Alternative Bank Schweiz AG:

A banking model for the future

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INTRODUCTION

This paper is a contribution to a larger research aiming to compare sustainable companies to their more traditional counterparts. The goal is to identify core characteristics of sustainable companies and share them with organizations aspiring to become sustainable. As such, the aim of our research is to develop three comparable case studies which illustrate how an organization came to the notable results it has accomplished when critiqued at from a sustainability perspective.

This paper is an attempt to produce a case study which is not only a contribution to the overall effort of the current and future Business School Lausanne research cohorts, but also provides an insightful tool to working professionals who are in managerial positions and have an interest in sustainable business practices. As such, the case study is written in a style that allows the reader to learn from other carefully screened companies' experiences so the lessons can be applied in a meaningful manner. The technical aspects linked to this case study are discussed in the appendix section in order to improve the reader's experience. The companies analyzed in our case studies are recognized for their achievements in the field of sustainability. The reader has to keep in mind that this paper is part of a doctoral thesis and as such has been written in order to comply with the need for more formal criteria including clarity, precision and stringency of argumentation.

ALTERNATIVE BANK SCHWEIZ AG

A survey conducted in 1982 demonstrated that there was an interest in Switzerland for an alternative bank whose **purpose would be to promote societal and environmental values**. At the same time the Swiss population rejected an initiative of the Swiss Socialist Party aiming at suppressing the Swiss bank secrecy with 73% of the votes (de Montmollin, 2001). These results created a turning point for those involved in ABS' creation as it was considered an opportunity given that 464,000 Swiss citizens expressed discomfort with the development of the Swiss financial center and its practices to which ABS wanted to offer an alternative. Today and almost 30 years later, ABS' CEO Mr. Martin Rohner and his team face a very similar discussion. This time the bank wants to develop an alternative model to the current asset management practices in the banking sector. Mr. Rohner and Mr. Muehlbacher (Head of Sustainability) are looking at their bank's future and are asking themselves what these practices could look like to keep in line with ABS' very special mission and purpose.

Alternative Bank Schweiz AG is a joint stock company headquartered in Olten, Switzerland and was incorporated in 1990. It had a balance sheet of CHF 1.4 billion on December 31, 2013. It is the leading provider of ethical banking services and a pioneer in the implementation of social and environmental standards in Switzerland. What makes the bank special is that it generated value in 2013 not just for its owners, but also for the common good with 82% of its financial products. A good example illustrating the creation of value for the common good is ABS' value-added loan category labelled as "Efficient buildings". It is assessed by applying an internal rating method looking at the impact on the environment, the well-being of the people living in the building as well as the financial sustainability of the project for its owners (Alternative Bank Schweiz, 2014). The second assessment is conducted by using the Swiss Minergie standard for energy efficient and environmental construction.

ABS is recognized as a sustainability leader as illustrated by the prize it was awarded in 2012 by the Cantonal Bank of Zürich for *"putting into practice transparency, sustainability and ethics as its first principles of business strategy"* (Alternative Bank Schweiz, 2012). ABS is also a member of Öbu, the Swiss Association for sustainable business (Öbu, 2014). The bank emphasizes *"the pursuit of ethical principles over profit maximization"* (Alternative Bank Schweiz - A brief outline, 2014) and pursues significant initiatives in the field of sustainability as illustrated for example by its loan issuance policy; *"loans are issued principally in the area of social or ecological housing, organic agriculture, renewable energy, as well as SME's"* (Alternative Bank Schweiz - A brief outline, 2014). ABS' ranks highest on the Business Sustainably Typology Matrix proposed by Dyllick & Muff, as will be shown in this case study.

THE 4 PHASES OF ORGANIZATIONAL DEVELOPMENT – 1980 to 2014

ABS' history will be reviewed in this section of the case study in order to understand how the bank reached its very advanced business sustainability position and how it became the recognized sustainability leader it is today. The review is divided into 4 distinct time periods and is based primarily on information available in the bank's Moneta quarterly publication.

Phase I – Reflection, value protection and company creation

A survey conducted in 1982 demonstrated that there was an interest in Switzerland for an alternative bank whose **purpose would be to promote societal and environmental values**. As a result the bank established a list of positive and negative criteria aiming to describe the areas in which it wanted to be active and those it did not want to fund in any case (König & Wespe, 2006, pp. 45-47)[1]. The list of negative criteria covered forces affecting humans and the environment in many sectors of the economy. It included nuclear energy, transportation and addictive products such as alcohol, tobacco and drugs. As a result and since then, projects funded by ABS are required to be decentralized, self-determined, in favor of gender equality[2] and demonstrate respect to the environment.

The working group for an alternative bank (GTBA) created in 1987 rapidly comprised 1,600 members and 120 organizations and companies. The first General Assembly took place in 1988 during which it was decided that the name of the bank would be Alternative Bank Schweiz and that the legal form of the organization would be a joint stock company. During the same year, the association started raising capital in order to create the company and two branch offices in the Swiss states of Geneva and Ticino. It is interesting to refer to König & Wespe's work (L'histoire d'une banque extraordinaire: L'alternative., 2006, p. 15) who state *"the constitution of ABS on paper was not just a program; it also ensured compliance with its core values".* This will for compliance is materialized in the company's Articles of Association with a very explicit description of the goals in article 2; *"the company aims to help support alternative economic, ecological, socio-political and cultural projects through the grant and management of funds and capital as well as other related activities in*

[1] Mario König and Aglaia Wespe have published a review of ABS' history in a 70 page document titled "L'histoire d'une banque extraordinaire: L'alternative". The document was ordered by the bank for its 15th anniversary in 2006. The researchers will refer to the document throughout the case study as it includes a very comprehensive review of the various questions ABS and its founders were asking themselves in the early stages as well as within its first 15 years of operations.

[2] Gender equality is one of ABS' core values. In all the documents reviewed by the researcher written in French, ABS made use of both the masculine and feminine subject pronouns which is not common. We see this as an affirmative action taken by ABS to be in compliance with its values.

accordance to its guidelines, by the exploitation of a bank (…) the bank will not work to maximize its profits" (Status du 21 août 1990 (version du 27 janvier 2014), p. 3). While article 2 clearly establishes the purpose of the organization, article 5 creates a safeguard by regulating the ownership structure of the company; *"each shareholder may hold a maximum of 3% of all shares registered in the share register, including shares issued from authorized capital"* (Status du 21 août 1990 (version du 27 janvier 2014), p. 5). It is interesting to note that ABS has included a further protection of its values in this article; *"only corporations and public entities supporting the goals and ideals of the company are allowed to acquire registered Class A shares with privileged voting rights, (…) the company may buy the shares back for its own account or for the account of third parties at fair value if certain conditions relative to their acquisition are no longer met"* (Status du 21 août 1990 (version du 27 janvier 2014), p. 5). König & Wespe (L'histoire d'une banque extraordinaire: L'alternative., 2006, p. 48) comment that *"there was the fear of uncontrolled concentration of power to a minority which would divert ABS from its original goals"* when writing the Articles of Association. They argue that it is a common fear in alternative and independent companies. Markus Muehlbacher confirms that today the Board of Directors has to review and accept every application to the share register (Muehlbacher, 2014).

In 1989 the working group conditionally approved ABS' Articles of Association, the bank's policy in terms of investment and credit guidelines and the internal regulations of the organization (Rapport de gestion 2013, p. 40). Egger (Affaires et convivialité , 1989, p. 5) states that ABS perceived at the time that the dominant economic system was primarily responsible for the intensification of environmental problems as well as for increasing social and economic inequalities worldwide. To Egger, ABS had to be opposed to continuous development and its business model had to be an alternative concentrating on the resolution of the ecological and societal problems, providing equal rights to men and women, the satisfaction of basic human needs, the preservation of life, creativity and innovation.

The bank submitted its application to request the authorization to exercise its banking activities to the Swiss Federal Banking Commission in 1990. At that time 2,700 individuals, organizations and companies had subscribed to a share capital of CHF 9.5 million which was CHF 4.5 million more than what was required by Swiss law. The Federal Banking Commission granted its authorization and ABS opened its office in Olten, Switzerland. (Rapport de gestion 2013, p. 40). At the time, ABS' vision was comprehensive and focused. Primarily it was not to engage into stock trading activities, international financial transactions, no involvement with funds of doubtful origin, limit its operations to classical banking operations of savings and credit, to observe clear ethical and ecological guidelines in terms of financing activities, all of it with a partial suppression of the Swiss bank secrecy and in total equality of genders (König & Wespe, 2006, p. 8).

Of note is an interesting article written by Raschle (Moins de tutelle, plus de confiance, 1992, p. 3) in Moneta in which he explains that the establishment of an alternative bank requires as much effort as the creation of a conventional financial establishment if not more. He states that there are specific features to an alternative bank such as the different needs of individuals in the field of human relations, the democratic decision-making process and the practice of greater transparency to customers which make the process even more complex. The difficulty of applying democracy to ABS' decision making process is well described by König & Wespe (L'histoire d'une banque extraordinaire: L'alternative., 2006, p. 21) who argue that due to the Swiss Federal Banking Commission being the one granting the rights to a bank to operate, a large assembly of foundation which would have been asked to vote a particular change to the proposal made to the Banking Commission would not have been practically feasible. In this case, a smaller group representing ABS' interests had to speak on behalf of all of its stakeholders. This is an interesting example illustrating the limitations of the founders' ideology when faced with practical realities.

In the SCALA survey, ABS's employees identified 4 reasons which they believe have led the bank to address sustainability issues.

- The first reason with 85.7% agreement is the awareness of the bank's responsibility to the environment.
- The second reason with 76.2% agreement is because of ABS' organizational purpose.
- At the third place and with 61.9% agreement is the recognition of how ABS could address societal needs.
- At the fourth place and with 42.9% agreement is the desire to create long-term value for its stakeholders (2014, p. 32).

Phase II – The early days

ABS ended 1991 with a balance sheet value of CHF 57 million and a loss of CHF 756,000. It had 3,750 clients and had granted 103 loans. The publication of these results was followed by the first audit of ABS' finances as imposed by Swiss law. The audit report acknowledged ABS' successful start but was not free of blame. According to König & Wespe (L'histoire d'une banque extraordinaire: L'alternative., 2006, p. 32) the report stated that utmost attention should be paid to ABS' profitability as it was a key point for the future of the bank. They continue by stating that in comparison to other regional banks, costs at ABS were very high. As a result, ABS concluded that costs had to be reduced in all sectors (L'histoire d'une banque extraordinaire: L'alternative., 2006, p. 30). The fact that the Swiss Federal Banking Commission had insight on the profitability of the organization caused great nervousness to ABS' management. König and Wespe (L'histoire d'une banque extraordinaire: L'alternative., 2006, p. 30) quote Andreas P. Ragaz[3] saying in May 1992 that *"ABS is financially weak. With the situation today, the bank should focus in priority on its own survival and therefore cannot even use a small part of its capabilities for other purposes"*. This is an important event because when ABS was founded, its main objective was essentially to make the bank viable not profitable. It was considered as being feasible once the total balance sheet value was of approximately CHF 100 to CHF 120 million (König & Wespe, 2006, p. 33).

At the same time and to add to the complexity of the situation, the accumulated frustrations amongst female employees resulted in the women's strike of June 14, 1991. Raschle (Moins de tutelle, plus de confiance, 1992, p. 3) states that it was difficult to find required trained bank specialists and women were underrepresented in the profession. He states that it was most likely one of the reasons why women were granted less interesting tasks and roles within the organization. König & Wespe (2006, p. 25) state that *"both genders want alternative forms of working and operating. On the other hand, they want a clear hierarchy in the company and want nothing or almost nothing to do with the decision making process as it is perceived as being very complex"*. Raschle (Moins de tutelle, plus de confiance, 1992, p. 3) argues that at the same time, every team member mentioned problems associated to co-management. At first, most of employees imagined to be part of a self-managed organization when they joined ABS. However, they realized rapidly that they were obliged to observe the daily life of a bank which does not always respect the principle of direct democracy. Very strict legislation governing the industry made changes almost impossible. The economic reality played a role in the way the company had been managed since then and in setting its future strategy.

[3] Andreas P. Ragaz has been part of ABS's project from the very beginning holding different roles within the organization.

In 1993, the deferred loss of the bank was fully compensated and a first capital increase was initiated. At the time and even with the financial metrics looking promising, ABS still faced significant challenges. Raschle (1992, p. 3) captures some of the frustrations and issues the bank faced in its early days very well in his article. He states that *"like any other financial institution, ABS did not develop in a vacuum, but quite the opposite, in a highly regulated universe populated by a large competition. Compromise, even renouncing to certain initial objectives was therefore inevitable".* 1994 ended with a net profit of CHF 291,000. For the first time, CHF 100,000 could be allocated to the incentive fund defined in the Articles of Association (Status du 21 août 1990 (version du 27 janvier 2014), pp. 2-3). In 1995, the bank celebrated its 5th anniversary and its balance sheet amounted to CHF 185 million. At that time, the bank had 9,300 customers and had granted 350 loans (König & Wespe, 2006, pp. 23-31; Alternative Bank Schweiz, 2013, p. 40).

Phase III – Consolidation, recognition and change

1999 was a year of significant growth for ABS as its number of employees increased by 36%. In 2000, ABS reported encouraging figures for its 10 year anniversary. Its annual income of approximately CHF 600,000 allowed it to pay its first dividend and the following year, the balance sheet value increased to CHF 0.5 billion. At the same time loans reached a value of CHF 512 million (Rapport de gestion 2013, p. 40).

In 2002, ABS started selling two socio-ecological investment funds of Banque Sarasin which were ÖkoSar Portfolio and ValueSar Equity. In 2004, the bank introduced its ABS-Mortgage methodology based on ABS' real-estate rating tool. The General Assembly approved a new policy and the abolition of a cap on dividends during the same year.

2005 was a year of recognition and change. ABS was recognized for its exemplary policy on gender equality with the Prix d'Egalité. During this period, an external ethics control body replaced the internal body[4]. The bank celebrated its 15 years of existence in 2006 and published the book *"The story of an extraordinary bank: ABS"* to which the author is referring extensively throughout the case study (Rapport de gestion 2013, p. 40).

Phase IV – Financial crisis and repositioning for the future

In 2008, the global financial crisis became a reality. At the time, ABS recorded an exceptional inflow of clients and new funds. In 2009 the bank moved into its new premises built in accordance to the environmentally friendly construction label Minergie (Rapport de gestion 2013, p. 40). 2010 was a year of success for ABS. It celebrated its 20th anniversary and reached two significant milestones during the last quarter of 2010 by reaching a balance sheet value of CHF 1 billion and by welcoming its 25,000th customer. In 2011, the General Assembly adopted new guidelines on the basis of which the Board developed a new strategy. The bank positioned itself as the "*leading credible provider of banking services exclusively geared towards ethics"*. In 2012, ABS implemented a tool excluding loan requests for construction projects promoting urban sprawl. At the same time, the bank was nominated to the second place for sustainable development awarded to SMEs by the cantonal bank of Zurich for the consistent application of its guidelines in its daily activities (Rapport de gestion 2013, p. 40).

The 3% cap on share ownership has been increased to 5% during the General Assembly of May 2014 (Muehlbacher, 2014). Martin Rohner explains that the increase in the cap on share ownership is necessary

[4] This fact is perceived as an important point in ABS' evolution. It is covered in more detail further in this case study.

because of ABS' rapid growth which results in the bank being challenged by its equity ratio. ABS' capital monetization strategy is based on three pillars. The first one is to generate its own reserves through its own profits. The second and most important pillar is to raise new capital and deepen the level of investment of the existing shareholders. (At the moment there are approximately 4,600 shareholders). The third pillar is relatively new. The bank is trying to mobilize large scale value-based investors that are willing to invest more money into ABS. This is the reason why ABS had to raise the cap on share ownership from 3 to 5% (Rohner, 2014). Martin Rohner argues that this process was not simple and that it generated a lot of discussions during the General Assembly as it was feared that larger shareholders would dominate future General Assemblies. As a result, the Board of Directors was asked by the shareholders to present possible measures to reduce that risk. One of the solutions currently being explored is to disclose the name of the large shareholders present in the audience during the General Assembly for example. Another alternative is to become more specific on the decisions which need a qualified or unqualified majority. Martin Rohner states that he is currently working on it together with the Board and that the proposed solution will be presented to the shareholders during the next General Assembly (Rohner, 2014).

ABS' POSITION ON THE BUSINESS SUSTAINABILITY TYPOLOGY MATRIX

The discussion taking place earlier in this case study enables the reader to become familiar with ABS' history and the various triggers at the level of the initiative, organization-culture and organization as a whole. The next part of the case study will assess ABS' positioning against the Business Sustainability Typology Matrix as proposed by Dyllick& Muff (2013, p. 22).

ABS' position will be assessed in the following paragraphs based on three criteria which are concerns, organizational perspective and values created. The reader will be taken first through a brief theoretical definition of the factors looked at and then the assessment will be presented.

Concerns

Dyllick & Muff (2013) state that *"while the traditional business perspective is one-dimensional with economic concerns taking center-stage, the sustainability perspective includes three, sometimes even more different concerns. Sustainability typically addresses social, environmental and economic issues. Sometimes governance issues, (in particular in the financial services industry), or culture are added as further dimensions"* (Dyllick & Muff, 2013, p. 13).

ABS covers the three-dimensional concerns (economic, ecologic and societal). This fact is materialized in reality by looking at ABS' annual reports in which one can see that the bank assesses its performance using financial, societal and environmental performance metrics. In its societal metrics, the bank considers the ratio between the lowest and the highest salary (1 to 3.69 in 2013) and the percentage of female employees amongst the company management (48% in 2013) for instance. In terms of environmental metrics the bank measures its emissions of green-house gases and the average energy consumption per employee (Rapport de gestion 2013, p. 2). The assumption is further confirmed by the SCALA survey results in which 65% of the respondents believe that ABS is trying to create social, environmental and economic value by addressing sustainability issues while 30% of the respondents believe that the bank is making a positive contribution solving critical societal challenges (2014, p. 33).This covers the pre-requisites for a company to qualify as a Business Sustainability 2.0 organization.

The assumption is further confirmed by the fact that 73% of the respondents to SCALA strongly agreed that ABS' management integrates sustainability practices into its decision-making. With a mean of 1.27, ABS has a better rating than the benchmark which has a mean of 2.57 (2014, p. 9). This comparison is of interest as it highlights one of ABS' key differentiating factors, namely its focus on sustainability. Moreover, 40% of the respondents to SCALA strongly agreed that ABS's management has a clear business case for pursuing sustainability goals. With a mean of 1.7 ABS has a significantly better rating than the benchmark which has a mean of 2.1 (2014, p. 8)which means that the bank has a clearer vision on sustainability when compared to its counterparts.

Dyllick & Muff (2013, p. 8) add an additional dimension which *"requires business to live off the income and preserve the capital base… Without any doubt, accountability is an important aspect of business sustainability, just like the other two concerns – integrating short-term and long-term aspects and consuming the income not the capital. They all address an important aspect of business sustainability that promises to contribute to sustainable development."* Christian Arnsperger states in ABS' annual report (La gestion d'actifs: une étape vers le mandat de gestion de fortune, 2013, pp. 6-8) that in today's economy, growth is generally considered as very positive from an economic perspective but when looked at from an environmental perspective, it has a huge impact. If Switzerland's consumption-habits were to be extended to the rest of the world, it would mean that humanity would consume the equivalent of the output of 3 planets per year. ABS does not endorse continuous growth. It proactively seeks not to be a neutral intermediary and aims to fulfill its social responsibility. The bank does not pursue the maximization of profit which gives it more freedom than other banks to focus on achieving broader values.

Christian Arnsperger (Rapport de gestion 2013, 2013, pp. 6-8) argues that the bank's objective is to contribute to building an economy which is more durable. The bank is convinced that economic growth can be selective and finely adjusted. It supports sectors consuming less energy, rejecting fewer green-house gazes, waste, and resulting in less poverty and inequality. The bank is targeting selective growth which is more socially responsible and environmentally friendly. He argues that Switzerland needs a larger ABS (a larger bank which could have a broader impact due to its size). The bank's balance sheet value is growing, so are the deposits made to the bank and the funds it invests. This strategy enables the bank to increase its impact and contribution to society. This strategy does not mean that the bank can live without being profitable. It is important for the bank to generate a sufficient margin in order to guarantee the long-term sustainability of its business model which will allow ABS to continue to be an alternative to the existing banks. The long-term perspective is confirmed by the SCALA survey results in which 45% of the respondents strongly agreed and a further 45% agreed that the leaders of the company take a long-term view when making decisions (2014, p. 6).

Organizational perspectives

Dyllick & Muff (Clarifying the meaning of sustainable business - Introducing a typology from business-as-usual to true business sustainability, 2013, p. 13) explain the organizational perspectives as *"companies starting from their existing business, strategy or product-line and working on making them more sustainable (inside-out). This may lead them to incremental or radical improvements, depending on their cultural readiness and how far-sighted and courageous they are. Such an inside-out perspective results in actions that are necessarily very limited in their contributions to solving the existing societal and environmental sustainability problems. True sustainability demands a radically different perspective. True business sustainability reverses the* *traditional inside-out logic and moves to an outside-in logic, using sustainability challenges as the starting point to define possible contributions by business that also make business sense. Such a perspective may well result in very different strategies, business models, products and services. The question is how the particular competences and resources of a company can help solving the sustainability issues, while maintaining a balance between economic, social and environmental demands. An outside-in approach provides entirely new answers to business sustainability. This change in perspective is thought to be crucial for achieving true business sustainability".*

Egger (Affaires et convivialité , 1989, p. 5) states that ABS perceived in 1989 that the dominant economic system was primarily responsible for the intensification of environmental problems as well as for increasing social and economic inequalities worldwide. She further comments that ABS' business model is an alternative concentrating on the resolution of the ecological and societal problems, providing equal rights to men and women, the satisfaction of basic human needs, the preservation of life, creativity and innovation (Affaires et convivialité , 1989, p. 5). Article 2 of ABS' Articles of Association further confirms this point of view very explicitly: *"the company aims to help support alternative economic, ecological, socio-political and cultural projects through the grant and management of funds and capital as well as other related activities in accordance to its guidelines, by the exploitation of a bank(…) the bank will not work to maximize its profits"* (Status du 21 août 1990 (version du 27 janvier 2014), p. 3).

ABS has 5 fundamental values which are:

1) to place ethics before profits
2) to be a credible and transparent partner investing in the protection of natural resources
3) to innovate and attain financial yields allowing for social development
4) to inspire discussion on the role of capital and interests in the society in general
5) to value the active participation of its stakeholders (Alternative Bank Schweiz, 2011, p. 3)

What defines a truly sustainable company is an outside-in versus an inside-out approach. In ABS' case the company was the mean to reach an objective and not the end goal in itself. Article 2 of ABS' Articles of Association is the strongest possible confirmation of this assumption. It is clearly stated that the bank has goals it wants to reach and values it wants to protect. The bank is in itself the solution ABS' founders have found to solve the sustainability issues they had identified and wanted to address. As such ABS is a truly-sustainable company when judged by the organizational perspective taken.

Values created

"In the current economic paradigm, the purpose of business is to create economic value, which may be measured in terms of profit, return on assets, market share, competitive advantage or stock market valuation. The main, if not exclusive, beneficiaries of the corporation are its shareholders. Sustainability perspectives are broader and include different kinds of values, typically balancing economic value, environmental value and social value, the triple bottom-line of people, planet and profits. They serve a broader set of stakeholders and include also stakeholders who are only indirectly affected by business activities, or include in an even more abstract sense the "common good" (e.g. society as a whole, future generations, the health of the planet). In its broadest form, a business serves the common good by resolving social, environmental and economic issues on both local and global levels, by applying its resources to such a collaborative task" (Dyllick & Muff, 2013, p. 13).

Since its creation, ABS wanted to contribute to the creation of added-value as a direct outcome of the projects it funded and be very transparent about its results (whether positive or negative). Initially, ABS did this by publishing each loan including the name of the borrower, the amount lent and the purpose of the project in its Moneta publication. Over time and given the growth of the bank, this became more difficult. In order to allow for transparency on its loans, ABS developed a new system in 2013 that displayed the segmentation and allocation of its loans. The new system now enables ABS to demonstrate the positive impact a certain loan category has either in societal or ecological terms. ABS calls the added-value the *"*impact value". All of the loans granted are in compliance with ABS' standards and do not infringe any of the bank's exclusion criteria. ABS argues in its 2013 annual report (Rapport de gestion 2013, p. 21) that it was the first Swiss bank able to prove through its loan portfolio how it contributes to the common good. The new system does not only help the bank illustrate what it does but it also demonstrates how the bank invests its money in a more focused way. In 2013, nearly 82% of the loans generated either societal or environmental value (Alternative Bank Schweiz, 2013, p. 21). The bank states *"it is our responsibility as socially and ecologically responsible bank not to lose sight of the social and ecological impacts our funding activities have and to report them transparently"* (Alternative Bank Schweiz, 2013, p. 19).

ABS's value proposition

Today, ABS proposes 7 value-added loan categories which are:

1) **Efficient buildings**. This loan category represented 20% of all loans in 2013. ABS assesses the value created by looking at two factors:
    a. An internal rating method which includes the impact on the environment, the well-being of the people living in the building as well as the financial sustainability of the project for its owners.
    b. By taking a Swiss construction standard called Minergie into consideration.
2) **Affordable housing** which have to be rented at the cost of capital with no profit for its owners representing 19% of all loans in 2013.
3) **Buildings with other social purposes** which have to show evidence that the project generates value to society for example through the creation of a habitat, as an innovative neighborhood rehabilitation project or the protection of a monument representing 6% of the loans in 2013.
4) **Renewable energies** which have to be projects based on almost limitless sources of energy when looked at from a time perspective or which is renewed rapidly (sun, biomass, wind, etc…) representing 12% of the loans in 2013.
5) **Cultural and social benefits**. The organizations and institutions which are funded by ABS have to address a societal need for culture, training, health and people integration representing 10% of the loans in 2013.
6) **Sustainable farming**. The farming, marketing or processing of agricultural products with at least one of the following certifications: Bio Suisse, Demeter or Fair Trade representing 4% of the loans in 2013.
7) **Sustainable economies** which have to either be a provider of products supporting a sustainable economy, work methods which are perceived as particularly sustainable or a project which is very similar to ABS' endeavor representing 3% of the loans in 2013.

There is an 8^{th} category discussed in ABS' results which is a combination of two loan categories resulting in affordable housing meeting ecological standard representing 8% of the loans in 2013. Christian Arnsperger confirms that *"the new tool used to evaluate ABS' loan portfolio helps the bank to better illustrate what it does as an organization and its goal which is to maintain a level of at least 80% of all loans having an added value created at any given time"* (Arnsperger, 2014).

ABS also provides interesting results in terms of stakeholder engagement which is a key factor in the sustainability assessment of the company. 60% of the respondents to SCALA agreed that ABS has a clear strategy for engaging all internal stakeholders in its sustainability efforts. 55% of the respondents to SCALA agreed that ABS has mechanisms in place to actively engage with external stakeholders about its sustainability efforts. With a mean of 2.20 ABS ranks better than the benchmark which has a mean of 2.50 (2014, p. 29). This comparison is of interest as it means that ABS is more likely to take the broader interest into consideration while making a decision by including external stakeholders to the discussion when compared to its traditional counterparts. 52% of the respondents to SCALA strongly agreed and 42% agreed that ABS sends a clear and consistent message to external stakeholders about its commitment to sustainability.

When assessed from a value creation perspective, ABS is a company qualifying as truly sustainable as its ultimate goal goes beyond the triple bottom line value creation. ABS is aiming at creating value for the common good and therefore qualifies as a Business Sustainability 3.0 organization.

KEY FEATURES OF ABS' APPROACH TO BUSINESS SUSTAINABILITY

This section identifies approaches to doing business that differentiates ABS from companies which are not as developed when looked at from a sustainability perspective. Two key features have been identified; transparency and the creation of a Board of Ethics. These two aspects are very different and not something ABS' more traditional counterparts engage into.

Transparency about customers

ABS has strived for its activities and their impact to be as transparent as possible whether they are related to the inside or the outside of the bank. From the very beginning it expected its customers to make an effort in the form of providing the bank with honest information on the origin of their money and for it to be declared to the tax authorities. A key element in fostering transparency was the partial removal of the Swiss bank secrecy. The loans granted by the bank had to be published in Moneta and in the bank's activity report. This was only possible with the consent of the customer. This is a characteristic that worked without problems for many years even though it was a risky experiment. König and Wespe (L'histoire d'une banque extraordinaire: L'alternative., 2006, p. 50) state that Moneta never aimed to just be a journal for customers. Vieili (Le coût de la croissance, 1992, p. 3) argues that because of ABS' desire for transparency and publication of its thought-process, Moneta echoed debates on the expansion and evolution of ABS since the beginning. He states that divergent views and interests were able to be expressed freely. He further adds that many questions, such as ABS' positioning within the Swiss financial center and the direction to take will have to be answered or will need to be discussed in the future. He concludes by saying that the publication has to offer the right platform for a transparent discussion. This approach is a key differentiating factor as ultimately customers agreeing to the bank's transparency requirements were forced to comply with its values and therefore were expecting the bank to protect them and act accordingly creating a self-reinforcing relationship. As success was confirmed, this focus on transparency reinforced the confidence that the public had in ABS. König & Wespe (L'histoire d'une banque extraordinaire: L'alternative., 2006, p. 51) argue that it was also a demonstration to conventional banks that transparency was achievable in the Swiss banking industry and therefore made it more difficult for them to argue that the banking activity could not survive without secrecy. This statement is essential as it truly confirms ABS' achievement of becoming a credible alternative to the traditional banking sector.

König & Wespe (L'histoire d'une banque extraordinaire: L'alternative., 2006, pp. 51-53) argue that transparency on and discussions of differences (when in the general public's interest) belonged to ABS' business culture. They state that Moneta allowed ABS to apply the principle of trust through transparency. ABS' desire to be a bank *"made of glass"* (Raschle, 1992, p. 3) was not limited to accounts and loans: it covered the entire project for an alternative bank. It is interesting to note that the principle of transparency reached unexpected limits in its implementation. Improving search engines on the internet with access to the names and loan details included in the digital version of the reports made the dissemination of the information possible resulting in a major problem when considered from a privacy and data protection perspective. As a result the publication of names in an electronic format was discontinued (König & Wespe, 2006, p. 51).

ABS' focus on transparency resulted in today's very high level of trust within the organization. 70% of the respondents to SCALA agreed and 15% strongly agreed that the overall level of trust within ABS is high. With a mean of 2.05 ABS' employees have a stronger level of trust when compared to the benchmark which has a mean of 2.17 (2014, p. 16). The 2.05 score means that ABS' employees are more likely to trust their colleagues when compared to other traditional financial organizations. It is argued that the higher level of trust comes from ABS' more democratic decision-making process.

Board of Ethics

Wicki (La "banque éthique" à l'épreuve de la pratique, 1991, p. 1) states in Moneta that at the foundation of the bank in 1990, the Board of Ethics had been designed as a signal to the financial world in which few businesses cared about environmental or social issues. The Board of Ethics was tasked to think about the overall importance of banking, the role of money in society and aspects of power related to financial and credit operations amongst others. It is interesting to note that the founders of the bank made sure the existence of the Board of Ethics was protected with the article 20 of ABS' Articles of Association. Article 20 states that *"the General Assembly elects a Board of Ethics for 3 years on the proposal of the Board of Directors. It is an independent ethics control entity in charge of controlling the implementation and supervision of ABS' ethics principles"* (2014, p. 11). Wicki (La "banque éthique" à l'épreuve de la pratique, 1991, p. 11) argues that the Board of Ethics, by the fact that it does not intend to intervene directly, must fulfill the role of supreme body of control. Its seven members personify the moral and political motivations which led to the creation and startup of ABS. ABS' business must obey social criteria and environmental policies that offer a real alternative to the commercial practice of most other banks (La "banque éthique" à l'épreuve de la pratique, 1991, p. 1).

In 2005, the Board of Ethics came to the conclusion that it was no longer the adequate tool to protect ABS' values. As explained by Bühler in her article (Rendre le contrôle éthique plus efficace, 2005, p. 13) "*despite the promising model of the Board of Ethics, it concluded that a new form of ethical review was required"*. König & Wespe (L'histoire d'une banque extraordinaire: L'alternative., 2006, p. 53) state that the Board of Ethics had the highest possible position on the organizational chart, even above the Board of Directors. The intention of the founders was to protect ABS and its Board of Directors from making choices leading them to become yet another bank similar to the very banks they aimed to propose an alternative to. According to Bühler (Rendre le contrôle éthique plus efficace, 2005, p. 11), the Board of Ethics in its original format had resulted in a structural conflict between two bodies elected by the General Assembly namely the Board of Directors and the Board of Ethics. The problem came from the fact that the scopes of responsibility between the two Boards were somewhat blurred. She states that the Board of Directors assumed the responsibility for the business and therefore had decision-making powers. On the other hand, the Board of Ethics had control over the entire business; a responsibility which is also important but which had no decision-making power. In her article (Rendre le contrôle éthique plus efficace, 2005, p. 11) Wicki explains that the new model proposed to the Board of Directors in 2005 aimed to strengthen and separate the roles of the two Boards within the bank. To her, it was necessary because the mission of the Board of Ethics was not very well understood outside of the organization. She states that the Board of Ethics was seen from time to time by external stakeholders as being in charge of setting ABS' strategy or vision which was false. These two tasks were the sole responsibility of the Board of Directors.

The new model aims at strengthening the role of the Board of Directors which must be free to act within the framework of the implementation of ethical strategic objectives of the bank. As a result and since 2005, the Institute of Business Ethics at the University of St-Gallen controls the implementation of the ethical orientation of ABS and publishes its own independent report in the bank's annual report. (The institute is referred to as the Ethics Control body in this case study). The benefit of outsourcing the responsibility to a third-party helps eliminate the recurrent difficulty of determining the position of the Board of Ethics within the organization and the possible conflicts of interest arising from it (König & Wespe, 2006). Finally, working with a third-party enables a clear separation of the decision-making power of the Board of Directors and an independent and impartial monitoring of ABS' activities by an independent body. In today's format the Board of Directors steers the bank including its ethical direction and the external Ethics Control body controls how the bank deals with ethical questions, just like external auditors control the use of ABS' funds (Rohner, 2014).

ABS today and tomorrow

Christian Arnsperger sees ABS today as being a microcosm defined as a stable sustainable alternative ecosystem (Arnsperger, 2014). 72% of the respondents to SCALA strongly agreed and 19% agreed that a commitment to sustainability is essential to the company's success in the long-term. With a mean of 1.95 ABS' employees have stronger perceptions of this value compared to the benchmark which has a mean of 2.33 (2014, p. 19). 42% of the respondents to SCALA agreed and 29% strongly agreed that they were engaged in work that is connected to sustainability goals. With a mean of 2.05 ABS ranks much better than the benchmark which has a mean of 3.00 (2014, p. 27). This result means that ABS' employees feel that they are contributing more to achieving sustainability targets than their counterparts in traditional financial organizations.

Understanding the employees' assessment of their management and company is also critical. 57% of the respondents to SCALA identified ABS' management as being significantly better with regards to its commitment to sustainability while 38% thought it was better when compared to other Swiss banks (2014, p. 35). 47.6% of the respondents to SCALA identified ABS as being proactive and 52.3% identified the bank as being active in its approach to sustainability (2014, p. 36). 70% of the respondents to SCALA identified ABS as being very engaged with sustainability and (2014, p. 37). 36% of the respondents to SCALA strongly agreed that ABS' management is able to inspire both its internal and external stakeholders about sustainability-focused issues and initiatives and 59% agreed. ABS' mean of 2.18 is comparable to the benchmark which has a mean of 2.20 (2014, p. 10). 48% of the respondents to SCALA strongly agreed and 52% agreed that ABS' management is knowledgeable of the issues pertaining to sustainability. With a mean of 1.52 ABS is significantly better than the benchmark which has a mean of 2.43 (2014, p. 13). 43% of the respondents to SCALA strongly agreed and 48% agreed that ABS has embedded sustainability into the operating procedures and policies. With a mean of 1.76 ABS is much better than the benchmark which has a mean of 2.67 (2014, p. 14). 62% of the respondents to SCALA agreed that ABS has a company-wide management system for sustainability (2014, p. 13). 62% of the respondents to SCALA agreed that ABS has integrated sustainability-related goals into the performance management system of the company. With a mean of 2.57 ABS is better than the benchmark which has a mean of 3.17 (2014, p. 16). This paragraph is important as it illustrates that ABS's employees trust their management when it comes to implementing the bank's vision of offering a credible alternative to the existing banking system in Switzerland. It also illustrates that sustainability is well understood within the organization and that it is a topic of critical importance to ABS.

A surprising result from the SCALA survey is that ABS' employees do not believe that their company rewards innovation. This result can be substantiated by the fact that ABS as an organization does not provide its employees with financial rewards. In case of an outstanding achievement an employee may be rewarded for example with a team dinner or a share of the company but a cash bonus is never offered (Rohner, 2014). With a mean of 2.81, ABS ranks behind traditional banks which have a mean of 1.83 (2014, p. 22). This confirms the assumption that the word "reward" is understood as a monetary reward which is a standard practice in traditional financial organizations. 62% of the respondents to SCALA agreed that ABS has a strong track record of implementing large-scale change successfully. With a mean of 2.38 ABS ranks better than the benchmark which is at 2.67 (2014, p. 23). This result is further confirmed with 76% of the respondents to SCALA agreeing that ABS has a strong track record for implementing incremental (small, continuous) change successfully (2014, p. 24). The employees' perception of ABS being a company not rewarding innovation is to be compared against the fact that 42% of the respondents to SCALA agreed that ABS employees actively challenge the status-quo (2014, p. 25). 76% of the respondents to SCALA believe that ABS values them as employees and their contributions. With a mean of 2.05 ABS ranks better than the benchmark which has a mean of 2.33 (2014, p. 28). This is an interesting fact as it can be understood that ABS' employees feel freer than their counterparts at traditional organization to speak-up and challenge the decisions made within the organization. 19% of the respondents to SCALA strongly agreed that ABS' management is willing to take measured risks in pursuit of sustainability and 66% agreed. ABS' mean of 2.00 is better than the benchmark which has a mean of 2.86 (2014, p. 11). These results are an illustration of ABS' collaborative and democratic decision-making culture discussed earlier in this case study. Overall, they also highlight the organization's commitment to pursuing sustainability goals.

To Christian Arnsperger a good example of the bank's financial sustainability is its capacity to smooth costs and benefits over time as shown in figure 1. The three curves representing the bank's total assets (blue), customer holdings (red) and loans (green) show a linear evolution with no jolt. ABS' business model enables the bank to grow at its own rhythm. To him, the steady sustainable growth is primarily attributed to the bank's long-term approach to business (Arnsperger, 2014). This perspective is confirmed by the SCALA survey results in which 45% of the respondents strongly agreed and 45% agreed that the leaders of the company take a long-term view when making decisions (2014, p. 6).

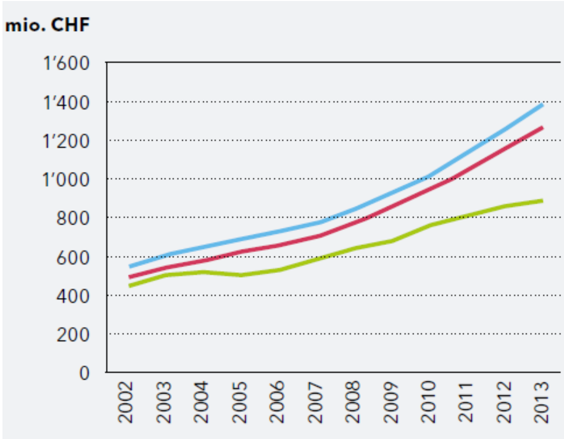

Figure 1: Continuous and steady growth (Source: Alternative Bank Schweiz - Rapport de gestion 2013)

Interestingly, some problems faced by ABS in its early days remain an issue limiting ABS' impact today. König & Wespe (L'histoire d'une banque extraordinaire: L'alternative., 2006, p. 37) argue that it became rapidly difficult for ABS to provide all the funds available to finance women's projects in its early days. The problem came either because of the lack of availability of projects meeting all the necessary safety guarantees requested by the bank or because women were not seeking *loans* under the name "women's project". In 2014 the lack of projects to be financed meeting ABS' requirements is still an issue (Arnsperger, 2014). Another illustration is its difficulty to find the right types of candidates. As discussed earlier in in this case study, Raschle (Moins de tutelle, plus de confiance, 1992, p. 3) states in his article in Moneta that at the beginning of the bank, it was difficult to find enough trained bank specialists and that women were underrepresented in the profession. Christian Arnsperger confirms that it is still a problem currently faced by the bank. He states that it is difficult to find candidates for vacant positions within the bank who possess the necessary knowledge of the regulatory framework and who are not influenced by their past experience in other financial institutions (in terms of bonuses, ethics and general code of conduct) (Arnsperger, 2014). An interesting insight from the SCALA survey is that when it comes to rewards and compensation, 14% of the respondents to SCALA strongly agreed, 19% agreed and 33% had a neutral opinion on whether rewards and compensation are clearly linked to ABS' sustainability goals. The remaining 30% of the respondents to SCALA disagreed and only 4% strongly disagreed on the compensation being linked to the bank's sustainability goals (2014, p. 17). An assumption can be made that ABS' employees are driven by the values of the banks and that their behavior is not guided by monetary rewards. This can be seen as a direct result of ABS attracting employees sharing its values and who are therefore more interested in contributing to achieving sustainability goals rather than maximizing their monetary rewards.

From an organizational perspective another challenge faced by the bank is to manage the diversity of aspirations of its stakeholders as the bank has a huge variety of expectations among its employees. Christian Arnsperger argues that some employees may be seen as "dark greens" wanting ABS to be a bank which does not grow. Other employees may be classified as "light greens" and their aspiration is to see the bank actively engage in social change. Finally, there is a third category of employees coming from large traditional banks who do not agree with the overall capitalist economic concept. The challenge for ABS therefore is to find a solution not to engage into constant debate and find an answer satisfying the different groups and their respective aspirations. A question therefore is whether the bank should start measuring its performance in purely numerical terms for example, by measuring the number of trees planted, its CO_2 emissions, etc… which

Christian Arnsperger argues would result in satisfying the aspirations of the various groups or whether the bank should continue to be an agent of change? He concludes that there are some risks of diluting the founding values if the bank seeks to have everyone agree on the goals of the company (Arnsperger, 2014).

In the wake of the 2008 financial crisis, legislators and supervisors have established a long list of new directives. The new regulations cover many areas including deposit insurance, liquidity requirements, examination of the conformity of products, regulations on taxes, provisions for independent asset managers, etc… Böhr & Zuleta (Contraintes ou confiance?, 2013, pp. 14-15) argue in Moneta that the overall lack of confidence of the general public in the banking institutions has greatly increased the complexity of the banking system. They state that one of the problems is that bank staff must not only navigate the regulatory maze but also take the ethical dimension into consideration. These new regulations have an impact on ABS today and will certainly play a role of increasing importance in the future. Rindlisbacher (Fonds propres, les règles changent mais pas les problèmes, 2014, p. 19) argues that since the adoption of Basel III in 2011, Switzerland has divided its banks into five categories. The bigger they are, the more capital they must have. On the basis of their risk-weighted investments smaller banks must have an equity ratio of at least 10.5 percent and those of systemic importance, at the other end, 14.4 percent. ABS has an equity ratio of 13 percent while the FINMA requires 11.2 percent. The pressure on ABS remains high, especially because of its rapid development as the bank wants to continue to reallocate the money it regularly receives from its new clients and new customers to loans. Rindlisbacher argues that ABS must increase its equity by at least CHF 6 million annually in order to remain in compliance (Fonds propres, les règles changent mais pas les problèmes, 2014, p. 19).

Böhr & Zuleta (Contraintes ou confiance?, 2013, pp. 14-15) cite 6 new laws in their article which they see as having a major impact on the Swiss banking sector in the future. The laws are: (1) **Basel III** asking banks to increase their capital; (2) **Swiss Finish** which are Swiss directives exceeding the minimum requirements of Basel III; (3) **Dodd-Frank Act** enacted in 2010, this American law largely affects all financial transactions and their regulation; (4) **MiFID** (Markets in Financial Instruments Directive) which is a European directive aiming at harmonizing national financial markets and which is also applicable to Swiss banks either because they have cross-border activities with European citizens or in order to anticipate applicable rules which will be implemented by the FINMA (Swiss Financial Market Supervisory Authority) in 2018; (5) **FATCA**: the (Foreign Account Tax Compliance Act) which is a US law requiring US tax payers to declare and pay taxes also on all accounts held abroad; (6) **Act on Collective Investment**: which is a Swiss law revised in March 2013 regulating assets held in funds. It now includes cross-border cases and improves investor protection. Böhr & Zuleta (Contraintes ou confiance?, 2013, pp. 14-15) argue that the supervisory authorities will cease adding to the complexity when regulation and ethics become complementary. This ever more complex regulatory environment will definitely have an impact on ABS and its future course of action and sheds an interesting light on the following paragraphs. ABS as a bank is less likely to face less problems moving forward than traditional bank because of its conservative business model reducing the overall level of risk faced by the bank.

Christian Arnsperger brings up a critical and interesting evolution taking place at ABS with the addition of an asset management wing to its product portfolio. The bank's General Assembly adopted new guidelines in 2011 on the basis of which the Board developed a new strategy positioning the bank as the "*leading credible provider of banking services exclusively geared towards ethics"*. This is seen as a major change as the bank was concentrating until then on traditional management of deposits and loans and it is in conflict with the initial vision and mission the founders of the bank had. One of the problems linked to asset management is the fact that these types of services make it more difficult for ABS to assess the impact of the value creation of its investments. ABS needs to finalize an investment concept which is in line with the bank's values and philosophy (Arnsperger, 2014). In the 2013 annual report (Rapport de gestion 2013, p. 23), the Ethics Control body states that the development of asset management activities is primarily driven by economic motivations as numerous customers would like to benefit from higher yields. On the other hand, the bank wants to create a second pillar of activity in order to reduce its exposure to financial operations relying primarily on interest rate differentials during extended phases of low interest rates. The Ethics Control body raised the question whether this would reinforce or eventually weaken the alternative bank model proposed by ABS. The Board states that it observed tensions between ABS' traditional business model and the newly proposed asset management wing as its impact is more difficult to assess when compared to the more traditional services offered by ABS. Moreover, it is perceived that engaging in this new type of activity may result in contributing to speculative bubbles.

The Ethics Control body states that the resulting problem of engaging into asset management activities is the fact that the money invested when buying shares for example is not used to support ethical companies but third party investors. As such, the resulting impact on the economy is indirect in a best case scenario. The Ethics Control body states that the rating proposed by ABS enables it to target companies having a high societal and environmental impact and that it is a useful tool because when ABS negotiates shares on the secondary market, the rating gives a good understanding of what can and cannot be considered as a sustainable company. The Ethics Control body therefore concluded that the investment activities will have to be reinforced by direct investments made into appropriate companies on the primary market. It also recommended investigating whether ABS can play a role through shareholder-activism and engagement strategies. It states that these two courses of action are currently being investigated by the bank (La gestion d'actifs: une étape vers le mandat de gestion de fortune, 2013, p. 23). ABS published an article on the subject in Moneta (La gestion d'actifs: une étape vers le mandat de gestion de fortune, 2013, p. 20) stating that an investment committee consisting of internal and external stakeholders will make the final selection of securities which will be offered and recommended to ABS' customers for investment. Their decisions will be based on societal, environmental and economic factors. Earlier in this case study König & Wespe's work (L'histoire d'une banque extraordinaire: L'alternative., 2006, p. 8) was referred to in which they stated that ABS' initial vision was not to engage into stock trading activities, not to engage into international financial transactions, not to engage with funds of doubtful origin, limit its operations to classical banking operations of savings and credit, to observe clear ethical and ecological guidelines in terms of financing activities, all of it with a partial suppression of the Swiss banking secrecy and in total equality of genders. Martin Rohner agrees that ABS is at a crossroad. To him asset management is a logical evolution as ABS has a responsibility to lead the way. He states that ABS wants to show that things can be done differently when looked at from an ethical standpoint in the field of sustainable investments (Rohner, 2014). The Asset Management Team has developed an Investment Concept that builds on four pillars: Balance, Focus on Client Needs, Selectivity and Impact (Alternative Bank Schweiz, 2013). Currently, it is in the process of developing guidelines for implementation with the support of Christian Arnsperger. The issue of how to reconcile Asset Management with Value Based Banking is also discussed in the context of the Sustainable Banking Scorecard currently under development by the Global Alliance for Banking on Values (Rohner, 2014). The Global Alliance for Banking on Values is a foundation made up of the world's leading sustainable banks. Its members include microfinance banks, credit unions, community banks and sustainable banks using finance to deliver sustainable development (Global Alliance for Banking on Values, 2014).

CONCLUSIONS AND NEW QUESTIONS

The purpose of this case study was to identify a recognized sustainability leader and understand what makes it different from its more traditional counterparts. A manager looking at transforming the purpose of his or her organization and seeking to make it evolve along the Business Sustainability Typology Matrix as proposed by Dyllick & Muff (2013) could apply some of the key learnings presented in this section.

Takeaways

The first key takeaway is the process followed by the founders of the bank to identify the sustainability problems they wanted to address and offer an alternative to. The democratic decision making process undertaken fostered discussion and the exchange of ideas. This approach starting by identifying a sustainability problem and then designing a solution to address it is very uncommon. (It is even less common when looking at banks as their primary purpose usually is to generate a profit).

The second key takeaway is to look at the approach taken to define the purpose and values of the organization. Very early in the process it was decided to include stakeholders to the discussion. This is an interesting insight when looking at Narbel & Muff's paper (Driving Sustainable Business Implementation through Tripartite Guardianship, 2013, p. 58) arguing that *"one of the options to ensure the incorporation of broader societal interest (…) is to add stakeholders"*. ABS did not specifically express it that way however the interests of stakeholders were considered in the early discussions. The assumption is based on the fact that the association for the creation of the bank had 1,600 members and 120 organizations and companies whose interests were represented during the General Assembly in 1987 (2 years before the legal creation of the bank).

Once the values were agreed upon, the founders worked on protecting them. This is the third key takeaway. The purpose was to make sure that neither the bank nor its future management or its shareholders would be able to change its course of action and purpose. To that effect, stringent Articles of Association were established. It is interesting to note that they do not only set the values and purpose of the organization in stone but also regulate the type of shareholders the company wants to attract. It also gives the bank the possibility to buying shares back from shareholders who no longer share its values. König & Wespe (L'histoire d'une banque extraordinaire: L'alternative., 2006, p. 48) comment that *"there was the fear of an uncontrolled concentration of power by a minority which would divert ABS from its original goals"* when writing the Articles of Association. They argue that it is a common fear in alternative and independent companies. The 5% limitation imposed to shareholders limiting the concentration of power is of particular interest and something believed to be of potential interest to other companies.

The fourth key takeaway is the creation of the Board of Ethics whose purpose is to ensure compliance of the day-to-day activities of the bank to its original values and purpose. The Board of Ethics was eventually disbanded and replaced by an independent Ethics Control body in 2005, since this was better suited for the purpose of monitoring ethical behavior (Rohner, 2014). When looked at from a tripartite guardianship angle, its function is of high interest. Narbel & Muff (Driving Sustainable Business Implementation through Tripartite

Guardianship, 2013, p. 59) argue that "*in order to create a working tripartite guardianship system (…) it is critical to ensure that the guardianship has statutory powers"* which enable the Ethics Control body to influence the decision-making process. It is a remarkable example of tripartite guardianship implementation on a voluntary basis.

QUESTIONS FOR THE FUTURE

ABS' strategy of offering asset management services may be considered as a risk for the bank to move away from "real economy" activities and thus to disconnect from its original values. ABS is working together with an external ethics and sustainability advisor in order to define the operational rules for ABS' asset management arm. Even if this evolution is not in line with the founders' original strategy, it is unlikely that ABS's positioning on the Business Sustainability Typology Matrix will be affected. The bank positions this evolution in a new realm seeking to offer an alternative to the more traditional asset management activities of its counter-parts. This is in line with the bank's new positioning adopted during the 2011 General Assembly positioning the bank as the "*leading credible provider of banking services exclusively geared towards ethics"*. Therefore, this evolution can be seen as being in line with the purpose of the organization. It will be interesting to learn more from ABS in the future on the framing of its asset management activities as this is a challenge faced by any organization currently offering sustainable investment products.

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APPENDIX 1 – CASE STUDY RESEARCH APPROACH

Sample selection

Six validity criteria were used in order to screen the three companies for the case studies. The companies had to be recognized and verified as sustainability leaders with criteria including proofs of third-party screening. They had to be pursuing significant initiatives in addressing and contributing to resolve important societal and or environmental issues and among the three of them; they had to share similar characteristics allowing for a comparison.

The researcher first defined Switzerland as being the limiting geographical boundary for the sample. The second filter applied to the sample was to check whether the targeted company was a member of Öbu. Öbu is a Swiss Sustainable Business Network of 401 member companies (Öbu, 2014), which encourages private companies to become more sustainable. The Öbu affiliation is perceived as a valid filter as its member companies want *"to foster the development of the Swiss economy in accordance to the principles of sustainable development. Thus, they not only act in an environmentally and socially responsible way, they also improve their long-term competitiveness"* (Le réseau pour une économie durable, 2014). The third filter applied to the sample was to check whether the target company was recognized as a sustainable company. In order to do so, the researchers looked at whether the target company had been nominated for, or whether it had received an award for its work or engagement for sustainable business practices. The fourth filter was to rank the company on a scale of Business Sustainability 1.0 to 3.0 as defined by Dyllick and Muff in their paper (Clarifying the meaning of sustainable business - Introducing a typology from business-as-usual to true business sustainability, 2013). Only companies qualifying as Business Sustainability 2.0 defined by Savitz & Weber (The Tripple Bottom Line: How Today's Best-run Company Are Achieving Economic, Social and Environmental Success - And How You Can Too, 2006) as taking the triple bottom-line into consideration or Business Sustainability 3.0 defined as truly sustainable business were selected. The fifth filter was to identify companies active in the financial industry and the sixth and final filter was to look for companies which either were joint stock companies[5] as defined under title 26, article 620 of the Swiss code of obligations (2014, p. 206) or cooperatives as defined under title 29, article 828 of the Swiss code of obligations (2014, p. 299).

SCALA Survey

Once the 3 companies were identified and agreed to participate in the research, the researcher used the SCALA™ (Sustainability Culture and Leadership Assessment) survey in order to assess the company's current capacity for executing its sustainability strategy[6]. The SCALA™ survey *"is an assessment instrument composed of items pertaining to culture and leadership. The assessment contains both sustainability-specific content as well as more general organizational climate content that has been demonstrated or asserted in other research to impact the execution of sustainability strategy"* (SCALA; the Sustainability Culture and Leadership Assessment Pilot, 2013).

The SCALA™ survey used here is a questionnaire consisting of 30 questions to which the Business School Lausanne and the research cohort added 10 additional questions specifically aimed at gaining more insight for

[5] Joint Stock Company is the business term used to describe a company limited by shares.
[6] The SCALA™ survey and its results have been administered by the researcher and processed by Miller Consultants in Kentucky, USA

the specific research needs. The original version of the questionnaire was available in English only. For the needs of the research, the questionnaire has been translated into French by the researcher and in German by a native German speaker. Both were reviewed by Business School Lausanne for quality control purposes.

The assessment was conducted in the form of an online survey among the employees of ABS. The employees were identified by Alternative Bank Schweiz (ABS) as being relevant and representing the organization as a whole and not only a specific organizational level. The case study is based on 24 responses out of 29 surveys sent representing a response rate of 83%. As a comparison, the average response rate to the general SCALA survey is approximately 40% (Miller Perkins, 2014). The ABS respondents were: 1 C-level executive, 2 senior managers, 4 middle managers, 1 first line manager and 21 from other positions; 71% were male and 29% were female; 41 % were aged 41-50 and 22% were aged 20-30. The survey was completed by a total of 24 ABS employees (4 in French (2014, p. 1) and 20 in German (2014, p. 1)). The survey was conducted over a 2 week period from June 25 until July 9, 2014.

ABS' results are compared against an international benchmark composed of 11 financial institutions other than insurance. About half are retail banks. All have more than 1,000 employees. They are located in Germany, United Kingdom, Australia, USA, Spain, France, Canada and Switzerland. The group is mixed in terms of leadership. About half show leadership in some aspect of sustainability. Some are leaders in environmental sustainability, some are leaders in social sustainability and only 2 show leadership in both. The two that are leaders in both are large retail banks. The benchmark data is averaged over all 11 financial institutions (Miller Perkins, 2014). The benchmark is used in this case study as a comparison with ABS's results and for discussion purposes, although it is to be expected that ABS rates above the benchmark

Qualitative research

In this paper, the researcher used three data gathering techniques which were the study of archives available to the public, interviews of internal and external stakeholders as well as a survey (see SCALA™ methodology). ABS documented its thinking process in a thorough and transparent manner in its quarterly publication titled Moneta. (Moneta's purpose is to foster transparency. The first edition was published in 1989 (Alternative Bank Schweiz, 2014)). The researchers also had access to ABS' Articles of Association, a document identifying the bank's guiding principles and a historic review published in 2006.

APPENDIX 2 – BUSINESS SUSTAINABILITY TYPOLOGY MATRIX

In their paper, Dyllick & Muff (Clarifying the meaning of sustainable business - Introducing a typology from business-as-usual to true business sustainability, 2013, p. 22) propose a Business Sustainability Typology Matrix. The matrix is the summary of "*a comprehensive typology of approaches to business sustainability that allows differentiating between different types and their particular contributions to solving sustainability challenges"* (Clarifying the meaning of sustainable business - Introducing a typology from business-as-usual to true business sustainability, 2013, p. 20). As a result, they have *"created an overarching framework integrating three different elements that make up the different types; concerns, organizational perspectives and values created"* (Clarifying the meaning of sustainable business - Introducing a typology from business-as-usual to true business sustainability, 2013, p. 22). The three types of business sustainability models developed in their paper and the principle characteristics are summarized in Figure 2.

BUSINESS SUSTAINABILITY TYPOLOGY	Concerns (What?)	Organizational perspective (How?)	Values created (What for?)
Business-as-usual	Economic concerns	Inside-out	Shareholder value
Business Sustainability 1.0	Three-dimensional concerns	Inside-out	Refined shareholder value
Business Sustainability 2.0	Three-dimensional concerns	Inside-out	Triple bottom line
Business Sustainability 3.0	Starting with sustainability challenges	Outside-in	Creating value for the common good
The key shifts involved:	1st shift: broadening the business concern	3rd shift: changing the perspective	2nd shift: expanding the value created

Figure 2: Typology of Business Sustainability and their key characteristics in (Source: Dyllick & Muff 2013)

The following paragraphs provide the reader with a brief explanation on Dyllick & Muff's (2013) business sustainability vision applied to banking. They create the necessary background to understand our assessment of ABS's position.

Business Sustainability 1.0

Dyllick & Muff (Clarifying the meaning of sustainable business - Introducing a typology from business-as-usual to true business sustainability, 2013, p. 14) argue that when applied to banking, *"Business Sustainability 1.0 means introducing new rules for compliance in areas like corruption or money laundering, in dealing with politically exposed persons or regimes, ethical codes, compensation schemes for management in the long-term or stakeholder dialogues. New or integrated banking processes may be introduced for energy and climate management, sustainable purchasing, green IT, building and infrastructure, diversity, old age employment or home office solutions. In the area of banking products and services, sustainability concerns may be integrated* *into project finance, asset and credit management, into increasing fee transparency or introducing new products in areas like microfinance or student loans"* (Dyllick & Muff, 2013, p. 14). They continue by stating that "*the underlying objectives of these activities remain economic. While introducing sustainability into business will generate positive side-effects for different sustainability issues, their main purpose is to reduce costs and business risk"* (Dyllick & Muff, 2013, p. 15).

Business Sustainability 2.0

Applied to banking, Business Sustainability 2.0 means contributing sustainability values through programs and actions taken in the areas of governance, processes, products and services. Instead of positive side-effects resulting from actions addressed at specific concerns in these fields, results are outcomes of purposeful actions. The activities typically are embedded into the organizational and management structures. Banking products and services are created and offered around specific objectives in areas such as financing sustainable construction and living, healthy living, regional and urban development or financing of business projects for markets and entrepreneurs where new forms of collaborations and financing are needed" (Dyllick & Muff, 2013, p. 16).

Business Sustainability 3.0

"Business Sustainability 3.0 is defined as when *"the banks will shift funding from unsustainable investments to strategic projects of regional relevance (securing of water, food, etc.). According to the outside-in logic, banks start out evaluating relevant sustainability challenges in their societal contexts. They evaluate and decide what issues they can and want to contribute to. The choice will be among such issues as wealth and income inequalities, youth unemployment, old age assurance, climate change and energy efficiency for example. The effectiveness of their strategies is measured by the contributions made and the values thereby created, for the different stakeholders and for the business itself"* (Dyllick & Muff, 2013, p. 19).