may be reluctant to fund such adventurers and existing players in the market may dismiss what they see as aberrations. Thus, creating cultural lock and causing the company’s strategic thinking to be blurred.\(^{20}\)

5. More in depth look at companies selected for research

Now that the theoretical side and background of sustainability has been stated, it is time to take a more in-depth look at the companies which are being studied before we execute the interview. The two companies are residential construction companies who manage the complete process of building and selling a home to customers looking to buy a new house. The management process and construction methods all differ in how each is implemented. Therefore, in order to fully understand how each company approaches sustainability, the background, mission statements, and visions of each company should be considered.

5.1. Bautron AG (German Speaking Country)

Bautron AG is the general contractor. When a customer wants to purchase a home, Bautron is the company who deals with all customer relations. The customer gets one price and a completed home all from Bautron. However, Bautron works hand in hand with the four other separate companies and sub contractors who are a part of the construction process. All together Bautron and thirteen different companies, all of which are focused on building energy efficient homes, work together.

**Bautron AG** specializes in Minergy and “Passive” Standard homes. As a member of the "IG Passive house Switzerland" Bautron guarantees passive construction in the standard with the highest comfort, the latest knowledge and experience standards, and to optimize energy efficiency at high levels globally.

\(^{19}\) (Johnson, Scholes, and Whittington 2008:192)

\(^{20}\) (Johnson, Scholes, and Whittington 2008:194)
**4DH Architekture** is an architectural and planning office, which is exclusively focused on energy-efficient wooden buildings concentrated. The office offers full service from design, implementation planning. 4DH also has a close collaboration with two leading timber companies in the region providing a practical and effective planning process.

**Franz Hasler AG** builds wooden structures and makes their own wooden stairs. Franz Hasler are some of the carpenter’s who take part in the actual construction of the home. The carpentry is done with enormous commitment and energy-efficient construction. Any experience gained will be kept in the new projects built.

**Ökotech** produces the latest production of wood elements, which are individually for each customer’s request. All elements built are ecological based.

**G&H Energy** is an energy company whose goal is to demonstrate energy concepts to create a targeted and appropriate remediation plan for the homeowner, thus reaching a reduction of energy consumption and adding value to the building.

### 5.2 Grant Homes (Company from the US)

Grant Homes is the general contractor. As a general contractor, they manage the whole construction process and deal with the customer. Materials, blue-prints, scheduling, and all management procedures is controlled or chosen by Grant Homes. The home is then physically constructed by each
of the sub contractors which are shown above, fulfilling their own specific job for the completion of the home.

6. Sustainability in the US compared to EU

Why sustainability is approached in such different ways and how it is understood among each company/culture will now be looked at more closely. This is vital to the explanation of why each company has taken the approach they have on sustainability and also understanding the reason for the contrast in answers which were drawn from the survey.

Sustainability to each

Considering sustainability, as we have seen, originated from the concern about the balance between the environment and economics, the terms related to responsibility and citizenship have generally sprung from the tradition of corporate philanthropy. With the advent of the “Triple Bottom Line,” all these concepts have been drifting together to form the topic of sustainability. As well, the regulatory environment and the corporate governance arrangements for an organization determine its minimum obligation towards its stakeholders. Corporate Responsibility (often interchanged with the term sustainability) is concerned with the ways in which an organization exceeds its minimum obligations to stakeholders specified through regulation. Due to the many different aspects within the term sustainability, different organizations take very different stances on approaching social responsibility/sustainability.

Bautron

*Bautron* chooses to approach sustainability through focusing on being environmentally sustainable. In residential construction there are minimum codes which are regulated by the government. This comprehensive, stand-alone residential code system establishes minimum regulations for one- and two-family dwellings and townhouses up to three stories. It brings together all building, plumbing, mechanical, fuel gas, energy and electrical provisions for one- and two-family residences. Bautron exceeds the minimum regulation standards in many ways. One small example is with insulation. If insulation standards call for 14cm minimum, Bautron produces everything from 25cm and above in order to go above and beyond the standard code. This is done in order to benefit the customer by giving them an efficient home without any doubt. Promoting and selling passive homes, which surpass most standard codes and regulations as well, is also another way in which Bautron upholds its environmental view of sustainability. By creating more energy efficient homes for people, Bautron is exercising the direct use of environmental sustainability. The less energy a home uses throughout its lifespan, the less natural resources must be consumed in the long-term.

Grant Homes

*Grant Homes* however, chooses to approach sustainability through its socially responsible actions. Grant believes in following through with their loyalty to the community, maintaining excellent

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21 (Blackburn 2007:5)
customer relationships, and being involved with corporate philanthropy. An organization’s reputation is important to its long-term financial success, which is why social responsibility is a priority for Grant in terms of being sustainable. In a culture where corporate philanthropy is a common approach to sustainability, donating to non-profit organizations, being involved with organizations within the community, sponsoring local events, and being a socially responsible company is the method in which they decide to approach the topic of sustainability as well.

It is quite clear there is a difference in each companies approach. Bautron has a more environmentally sustainable method of completing the construction process. This could have a lot to do with the recipe which is located within their surrounding culture, whether its tighter environmental regulations or higher expectations of so. At the same time there is Grant Homes who is more involved with donating to organizations within the community, where Bautron is not so involved with philanthropy. Therefore, due to the cultural recipes, regulations, or legitimacy within each culture each company has seemed to take a different approach to being sustainable.

6.1 Sustainability used as an (empty) marketing positioning and communication concept?

In terms of Bautron, sustainability is openly used as a marketing concept. Sustainability is their philosophy and is one of the core drivers of the business. Therefore it is not used as an empty marketing position. Being sustainable in energy efficiency and environmental actions is the main priority for all companies involved in the residential construction process with Bautron, which is a total of fourteen different companies specializing in their own sector of energy efficient construction.

With Grant Homes, sustainability is directed towards being socially responsible. Since being socially responsible refers to the idea that modern businesses have responsibilities to society that extend beyond their obligations to generate profits for the owners and maximize long-term wealth of shareholders, and Grant is involved with donating to numerous institutions and sponsoring local community projects, in this aspect sustainability is not used as an empty marketing concept. However, when dealing with how the company practices the strategic concept of sustainability in their everyday construction activities, the answer could be different.

6.2 How the strategic concept lived in corporate decisions, processes and activities?

Although neither method of approaching sustainability is in fact a wrong method, when discussing how the strategic concept is lived in their every day decisions, processes and activities, brings a different debate. Where it is clear that constructing energy efficient homes ties directly in with creating a sustainable environment by the reduction of using natural resources, it is not so clear of how corporate philanthropy ties into the decisions of the everyday construction process.

According to Harvard Business Review on Corporate Responsibility, corporate philanthropy is in decline. Charitable contributions by U.S. companies fell 14.5% in real dollars last year, and over 15 years corporate giving as a percentage of profits have dropped by 50%. The reasons are not hard to
understand. Companies increasingly see themselves in a no win situation, caught between critics demanding ever higher levels of “corporate social responsibility.” Giving more does not satisfy the critics—the more companies donate, the more is expected of them. This dilemma has led many companies seek to be more strategic in their philanthropy. But what passes for “strategic philanthropy” today is almost never truly strategic and often it isn’t even particularly effective as philanthropy. Increasingly, philanthropy is used as a form of public relations or advertising, promoting a company’s image through cause-related marketing or other high-profile sponsorships.

Given the current haziness surrounding corporate philanthropy, this seems an appropriate time to revisit the most basic of questions: should corporations engage in philanthropy at all? The majority of contribution programs are diffuse and unfocused. Most consist of numerous small cash donations given to aid local civic causes or provide general operating support to universities and national charities in the hope of generating goodwill among employees, customers, and local community.

Rather than being tied down to well-thought out social or business objectives, like performing environmentally in a field of work where natural recourses are constantly being consumed, the contributions often reflect the personal beliefs and values of executives and employees. The problem is social and economic goals are in fact separate and distinct. If a company ought to use corporate philanthropy in order to be sustainable, one should use their charitable efforts to improve their competitive context—the quality of the business environment (or ecological environment) in the location or locations where they operate. Using philanthropy to enhance context brings social and economic goals into alignment and improves a company’s long term business prospects.  

**Strategic Drift**

The current way in which Grant Homes is utilizing philanthropy falls directly in line with how Gerry Johnson; the author of Exploring Corporate Strategy defines strategic drift. Strategic drift is the tendency for strategies to develop incrementally on the basis of historical and cultural influences, but fail to keep pace with a changing environment. In a location where green and energy efficient construction has not been fully established, yet we live in times where our impact on the environment is becoming more and more crucial every day, might it be better to donate or get involved with the research on how to be a more energy efficient company rather than being involved in contributions of random philanthropy.

The field of construction in the past couple years is indeed a changing environment, which construction companies must keep up with if they plan to be successful in the long term. Due to new forms of technology, problems associated with global warming and the demand for change in the way we are consuming natural recourses, it is constantly changing. Just five or six years ago, the term “green building” evoked visions of barefoot, tie dyed, granola munching denizens. There has been a large shift in perception. Of course green buildings are known for conserving natural resources by, for example, minimizing on-site grading, using alternative materials, and recycling construction waste. But people now see the financial advantages as well. Well designed green buildings yield lower utility costs, greater employee productivity, less absenteeism, and stronger attraction and retention of

22 (Porter and Kramer 2003:28)
23 (Johnson, Scholes, and Whittington 2008:179)
workers than standard buildings. Green materials, mechanical systems, and furnishings have become more widely available and considerably less expensive than they used to be—often cheaper than their standard counterparts.

Building green is no longer a pricey experiment; just about any company can do it on a standard budget. Green construction is not simply getting more respect; it is rapidly becoming a necessity as corporations push it fully into mainstream over the next years. Corporations no longer have an excuse for eschewing environmental and economic sustainability. They have at their disposal tools proven to lower costs, be energy efficient, and strengthen the bottom line.

7. Comparison of each companies approach to sustainability

Now that the subject of sustainability has been theoretically defined, how different cultures may understand the concept differently has been stated, and the companies have been introduced how each one approaches being a “sustainable” company is analyzed from the survey results in this chapter.

7.1 Survey Results

The first and foremost objective is to see what the term, “Sustainability” means to each company in their own eyes. Without being questioned about any specific aspect of sustainability, each company discussed their idea of sustainability by answering to the following question:

1. When dealing with the topic of sustainability, what are some of the main objectives your company focuses in on, in order to be “sustainable”?

_Bautron AG:_ responded with, “Sustainability is their core objective as a business. In terms of being sustainable within the company, our main priority is to utilize wood construction only and to construct homes above all of regulation standards and in an energy efficient manner.”

_Grant Homes:_ responded with, “Quality, pricing, and reputation are their stepping stones to being a sustainable and long-term company. “The quality of a builder’s workmanship and loyalty to customers is critical for staying in business.”

Within the issue of sustainability, is the subject of being a socially responsible company. Therefore, each company was asked:

2. What does your company do in order to fulfil its obligations of social responsibility?
   a. How are you involved with, or give back to your local community?

_Bautron AG:_ replied, “In order to give back to their community, we support local employment within the community by strictly using local materials and are involved with business within their local

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24 (Lockwood 2007:2)
forests. Producing completely wooden homes means utilizing wood from the forest. When we take from the forest, we must also plant at least an equal amount then what was taken. Currently, there is more growing in the region than is taken away.”

Grant Homes: replied, “In order to give back to their local community, Bill Grant—the own, serves as a chairman on the local county planning commission. We also donate to the local Lions club which raises charitable contributions for people with vision disorders, donate to the local fire company, and are part of the East Stroudsburg University Foundation board.”

b. Do you use local suppliers to purchase material from?
   Bautron: “Yes, as we described earlier.”

   Grant Homes: “Yes, we use Shelly’s Lumber who over the last 100 years has grown to be one of the biggest suppliers in Eastern PA.”

c. Is the lifespan of a house up to its maximum potential in order to benefit the customer?
   Bautron: “The structural building itself has up to a 100 year estimated lifespan. Exterior facade and windows have a 25-30 year lifespan.”

   Grant Homes: “Homes are sold with a 1 year warrantee and 50 year estimated lifespan.”

3. As a construction company, do you use sub contractors?
   a. Do you supply the materials used by the sub contractors or do they supply it themselves?
      Bautron: The five companies and other sub-contractors which work together to construct the home use all their own materials.

      Grant Homes: “All managerial decisions and materials are supplied by us, the general contractor.”

Beyond social responsibility, sustainability also involves performing environmentally and creating a sustainable ecological environment by creating efficient use of natural recourses,

4. As a construction company, what methods are you using to be sustainable to the general welfare of the ecological environment?
   a. Do you use green materials in order to conserve natural recourses?
**Bautron AG:** Energy savings is their most important rule as a business. They offer every customer the choice of a passive house, which is a more green and efficient method of construction than the normal home. The term "passive" indicates a building in which a comfortable interior climate in both summer and winter can be reached without a separate heating system and can be guaranteed. In order to make sure a home is sustainable in terms of energy efficiency; their measurement systems detect even the slightest differences in temperature and thus show defects, leaks or spills. The recordings expose flaws in thermal protection, such as to balcony slabs, windows, shutters and basement footings boxes. From the beginning, an inventory of the building envelope and the building is made and then possible remediation measures will be introduced with the customer. Based on the inventory, the blueprints and energy, an energy certificate and the calculation of U-values of all components is created. The energy consumption of the building is compared with the actual consumption. The customer receives a reorganization proposal with the expected energy consumption and the new CO2 emissions. Oil efficient options, solar panels and photovoltalk (sun protectors which produce electricity) are all options which the customer is capable to choose from when building a home.

**Grant Homes:** Grant offer’s the option of a geothermal heat pump system added to an already built home replacing an existing HVAC unit, an efficient geothermal system saves enough on utility bills that the investment can be recouped in five to ten years. All insulation, windows and doors are up to code standards.

**b. How do you manage the waste left over from the construction process?**

**Bautron AG:** Scrap wood gets directly placed into heating systems as a recyclable form of heating, plastics get recycled and other rubbish also is used to produce heating systems in the form of hot water, electricity, and energy. Due to the fact homes are pre-fabricated in buildings, waste is produced in a minimum manner.

**Grant Homes:** All waste is gathered in an on-site dumpster which is collected by Waste-Management who is a local landfill system. Waste Management's landfills utilize the latest advances in landfill technology to protect local ecosystems and ensure long-term integrity. The technology speeds the production of landfill gas, which is a renewable energy source.

**5. In an industry where materials are constantly being consumed in order to produce homes, are there ways in which you contribute to the sustainability of nature?**

**Bautron AG:** (This question was answered in question 2a from above)
Grant Homes: Bill Grant, the owner is a highly involved member in the local county 20-20 task force which was formed to assure and maintain a balanced growth in business, industry, and population while setting aside protected natural environs for recreation and wild life.

On the financial side of sustainability, competitive advantage and strategic planning are necessary in order to keep thriving as a business in such times of financial crisis which is hitting economies on all levels.

6. What is your company doing in order to maintain financial stability in terms of sustainability?

Bautron AG: states that, although energy efficient homes are more expensive in the short term, they are cheaper in the long term due to the cost-benefit analysis on efficiency. “With the financial crisis like it is, and gas prices and oil constantly fluctuating, we like to help our customers by saving money with their home. Although oil and gas may rise, with an energy efficient home, the cost of living at least at home can remain steady.” In a strategic or competitive advantage manner, Bautron does all they can to create a more efficient and cheaper home in order to save the customer money in the long run, which in turn will motivate customers to use them as a homebuilder.

Grant Homes: states that the best way to be sustainable in the long term is to keep customers coming back year after year. “Though we have grown over the years, we are still a family-owned business. We believe that no matter how large or successful a company is, personal attention to your customers is critical. That’s how we’ve built our reputation—one house at a time.” One of the best ways to keep a growing business is word of mouth, therefore, giving the customer the time and attention they need produces customer satisfaction and a good reputation, which creates more customers generating more profit.

7. Besides the strategic planning for the construction of the house, does the company conduct any strategic planning in order to focus on being sustainable for the future?

Bautron AG: Bautron works hand in hand with nine energy efficient companies/businesses who constantly are conducting research for the latest energy efficient methods in order to have a competitive advantage.

Grant Homes: Continually schools themselves on building code changes locally and nationally, so they can deliver homes built with the latest construction and safety technologies.
9. Conclusions

In order to practice sustainability, one must achieve not only economic “bottom line” performance but environmental and social performance as well. However, it is important to acknowledge that sustainability is in no way an objective, scientific or neutral concept, but rather a normative or subjective topic which companies are capable of executing in many different ways. Each construction company within the research approached the topic of sustainability differently due to the organizational fields, recipe’s, cultural regulations and other influences which create their surrounding environment.

*Bautron* coming from a heavily environmental regulated culture chooses to approach sustainability through focusing on being environmentally sustainable. By creating more energy efficient-green homes for people, and exceeding all the average standards of code in residential construction, Bautron exercises on a daily basis being both a socially and environmentally sustainable company. The less energy a home uses throughout its lifespan, the less natural resources must be consumed in the long-term, thus benefiting the capability of future generations to meet their own needs as well-sustainability.

*Grant Homes* coming from a culture where philanthropy is a very common practice chooses to approach sustainability by being socially responsible through the acts of philanthropy and customer loyalty. Although philanthropy correlates with social responsibility by going beyond their obligations to generate profits for the owners and maximize long-term wealth of shareholders, it does not exactly draw a parallel with how sustainability is practiced in the construction process and activities everyday within the business. Therefore, in this case it is correct to assume sustainability is being used as more of an empty marketing positioning and communication concept versus how well it is carried through with throughout the company and the company’s actions.

As a final conclusion, the problem of sustainability not being completely carried through with on all ends, could evolve from stagnant habits which lead toward strategic drift, behavioral lock-in and becoming “institutionalized.” This happens when a company does not see the opportunities or indeed threats from outside their organizational field. Although Grant has been a leading construction company within their region for many years and their methods have worked successfully, not being aware of the “blinders” which result from strategic drift, especially in a time where building “green,” global warming, and new energy efficient technologies are thriving, can have a rude awakening when they eventually set in.
9. Critical Appraisal

During my “Internship,” I was approached with the task of discovering how sustainability is understood in the US as compared with the EU. In order to do this, I spent time travelling to meet with Bautron in order to fully understand how the company operates. Numerous hours were spent arranging meetings, visiting a local house which was being constructed, and going over blue prints of the construction process with the architect. This was done in order to get a complete grasp of the company I was researching. Having worked in the field of construction in the US and completed a two-year degree in residential construction management, this was not necessary to understand the methods used by the company in the US.

Writing this paper, I have learned how a different culture other than my own performs the residential construction process. I have also learned how much countries cultural regulations can influence the methods of how companies do business. Therefore, it is important to look outside your own culture sometimes in order to receive a bigger perspective on different business tactics.

Although the paper was clarified as an Internship, there were no supervisor/advisor/lecturers involved. All work and research was completed on my own, utilizing my own references and recourses. I would like to thank Carolin Winz, a fellow exchange student studying Business Administration at the Vorarlberg University of Applied Sciences (Fachhochschule Vorarlberg) for her help with any questions I did have dealing with the research process and regulations.
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Appendix

Questionnaire

1. When dealing with the topic of sustainability, what are some of the main objectives your company focuses in on, in order to be “sustainable”?

2. Within the issue of sustainability, is the subject of being a socially responsible company. What does your company do in order to fulfil its obligations of social responsibility?
   a. How are you involved with, or give back to your local community?
   b. Do you use local suppliers to purchase material from?
   c. Is the lifespan of a house up to its maximum potential in order to benefit the customer?

3. As a construction company, do you use sub contractors?
   a. Do you supply the materials used by the sub contractors or do they supply it themselves?
   b. If so, do you know where their materials come from and if they are the best quality materials?

4. Beyond social responsibility, sustainability also involves performing environmentally by creating efficient use of natural recourses. As a construction company, what methods are you using to be environmentally friendly?
   a. Do you use green materials in order to conserve natural recourses?
   b. How do you manage the waste left over from the construction process?
   c. If brought to a waste management company, how do they manage the waste?

5. In an industry where materials are constantly being consumed in order to produce homes, are there ways in which you contribute to the sustainability of nature?

6. On the financial side of sustainability, what does your company do in order confirm meeting its financial obligations and the company’s long-term well being?

7. Besides the strategic planning for the construction of the house, does the company conduct any strategic planning in order to focus on being sustainable for the future?