

## Chapter 7 Delta: strengthening regional ties

### 7.1 Introducing the company: Delta

Delta's entrance is located in a new building, which has been added to the old building with the small tower, that was the residence of the former electricity company PEZM. Right above the entrance, a row of eight television sets is hung, soundlessly showing the channels which are broadcast through Delta's cable network. The tidy, yellow and beige reception hall has a rounded counter made of wood, glass and copper. Two receptionists with headsets are friendly and efficient. Many guests come and go. The chairs have the shape of a pouf with a metal back. Behind the reception area, a larger room for education and promotion purposes is visible, lined with showcases holding information materials. (description of Delta's entrance on the 22nd of August, 2000).



*Delta's building in Middelburg: an old and a new part.*



*The main entrance is in the new part of the building*

Delta's year report of 2000 starts like this: "In this preface I want to explain Delta's position and strategy. We are entering a turbulent period, in which clear steering is necessary. Delta aims for profit, value and warmth. Profit and value are well known issues. But we should not forget about the warmth. We need the customers, shareholders, employees and broader society to feel good about us. While attaining the warmth, however, the commercial goal is our priority."

Table 7.1: Main figures according to Delta's year report 2000

|  | 2000    | 1999    | unit                     |
|--|---------|---------|--------------------------|
| Total operating income                                 | 1504    | 1106    | Dfl. 1 million           |
| Net profit   | 148     | 62      | Dfl. 1 million           |
| Solvency   | 54      | 64      | %                        |
| Water sales  | 56      | 55      | 1 million m <sup>3</sup> |
| Customers electricity                                  | 189,616 | 188,211 |                          |
| Customers gas  | 172,786 | 171,487 |                          |
| Customers water  | 215,275 | 213,869 |                          |
| Customers cable signals                                | 141,909 | 138,567 |                          |
| Employees  | 1385    | 1289    |                          |
| Average yearly water use per connection small consumer | 115     | 119     | m <sup>3</sup>           |

## 7.2 How is the term 'sustainability' used at this company?

When asked if they used the term sustainability, the five respondents from Delta were consistent in their answers: they use it, but not often:

I : Is the term sustainability used in this company?

R2 : Yes, it is sometimes used, yes. Called for and uncalled for, mind you. That is rather... but is sometimes used.

I : When is it called for?

R2 : Well, when it is done straightforwardly, let's say it that way, with long-term goals that can also be given to us by society.

I : And it is uncalled for when this is not the case?

R2 : Yes (laughing) Yes, or when it is convenient to link up to some political point of view, or things like that. (52:3)

The above respondent agrees with the general principles behind the concept, but does not like the 'political' use of the term. However, the Delta respondents also use the term strategically in external communications:

R3 : And we also use it, to be honest, in some aspects as a PR element, to say, "Look, people, we also engage in sustainability". Or as a medium, how should I say this, a vehicle to make it clear, for example, to subsidizers that a project is worth a subsidy from environmental, sustainability funds. (50:1)

Inside the company, however, the respondents prefer to use other terms:

R4 : I do think we are the forerunner, only we do not primarily use the term sustainability, I think. Instead, we talk about societal issues like desiccation. (57:8)

These data show ambivalent feelings about the term 'sustainability' in this company. On the one hand, the respondents value certain meanings of the term. On the other hand they are sometimes aware of a lack of sincerity when the term is used.

### 7.3 Themes associated with sustainability at Delta

To answer the research question about perceptions of sustainability, it was analyzed what meanings the respondents attributed to sustainability. As described in Chapter 2, these meanings were sorted into themes. The set of themes presented here characterizes the views of Delta.

#### 7.3.1 Use renewable resources - within carrying capacity

According to the Delta respondents, water is a renewable resource that can be exploited to the extent of the recharge rate:

R2 : Using water is a recycling process and the energy company is not recycling. So within one hundred years, the oil will be finished. The water won't be. (52:25)

R2 : Groundwater runs off, but it's a process of hundreds of years. We gave up the extractions in the dunes, and you should see how much water comes out of them now. And nobody uses it. It can be sustainable to use it, why not? River water moves a lot faster: three hours later, it runs off into the sea. So you can make the case that you can extract all of it. They have different timescales, but as long as you stay under the recharge rate, they can both be sustainable. (93:2)

The respondents from Delta associate sustainability with the carrying capacity of natural systems. Current practices in their water production business already meet this criterion:

I : What is your view of sustainability? With what do you associate it?

R2 : Personally, I associate it to some degree with the carrying capacity of the earth. (...) And then I think, well, water extractions, we do all that very well already, in a subtle way. To be active so that society is a good place to live in, live in durably. (...)

I : So there is no reason to worry about the sustainability of the water company?

R2 : I don't think so. (...) Look, we always have some effect. If you extract water or purify it. But I think in the whole societal context you have to say that we do not... cause any damage. Or that we influence unsustainably or cause unbalance. We extract water from the river. If we didn't, it would be in the sea the next day. Well, so what? (52:6)

#### 7.3.2 Whole system approach

Sustainable development means a 'whole system approach'. This principle is applied at the micro level, i.e. within one industry or project:

R1 : In our activities, we build a whole system, not a world system, but let's say, if we build something, a system at micro level, (...) we want a whole system approach. (64:8)

#### 7.3.3 Reduction of environmental damage

Within the whole system approach, the goal is to reduce environmental damage:

R1 : Really sustainable is when you look at the total process, as far as possible of course, because in many cases it is not possible, and when you get the feeling that the damage, (...) the use of resources and the emissions into the environment are as small as possible. (11:128)

#### 7.3.4 The future, the long term

Sustainability is closely related to concern about the future, or a long-term perspective:

R3 : I think sustainability also aims at securing the future, in the sense that there will be enough of everything for future generations, broadly speaking: space, food, safety, and so on. (43:4)

#### 7.3.5 Society has to define sustainability

According to the managers at this company, society should define what the problems are and what solutions are sustainable. Defining sustainability is too difficult for one company:

R1 : There is, of course, a great debate on CO<sub>2</sub> emissions; is it true or not (...) I find it very difficult, it is hard to implement it. For the time being you say, well, let's do it then, let's reduce CO<sub>2</sub> emissions as much as possible. So we do not discuss these things, because you cannot solve them on your own. (11:128)

The respondents accept that there are different views of reality, and that the easiest way to deal with such differences is to go along with the definition used in 'society':

R3 : Firstly, I'm saying that desiccation is a problem. We do not deny that. We were among the first water companies who said that, if society sees it as a problem, then it is a problem. You can argue against it on technical grounds, but society sees it as a problem. So we deal with that problem. (43:11)

#### 7.3.6 A rational, objective approach

The Delta respondents prefer an LCA-like, objective approach to sustainability, in which all environmental effects of alternative solutions are calculated. They note that many actors do not play by this rule:

R1 : Wind energy is looked upon as being terribly sustainable (...) You're hardly allowed to criticize it (...) it is a little more expensive, but OK, that is balanced by subsidies. But nobody wants to know what that pole costs in steel and (...) how much energy is needed to build it. (11:71)

There are doubts about the integrity of sustainability claims. This explains why people within Delta prefer other terms to that of sustainability. Possibly this also relates to the unpleasant experiences of Delta with 'political fashions', which are explored in Section 7.5.

#### 7.3.7 Pragmatic action

In this company, pragmatic action is preferred to fundamental discussions about sustainability:

R3 : We have a practical approach, like, for years, we spent our time... doing research and discussing things and arguing with each other, but you can also go and do something. And okay, maybe the effect is not 100%, maybe it is 90%, then at least you have achieved 90%. (50:3)

### 7.3.8 Overview of themes

In Figure 7.1 an overview is presented of the themes important to Delta. The respondents associate sustainability with the future. They design and build infrastructure for the long term, with low but long-term revenues. Sustainability also means reducing environmental damage. This principle can be applied in a commercially attractive way to industries: Delta looks for better solutions for an entire water system and this usually reduces environmental damage. Furthermore, it means using renewable resources, and staying within the carrying capacity of those resources. The most important consequence of this principle is the avoidance of fossil fuels. Delta's water business is good already because water is a typical renewable resource, especially surface water, because this is available in large quantities in the Netherlands. For groundwater it is more difficult to stay within carrying capacity.

These principles should be applied using a rational, objective approach such as an LCA. A pragmatic compromise should be found so that things improve in the short term. No time should be wasted on endless, fundamental debates about sustainability. This is the trajectory Delta would prefer. The respondents consider it outside the mandate of Delta to fundamentally discuss the concept and leave such definitions to society.

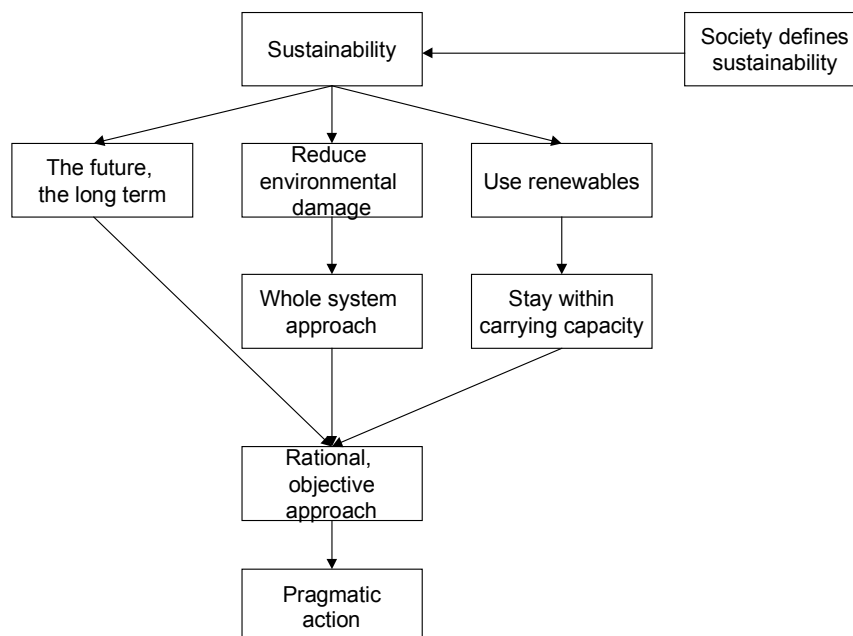


Figure 7.1: Sustainability themes at Delta

## 7.4 How does 'sustainability' fit into Delta's strategy?

Below, Delta's strategic themes will be explored. Then the position of sustainability in this strategy will be described.

### 7.4.1 Stay an independent, regional multi-utility company

When the respondents were asked to characterize their company, they mentioned two elements: the fact that it is a multi-utility company, and its regional focus:

R1 : We are a multi-utility company. (...) Multi-utility means we focus on energy, that is, electricity and gas; we focus on water, of different kinds; and we focus on

telecommunications (...) we have a subsidiary company in waste (...) we also focus on waste water, and we do those things with a [provincial] character, in the background, (...) and working from this [provincial] home market, we will acquire new customers in the market that will develop, because a market will develop for energy, and a market will partly develop for water (...) when we lose customers in our home market, we want to win customers elsewhere in the country with our multi-utility service. So we also focus on competition, competition with others. (11:119)

In this quotation, the respondent describes what Delta is (a regional multi-utility company), but also how it is changing right now. Because a market is developing, Delta wants to compete outside its region. In this quotation, self-image, strategy, and external developments are closely linked elements.

The strategy is prompted by the policy of the European Union and the Dutch government to liberalize the energy market. Such a policy can be supported or opposed by organizations. Interestingly, within Delta, only the term 'liberalization' is used, and not 'privatization'. The company literally interprets liberalization as 'freedom':

R1 : By the way, we do have (...) an agreement that we will not be selective until freedom becomes effective, when all customers will be free, that we will not be selective in customers by saying 'I'll serve the good customer in the town a little faster than the farmers in the rural areas, because I want to keep the former after liberalization and the latter does not really matter to me'. (11:19)

Liberalization is in the implementation stage in the energy market and Delta is reacting with a thorough transition process. For the water market the Dutch Minister of Environment, Pronk, followed a motion of the Dutch Parliament and announced legislation that will keep the water supply to households a public task.

Many European energy companies chose up scaling in response to liberalization, but not Delta:

R5 : [There were] lots of companies 10 years ago, small companies, especially on the European scale. That number has been reduced already, because if you want to enter the European market (...) you have to be of sufficient size to survive. Well, we did not choose the strategy of up scaling and limiting ourselves to one discipline. (46:8)

Delta chose to remain a regionally based, independent company:

I : How did this strategy come into being?

R2 : From the idea of keeping a utility company of our own in the province. Within the home market. (52:15)

The choice for independence was a wish of Delta's shareholders:

R3 : The aspect of aiming strategically at [this province] has something to do with... complying with ideas from the shareholders' meeting. Because they come from local politics and think locally, and look after (...) regional interests and put their frame of reference first. (43:22)

Such a small scale operation creates problems for the company, because it can make less use of economies of scale. Also, its image is problematic:

R1 : We cannot compete with the large companies if it's only about electricity supply. That's not possible. But we are saying that we can do more.

- I : Oh, I see. What's behind that conclusion of 'we are too small'?(...)
- R1 : That should prove itself, but we are too small, for example, in the purchase portfolio of electricity, to buy systems with which we could drop the price of such a limited amount of product.
- I : Yes, yes, that's advantages of scale.
- R1 : Advantages of scale. And we are also too small, and that is a different problem, a psychological one, because everyone says we are too small. (11:62)

The need to comply with the privatization of the energy market and the desire of the shareholders to keep an independent, regional company seems contradictory. Privatization is intended to create an open, European energy market. The move of the shareholders looks like an effort to slow down the effects of privatization and keep the old relations between Delta and the regional government intact. How does Delta deal with the inherent contradictions in its strategy?

#### 7.4.2 The need to function commercially

The drastic changes in Delta's environment cause uncertainty. The strategic response is still under development, but one element of this response is clear. The company will have to become commercial:

- R3 : A kind of vision, which is after all shared by a number of people from the management of the company, [is] to make rather quick decisions inspired by that vision, aiming for commercial development, to develop activities.
- I : Is that the shared vision, commercial development?
- R3 : Yes, that actually is the shared vision. (50:7)

The commercial strategy has been chosen because it will secure the company's survival under any circumstances:

- I : The government is now the owner and you want to keep it that way by paying it proper dividends, isn't that right?
- R1 : Yes.
- I : As I feel it that is a bit... I cannot bring it into line with the wish that it also gets privatized, that you still want to stay under the ownership of the government. So how does that work?
- R1 : Well, look, we are, we do not have an explicit wish to stay under governmental ownership, but it doesn't bother us either. Whether the owner is Mister X, the stock exchange, or the provincial government doesn't matter as long as the owner steers us only, or mainly, towards financial goals.
- I : I see.
- R1 : Then it is no different from shares on the stock exchange and no different from if a Spanish company owned it, it doesn't matter, but we are focusing on financial aspects, but with a good, socially responsible company. (64:31)

In order to function commercially, all projects need to be financially rewarding:

- R3 : We are trying to reshape the company into a commercially oriented company. And we think we are succeeding. Yes.
- I : And in a meeting, do you say to each other...
- R3 : That we want it?
- I : ... this is not commercial enough, or...

R3 : Oh yes. Yes, that is how it is said, but then it is also quantified, because we provide profitability calculations for a lot of activities. And then it is quantified, because then you can say: it does not meet our criterion.

I : And then...

R3 : And that is still developing. It is not absolutism at the moment (silence) but I think more than half of the projects are now being screened. And so it becomes clear, like, 'that is below the target, we are not going to do it'. (50:27)

#### 7.4.3 Value, Profit, and Warmth

The commercial strategy is further developed into three W's, 'Waarde, Winst en Warmte' (= Value, Profit, and Warmth):

I : How would you describe the strategy of Delta?

R4 : From the...? Well, it is strongly market oriented. (...) the three W's, I don't know if you have heard of them?

I : No.

R4 : Value, profit, and warmth. Value is the value of the organization, also for the shareholders. Profit, well okay, at the end of the year, you have to make a profit. So the projects you do have to stand the test of profit. The projects as they are, do they bring in enough return. And warmth, warmth is, of course, an emotional concept, it's a softer aspect. But you have to deal with customers; you have to deal with the environment, for example. You are more or less free to fill it in, but it is not unimportant. (57:15)

How the value of shares is operationalised is not clear from the data. The value of shares is virtual as long as they are not sold. Maybe the acquisition of new business units has a positive effect on shareholder value. Profit is operationalised by growth and efficiency, and by rejecting projects which are not profitable. 'Warmth' means keeping customers and shareholders happy, which can include environmental issues.

#### 7.4.4 Efficiency improvement

Efficiency improvement is the classic answer to making profit in a competitive market, and this has become one of Delta's priorities:

R1 : In the past, if you foresaw a loss because of rising wages or larger investments, then you would raise the tariffs. Nowadays, that would be impossible, because you cannot raise the tariffs like that anymore, except when there is still a monopoly, but then there is often a regulator, you know, there is a regulator for the electricity grid and one will surely come for drinking water. So now, we have to base our tariffs on the market and we have to work more efficiently. So we move towards more and more efficiency. And our profit of 60 million will probably rise this year towards 130. (11:90)

Delta's cost strategy is probably a result of the cost strategy of its large industrial customers. The impact is felt in the liberalized markets of gas and electricity:

R1 : Since we have all the customers in Zeeland, we want to defend Zeeland as long as possible. So we have the position: you will not enter. We will do our utmost to keep our customers. And there have been attacks on our customers already, in the sense of ... attractive offers. And then we say, hey, we will match that. So we want to keep our customers. (64:28)



R3 : Because of the experience we have in supplying alternative water qualities, we also want to supply the food industry, so that is a growth market for us. And for the customer that means reducing costs, because alternative water is a little cheaper. (50:21)

From these quotations it is clear that there are direct relations between liberalization, cost efficiency, and product differentiation. Providing other water qualities is probably related to previous investments, because the company already has to transport surface water for the production of drinking water across large distances (path dependency). Figure 7.2 shows Delta's water transportation grid. Its most important resources are the Biesbosch and the Brabantse Wal in the province of Noord-Brabant (to the right), and the water needs to be transported across all islands (to the left).

Maybe the low-cost strategy is related to the high relevance of large industrial customers relative to small customers:

R3 : Our whole sales is 55 million cubic meters, of which 20 million is water for industry and 35 million cubic meters is drinking water. (50:34)

#### 7.4.5 Growth

The next goal related to Delta's commercial strategy is growth. Delta does not aim for mergers with large energy companies. It is growing in a more incremental way:

R3 : And you can translate that into terms like a certain return, or profit, or a certain amount of growth, that we strive for. (...) Growth in sales. (...) For the water company, the growth market is in the industrial segment, industrial water use; and then especially the alternative, offering alternative water qualities or closing the water cycle. That is a growth market in, well, in the Netherlands and Western Europe. And in drinking water supply, the growth market is in foreign countries in general. (50:9)

It is not certain if the strategy of a regionally based company will hold in the future. The respondents from Delta recognize that market opportunities are largely to be found outside their region:

R3 : The concept of anchorage in Zeeland is, of course, valued highly in local and regional politics, and also among the public, of course. But anchorage in Zeeland in practice, looking from the heart of the company, means doing what we always did, and all new developments, or many new developments, including growth, are outside of Zeeland. (43:22)

In sum, the company has adopted the commercial goals of shareholder value, profit, efficiency, and growth because of the liberalization of the energy market. The company sees opportunities for growth in product differentiation in its existing markets, and for drinking water in foreign countries.

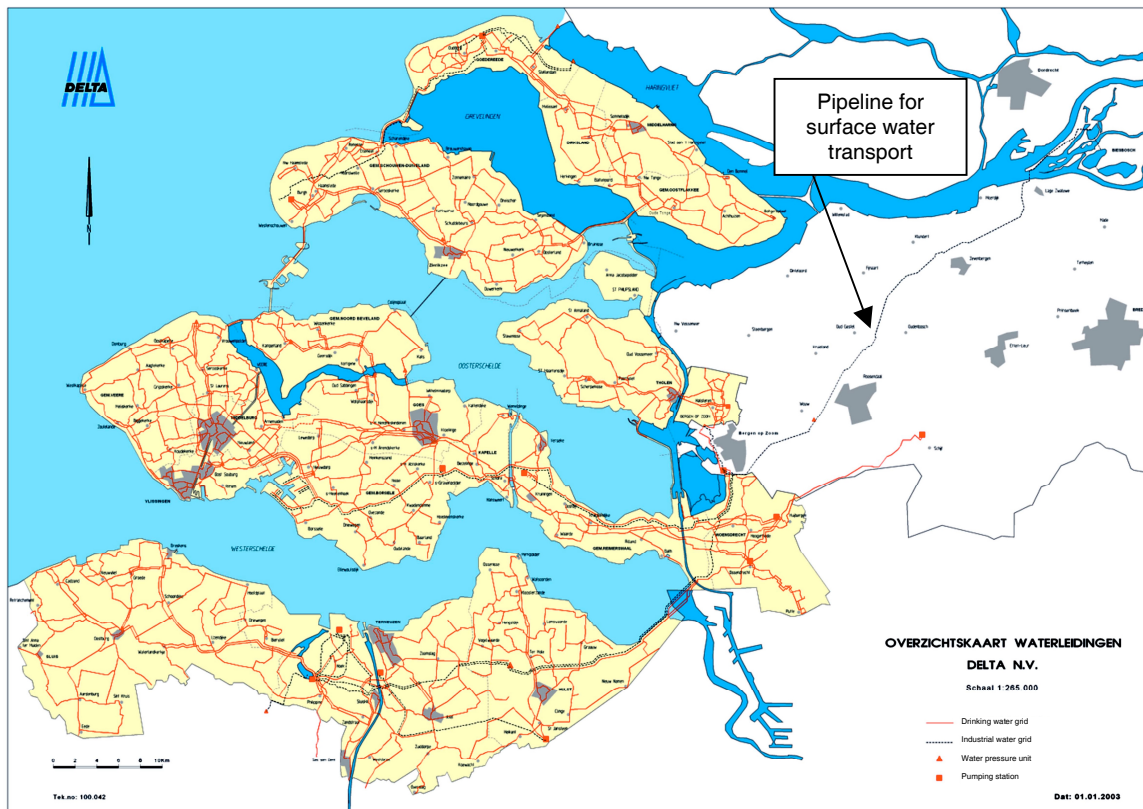


Figure 7.2: Delta's water transportation grid: surface water is coming from the Biesbosch and groundwater from the Brabantse Wal and the dunes.

#### 7.4.6 Further diversification

Growth is also realized by further diversification in its own region:

R1 : If we were to choose only one product, (...) for example, energy, then we would surely be too small! (...) So we say if the shareholders, in our case, the governments of Zeeland, want to keep Delta as a whole, then we have to become broad in our own home market. That is what we are good at. (11:89)

Being a multi-utility company has advantages for the company: it is more efficient, it helps in drawing up a more coherent strategy, and improves the offer to customers. The integration has even environmental and social advantages:

R4 : And, of course, because we do multidisciplinary projects... well, plain and simple, if we have to construct a water pipeline, then we already check: maybe an electricity cable is also needed, or a gas pipeline, or whatever. That can be included in the construction works very easily. And so you save excavation work, you save energy, you save inconvenience, and so on. (57:9)

#### 7.4.7 Product differentiation

Within each business, Delta aims for a broad product range:

R2 : Within these utility services, we try to create the highest possible added value. (...) we try to follow our product as far as possible. (...) we sell water to an industry. They use that water. Then they emit it and we are willing to treat it, the waste water, and, if possible, recycle it. So I mean in these chains. (52:15)

Acquiring new utilities and product differentiation seem to be two sub-strategies that support the same goals of annual growth. Closing the water chain is the last part of a product differentiation strategy that started 20 years ago:

R3 : think it was about 20 years ago when we started to promote the supply of alternative water to industry on a large scale. (...) And about 6 years ago, we started doing waste water treatment. We have two sewage treatment units in operation now. (...) And all of that was actually part of a main trend, a main development trend towards tailor-made water and closing water cycles. (50:6)

#### 7.4.8 Better service

Delta intends to compete with other water and energy companies. Since many of its competitors are much larger, Delta cannot win in a price competition. It tries to compensate for price and size disadvantages by offering better service and more flexibility to industrial customers:

R1 : It is a product that anyone can supply in the same way, and if you are in a market you have to try to be different, so as well as supplying a product, we want to offer services, paid services which the customer can use if he finds them attractive. By the way, other companies do that too, but everyone has his own way of providing services. Just supplying the product, well, that is the same for everyone: a kilowatt-hour, a cubic metre of gas, soon a cubic metre of water.

I : Yes. And that's where the warmth comes in, then?

R1 : Yes. Yes, that would be the warmth towards the customer. (64:34)

Broadening the service often means opening the competition in markets which are formally still monopolies. Delta attacked the monopoly of water boards on the treatment of sewage from households. Industries are allowed to treat their own waste water. Holiday houses are in a grey area: do they belong to the commercial market or the public sector?

R1 : We have a conflict with the water board, or we had, because it has been straightened out, about whether we were allowed to treat the waste water of a holiday village. Does that concern households, the waste water from a holiday village; (...) is that the domain of the water board? We won, but it was just a single victory, because they will probably close off that legal opportunity, and it is likely that waste water from households will remain with water boards. (11:18)

Delta also put the legal machinery in motion by approaching an industry in the neighbouring province of Noord-Brabant for water supply:

R1 : The procedure in Noord-Brabant is still running. What did we do there? We had a company, Fri d'Or, whom we could supply with considerably cheaper water by getting water for industry from our pipeline out of the Biesbosch, which runs nearby that company. (...) We thought we were allowed to do that and that we did not need a license for it. We are sure we did not need it. Only the Provincial Executives of Noord-Brabant did not agree. (11:125)

In the traditional, government-oriented water sector, this strategy has caused a series of conflicts which earned Delta the reputation of an aggressive competitor.

#### 7.4.9 Warm relationship with shareholder

Delta has a close relationship with its largest shareholder, the regional government:

I : And how is your relationship with the Province of Zeeland?

R1 : Good, very good. In the first place, it is 50% shareholder so we make sure that the relationship stays good. (11:57)

In a quotation in Section 7.4.2, Delta expresses a wish to be steered mainly on financial criteria. As a part of this 'new contract', Delta pays a large dividend to shareholders:

R1 : That is also a shift within the new regulations: we will pay an important part of the profit to the shareholders. (...) We used to pay one and a half million, Dutch guilders, and now we will, in order of magnitude, pay 40 million. (...)

I : And who will get that?

R1 : The municipalities and the provincial government. (11:90)

Besides paying a dividend, Delta promises its public shareholders to do something extra for society:

R1 : In our case, the provincial government can expect something extra and say "Yes, but you have governments as shareholders. We want you to take a proper look at this and a proper look at that"; something that a stock exchange company probably would not do. (64:31)

These extra efforts may lower Delta's margin, but not below the company's financial viability:

R1 : At the same time, we say, it has to be on a reasonably commercial basis, because as a shareholder, you'll still want a profit. On the other hand, we are not driving a hard bargain. So we are looking for a balance between financial return and what the shareholder would like: to develop something. (64:35)

Apart from its customers, Delta seems to concentrate on just one societal stakeholder, which also happens to be its largest shareholder. Does it trust this public shareholder to voice all societal concerns in one integrated package? How does Delta describe its relations with other societal actors, and does this confirm Delta's selective approach? We'll come back to these questions in Section 7.6.

#### 7.4.10 Strategy overview

An overview of Delta's strategy is presented in Figure 7.3. The data show agreement among the respondents regarding the company's course. Being a multi-utility company, it is forced by European legislation to function commercially. This is translated into the goals of shareholder value, profit, and warmth. Profit can be achieved by internal efficiency improvement and by growth.

Growth in Delta's 'old' businesses, energy and water, can be achieved by product differentiation, which mainly concerns industrial water, and by looking for opportunities

outside of Zeeland. The decision of the shareholders to keep Delta as a regional multi-utility company forces Delta to diversify in its own region in order to achieve enough growth.

Finally, the warmth dimension: this is to compensate for the ‘cold’ business values of shareholder value and profit. In addition to those financial goals, good and lasting relationships are necessary, notably with the shareholders and with the customers. Delta tries to provide optimal service, to pay a large dividend to the shareholder, and to do something extra for society if the shareholders ask for it.

In the strategy, sustainability issues emerge in two ways: as commercial opportunities that happen to be sustainable; and as societal pressure for more sustainable practices that are judged with financial criteria.

Delta’s strategy will safeguard a good balance between People and Profit, because the company wants to have a good infrastructure while watching costs. This does not leave much room for the Planet aspect of sustainability. The initiative of Delta can only be expected where efficiency gains exist. Otherwise, long and focused governmental pressure is necessary to balance water extractions with nature conservation. When action is finally taken by Delta, it works thoroughly and with a whole system approach (it wants to believe in what it does), but as soon as governmental attention fades, Delta stops investing in activities that have no financial return. It believes it cannot afford to do that.

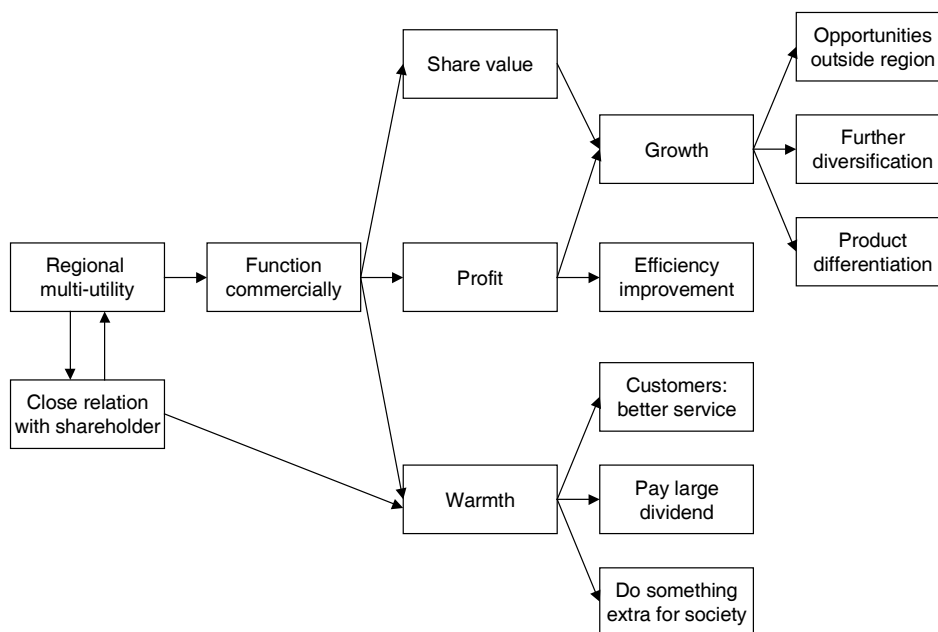


Figure 7.3: Overview of Delta's strategy

## 7.5 To what kind of ‘sustainable’ practice does this lead?

Delta decides to do activities when they have a financial return, or when shareholders demand it to do certain activities. The concept of sustainability is not integrated in the decision-making process; at most it is used in hindsight to argue that Delta is doing the right thing. In this section the consequences of Delta’s way of reasoning for operations will be explored.

### 7.5.1 Operating commercially leads to sustainability

The Delta respondents are aware of sustainability goals, but use commercial benefits as their main criterion:

R1 : Our main goal is to use less groundwater, to shift towards surface water. As soon as we see opportunities to do that, and it is profitable, we do it. And then we say in all honesty, see how well we comply. If the outcome had been that we could not realize it, then we just would have continued until it wasn't allowed anymore. But I would not call that a struggle. Then it simply fits with your general strategy, doesn't it? If we look for a solution in industry and (...) it is a nice solution, and we can still earn money, then we say, well, it fitted within the sustainability goal. But would we have done it if it had cost a lot of money? No. (11:83)

Switching from groundwater to surface water is national policy, and Delta acts on it because it is commercially interesting. Delta also makes use of the moral value of the switch: "See how well we comply with the sustainability goal".

Nowadays, industrial water is a growth market, but when Delta entered this line of business, it was innovative and risky:

R5 : I think Delta was one of the first, or even the very first to supply several types of water. Drinking water and industrial water and, later, we also had agricultural water (...) That was all within the framework of sustainability, that we did not waste a high quality product like water of drinking water quality, that we did not waste it by using it for all water needs. Because industry, it often needs water, it does not have to be of very high pathological quality. So back then we already dared, although the costs of producing it were lower than for drinking water, but it is a little against normal market principles. You replace the possibility of supplying the water of high quality but maybe also with a higher margin, with a cheaper product with which you earn less. Well, I think that shift is almost... I think about 40% now. So that has been a rather daring and also a rather good approach within the framework of sustainability. (46:2)

The term 'sustainable development' was not in use 20 years ago when these decisions were made. We find the figures for Delta's recent water sales in yearly reports (Figure 7.4), showing that the growth is coming from industrial water. Drinking water sales have stabilized.

Other opportunities for market growth are new activities such as waste water treatment and water recycling technology. Delta's strategy is to provide the best service as a competitive advantage and this means improving the whole water system of a customer. This generates cost savings for the customer and market growth for Delta. The outcome of these new services can also be more sustainable:

R4 : If you look behind the meter and you see that the company is evaporating the water, for example, then you see a different aspect, a different quality. (...) then you provide an extra service to that customer. You can save water for example. And that is a service to the customer but it's not, I think, inspired by the concept of sustainability. It's a bit ambivalent, you know. I mean, it's nice if production lines increase (...). You look at the figures and you say, hey (...) we have grown 2% in two years; should that make you happy from the sustainability perspective or not? From the business perspective you say, yes, it's a good achievement. More sales, that is usually good. (57:25)

The ultimate goal for Delta is sales growth, and sustainability gains more or less coincide with that. There is no organized quest for a more sustainable overall outcome.

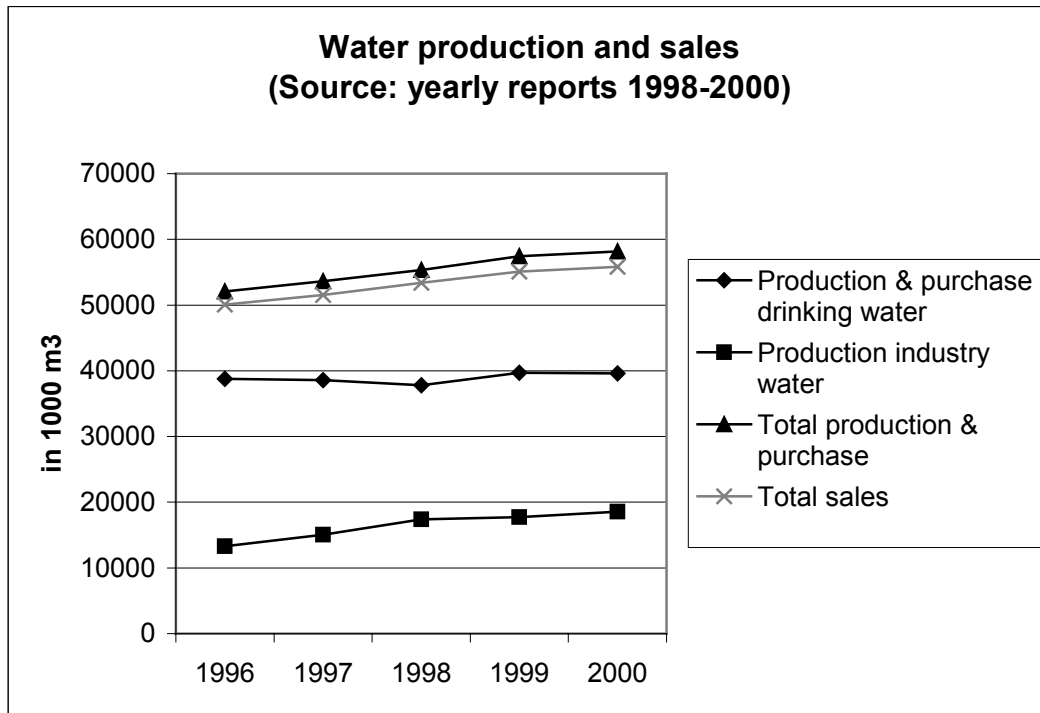


Figure 7.4: Delta's water production, purchase, and sales between 1996 and 2000. Delta produces both industrial water and drinking water. It also buys some drinking water from neighbouring water companies.

### 7.5.2 Societal responsibility

In the above section, the respondents argue that their commercial solutions just happen to be sustainable. This does not mean that environmental issues are unimportant to Delta. They take these issues into account in internal decision-making processes:

R5 : Well, we are a company that wants to behave responsibly towards the environment. That's written down in our goals. And that means that we take account of sustainability in our use of raw materials, but also auxiliary materials. (46:2)

These decisions are made in a context of financial constraints. In the past, Delta was protected by a monopoly regime. Tariffs could rise if investments were necessary. Since liberalization, Delta has to compete for large customers with low prices. Delta promised in 1995 not to increase prices for the following 5 years. Because of this, they cannot comply with all sustainability demands from society:

R3 : In the world of water supply in general, one does not watch the costs. Because people think, oh, one cent per cubic metre, no one will notice the difference, but it does bring in a lot of money. (...) And we say, no, one cent per cubic metre, three, four times a cent per cubic metre is three cents or four cents. And we have price agreements with our customers, that there will be no rises, other than the inflation factor. So we are not going to, if someone, nationally or locally, wants something and says that it's only one cent per cubic metre... No, we're not going to do that, why should we? And what's more, we'd rather reduce it by one cent, on the cost side, I mean. (50:16)

Delta keeps its prices constant, or even lowers them, and it cannot afford to lose money on the cost side. As we already saw under the heading 'function commercially', for most new projects, profitability is calculated before decisions were made. Sustainability decisions have

to meet this criterion as well. At Delta a commercial ethic is preferred over a political ethic. Acting commercially is not a problem, one respondent says; he objects to people who make idealistic claims in a commercial context and hide their self-interest:

R1 : If Shell gets involved in solar energy, (...) they think they will earn money with it, eventually, one way or another. That is not a problem in itself. But people should not claim they are doing it because of principles and everything, that too, that is part of it too, but will always think ahead, about earning money, and so do we. (11:41)

Delta wants to behave responsibly towards the environment. This can be seen mainly in its behaviour with regard to resource use, waste, and emissions, because this implies efficiency gains for the company:

R2 : Well, actually, we often choose implicitly for sustainable goals. We want installations that are durable, for example, we choose pipe materials which are durable. We choose company cars with low emissions. (52:5)

For nature conservation, the consequence of a commercial strategy is that Delta bargains in order to get something in return:

R3 : Delta is running a couple of (...) relatively large nature oriented projects in water extraction areas, or has been running them. Those decisions, including the decisions about spending money, always coincide with another interest, namely, increasing the water extractions, so enlarging the interest in Delta's primary product. I don't think we would have spent such large amounts of money on nature development if that aspect had not been there.

I : But are the water extractions in that same area?

R3 : Yes. Yes.

I : So they are infiltration areas?

R3 : Yes. (43:6)

R1 : The government (...) wants to recover [a dune area]. We cooperate, which costs us money too. That does not bother us, as long as (...) we're allowed to extract water from [another dune area] in the future. So we do it, it sounds banal, but it's always an exchange. Its not that we think it's good because of our principles, and no one has to pay. (11:104)

From these quotations, we can deduce why Delta spends money on nature management: there is a trade-off, because Delta can continue water production in the dunes. In the last sentence, we see that the respondent regards decisions that raise prices as unethical.

In the quotations above, we see that negotiations between the provincial government and Delta were successful and action has been taken. In another case, however, the problem has not been solved. Delta extracts large quantities of natural groundwater from an area in the neighbouring province. The area suffers from desiccation and the discussion on how to solve this problem has not ended yet:

R3 : The idea is to bring that water back up the Brabantse Wal (...) that's what Delta is good at, transporting water through pipelines. That is our core business; we know very well how to do it. We will put the water in a pipeline, bring it back to this or that spot on the Brabantse Wal so water levels rise in those pools again. Well, and then we'll want 50% of what we bring back in exchange, from deeper layers, so it's not an infiltration-extraction system, it's bringing in water, and extracting extra from a different layer. Then everybody is happy. Desiccation is solved for a great part. But then they say (...)



it is alien water, and because you pump it up there it's not sustainable. Unbelievable! (43:13)

Delta proposed a technical solution for the desiccated area and in return it wanted to extract a larger amount of water from the area. To Delta's disappointment, the solution was not accepted, because it was considered 'too technical'. Apparently, these actors interpret sustainability differently:

R3 : But then there are those hardliners who'd prefer to see no human influence in the area at all. And there are pragmatics who say, "Well, let's think about it, maybe it is a good idea". (50:3)

In a case like this, Delta would prefer to take action over discussing fundamental views of reality. In another case involving valuable nature area such a pragmatic solution was found:

R3 : We are doing a wet dune valley recovery project there. We do it really because there is a subsidy of 90% available for doing it. And so it costs Delta only (...) 10%, I think that amounts to 50,000 Dutch guilders.

I : I see. So the financial aspect is always evaluated then?

R3 : Yes.

I : But why invest those 50,000, because that will probably not yield anything for Delta?

R3 : No, but that's spending money on a kind of PR exercise. The area is a special area, attracts a lot of attention. Delta is under a lot of pressure from nature organizations (...) more or less because of that pressure which... well, continued for several years, we eventually said, "Okay, if it gets subsidized for 90%, we are willing to take on that project". (43:6)

From this quotation it becomes clear that Delta only takes care of nature when under much pressure from outside and only if others pay for it. The importance of the issue is measured by society's willingness to pay.

In sum, Delta uses the following pattern of decision-making for sustainability issues:

- Possibility A: The sustainable alternative can be sold for a competitive price, or will be in the future. This mainly concerns financially more efficient alternatives.
- Possibility B: Are customers prepared to pay extra for a more sustainable alternative? Fine, but it is a small niche market.
- Possibility C: If customers are not willing to pay, the government should provide a subsidy. This will show if the governmental sentiments are real. Delta refuses to add the costs to the tariff.
- Possibility D: If neither customers nor government are willing to pay, then Delta will not do it. If it complied, it could not survive on the market.

### 7.5.3 Overview of sustainable activities

Below, we look at how Delta's decision model works out for each of the possible forms of action found in the interviews (Table 7.2). This table shows that the strategy is followed consistently in the making of all decisions.

Table 7.2: Overview of sustainable activities and how Delta deals with them

| Code                        | Example quotation  | Outcome  |
|-----------------------------|--|--|
| Reduce waste & emissions    | "For example, getting rid of waste sludge from pumping stations. It used to be dumped next to the pumping station. Nowadays, we remove it and reuse it all. (...) and also less energy use, less chemical use, that's because of economic goals, but also because of sustainability goals." (11:77)                              | Delta prefers solutions that combine sustainability and financial efficiency, for example, waste recycling and reduced resources use.      |
| Save energy                 | "If it is about small things, we are very prudent, using low-energy bulbs and stuff like that. But then it's also about cost- saving. Low-energy bulbs are written off over 15 years, well, that's how long the installations last, so we allow that." (93:9)  | Saving energy is financially efficient.  |
| Green energy                | "Forty thousand people subscribed to green electricity and we are happy about that. It's a success. (...) We don't know if the government will still be willing to pay such a high subsidy for it in four years time, but we'll see about that then. (...) It actually is a collective swindle and we participate in it." (93:5) | Green energy is stimulated by governmental subsidy so Delta cooperates, but has doubts about this financial construction in the long term. |
| Choose materials            | "Material use when pumping stations are built, a little, not really exhaustively" (11:77)  | Sustainable material use: sometimes applied.   |
| Protect nature              | "We invest in water extraction, not in nature. It's always about a water extraction interest. We invest so we can continue water extraction there, and sometimes that means nature development." (93:3)  | Nature is taken care of if societal actors 'force' Delta to do so, and then the company looks for a positive bargain.                      |
| Prevent desiccation         | "If society thinks the Brabantse Wal is desiccated, then that's the way it is. (...) we are willing to cooperate in projects to prevent it. (...) The suggestion that we would have to quit water extraction is, of course, going too far for us." (50:2)  | Delta accepts that there is a problem and offers technical solutions under the condition that extraction can continue.                     |
| Reallocate water production | "We've already surrendered licenses and wells. And we try to adapt water extractions as much as possible to (...) prevent negative effects, (...) while of course keeping, well, you still need water, so something will have to come out of it." (64:38)  | Delta is willing to adapt, as long as water extraction is possible.  |
| Promote water saving        | "But there is also a tendency (...) for people to be more easygoing about comfort in the house, for example, the shower, use of water increases. (...) we do not notice any reduction in drinking water use." (11:122)   | Delta does not think water saving by households is an essential trend  |
| Develop household water     | "Examples are, of course, household water projects. Which are not paying back in money and maybe not in environmental terms either, but I did not look into that." (50:28)   | Delta only develops household water if it pays off and so far it worked in only one case.  |
| Use surface water           | "We extract water from the river. If we didn't, it would be in the sea the next day. Well, so what." (52:7)  | When surface water is used, there is no reason to worry about sustainability.  |

## 7.6 Delta's network

In the following quotation, a respondent from Delta mentions several influential organizations:

- I : But which organisations influence Delta the most?  
R2 : Well... customers, politics, ministries, personnel, actually all stakeholder groups. (...)  
I : Are there any organisations that stand out?  
R2 : Well, politics, the provincial government, stands out. (52:27)

For Delta, four external respondents were interviewed: two from the Province of Zeeland (PROV1 and PROV2), and two from two different industrial companies (IND1 and IND2). In

the following sections, we present the views of Delta of external network partners as well as the external views of Delta.

### 7.6.1 The Province of Zeeland

The provincial government is most influential, because it's the largest shareholder:

I : How important is the provincial government in that? I mean the provincial government...

R2 : Well, it is important as largest shareholder. It is (...) 50% shareholder. In fact it is the owner. In its role of owner, it is important; in its role of political body as well. (52:16)

The shareholders have a significant influence on Delta. Ten years ago, they decided that the former water company and the energy company of this province should merge to form the present multi-utility company:

I : How did that strategy come into being?

R2 : From the idea to keep a utility company of our own in the province; within the home market.

I : And who thought that out?

R2 : The managers and board of directors, about 15 years ago, or the shareholders. (52:16)

Among these shareholders, interest is shifting from societal goals towards financial goals:

R1 : In the past, societal goals played a role for the shareholders; they were considered of paramount importance, but with the shift, maybe also towards a more materialistic world, they think more and more about money. (11:94)

Delta prefers the situation in which the shareholders steer it mainly on financial criteria, as was already shown in section 7.4.2. Because the shareholders are governments, they can make some extra demands, as was shown in section 7.4.9. Therefore, the shareholders still influence Delta regarding the implementation of certain societal goals. Liberalization did not cause a sharp transition to financial goals, but a gradual shift to less societal goals and more financial benefits for the governmental shareholders. Although the above respondent states that he doesn't care who owns the shares, another respondent suggests that Delta prefers governmental ownership:

R4 : [Our director] is still communicating with the outside world: why would we sell it? If the company makes enough profit, then it keeps its value for the shareholders. Internally, there is a certain concern of course, like, what's going to happen? Will the billions or hundreds of millions, or however much, lure the shareholders or not? ((57:19)

Conclusion regarding influence on strategy: the Province of Zeeland is the most important external actor for Delta because of its 50% shareholder ship. Based on this shareholder ship, the provincial government negotiates with Delta about societal goals and financial goals.

The term sustainable development is used often by the provincial government:

PROV2 : Actually, almost every problem becomes connected with sustainability. But to decide what exactly you are going to do, that's more difficult. (55:34)

The provincial government uses the term to analyze problems and to discuss them with other societal actors. This frequent use may have induced Delta to use the term more than it cares to. Is there any similarity in the meanings associated with sustainability? The respondents from the provincial government emphasize an integrated approach:

PROV1 : I think the most important job is (...) to integrate the sustainability policy in all domains (...) I think (...) you can gain a lot by not pulling projects off the ground first and then thinking about how you can make them sustainable afterwards. You have to do it all at once, and then you gain something. (58:2)

Especially in water management the policy has to be integrated, because it influences the whole landscape:

PROV2 : There are many sides to this... it's not just a matter of salinization or desiccation of nature. It's also about the quality of the landscape (...) If you can realize a certain water level, a fresh water level in this case, in a certain area, then this affects the whole landscape, the trees (...) everything that grows. (55:22)

Although the word 'system' is not used in these quotations, it comes close to Delta's theme, the 'whole system approach'. Carrying capacity as a theme can be recognized more easily:

PROV2 : As a provincial government, we built a system ourselves (...) with which we use quantities of groundwater that stay within the limits of the natural recharge rate. (...) That's implemented entirely in accordance with the licensing procedures, for Delta, for agriculture, as well as for other extractions. (...) In that sense, I think the sustainability idea has already taken shape. (55:22)

Furthermore, Delta shares the theme of reduction of environmental damage with the provincial government:

PROV1 : You also need to think about your future in this world, in this province. That means you have to burden the environment as little as possible. (58:2)

Governmental themes that are not shared by Delta are self-sustaining, non-technical solutions and water saving:

PROV2 : So sustainability means adapting more to the geophysical conditions when we decide on functions, instead of solving everything with technology. (55:23)

It seems understandable that a technically oriented company does not feel attracted to 'self-sustaining, non-technical solutions'.

Conclusion regarding influence on perceptions of sustainability: Delta and the Province of Zeeland share several ideas on sustainability, which confirms the large influence and engaged debate between the two organizations. An exception is the idea of the Province of Zeeland about non-technical solutions.

The provincial government influences Delta's sustainability operations by controlling extraction licenses. It decides how much groundwater can be extracted and supports decisions to use more surface water. The provincial government also negotiates about how the surroundings of an extraction site should be managed:

R1 : The government (...) [wants] to recover [a dune area]. We cooperate, it costs us money too. That does not bother us, as long as it means that we'll be allowed to extract water from [another dune area] in the future. (11:104)

The respondent from the provincial government thinks water-saving activities are important:

PROV1 : As far as consumers are concerned, (...) I think [Delta] should also give good information about water and saving water. (...) Because the more you use, the more you need to extract (58:4)

This subject is not mentioned in the interviews within Delta. It does not fit into a commercial strategy.

Conclusion regarding influence on operations: the provincial government influences Delta's nature-recovery activities, but only after much pressure. As soon as the provincial pressure weakens, Delta quits financially unrewarding activities. Therefore, governmental ownership is the only reason why Delta engages in such sustainable activities.

## 7.6.2 The Province of Noord-Brabant

Delta extracts about half of its drinking water from groundwater resources in the neighbouring province, because Zeeland has few groundwater resources of its own. The relationship between Delta and the provincial government of Noord-Brabant is not good:

R2 : It is about very few shares, but a lot of water, that is the strange thing about it.

I : (...) Is Delta's relationship with Brabant very different from its relationship with Zeeland? (...)

R2 : The relationship with Brabant is bad, really bad. (...) it is a provincial government of many words and a not very pragmatic attitude; we're not making progress in Brabant. Actually, it drives us crazy. (52:12)

We could not find out exactly how many shares are owned by the neighbouring provincial government which provides the water resources to the water company; only that it owns less than 3,5%. The desiccation problems in Brabant are comparable to those in the dunes of Zeeland, but no solution has been found:

R3 : We developed a project, consisting of bringing back run-off water onto the Brabantse Wal, in compensation. (...) It was presented two years ago to the Province of Noord-Brabant, to provincial officials, with the request to please react to it. They were afraid to do it. Imagine that it would be a good idea! And consequently, we used the non-reaction tactically: 'Listen, we come up with ideas and all you say is that extractions have to be reduced (...) now you look at our ideas first.' They did not do that for two years and that was a comfortable position (laughs briefly). (43:12)

Negotiations between Delta and the Province of Zeeland took several years; it seems that the Province of Noord-Brabant is having even more difficulties. Its licensing power is not enough to make Delta reduce groundwater extractions. The big difference between these provincial governments is that one has 50% and the other a negligible percentage of shares. Next to that, there may be cultural differences.

Conclusion regarding influence on strategy and sustainability: because the Province of Noord-Brabant is not an important shareholder, and because there is a serious conflict of interests, the desiccation problems cannot be resolved. Cultural differences also play a role, but if the Province of Noord-Brabant had more power, these difficulties would probably be overcome.

### 7.6.3 Large customers

The second important influence comes from customers:

R5 : You have to keep the customers and then you can earn something from them. And if you are too expensive, you'll lose them. (46:6)

In the next quotation, the respondent tells us where the real power in society resides:

R1 : There will be a market in water, no matter what policy the government comes up with, because companies won't let the government decide what's allowed and what not; they'll look for solutions for their own products and these will be solutions that the government can never oppose because they will be better, more sustainable, than working from a monopoly situation. (11:123)

This company apparently prefers the influence of (large) customers to governmental influence. Large customers are relatively important to Delta:

R1 : Eighty-five percent of our electricity is going to two large users and 15% to 400,000 small users. If we look at gas, then all of our sales are to small users, because the large ones don't use gas anymore. In water, it's fifty-fifty and, in telecom activities, it is mostly small use. (11:121)

Delta makes the influence of industrial customers more formal by introducing industrial representatives to its Board of Directors:

I : How many people from industry are in the Board of Directors now?

R1 : (...) of those nine there are... five.

I : That's a lot. And do you notice a difference?

R1 : There is a shift, certainly (...) there is a shift towards more company-oriented and less society-oriented goals. (11:95)

Conclusion regarding influence on strategy: large customers have an important influence on Delta because they can walk away. Delta invests in these relations and has even changed its Board of Directors so that it allows them to follow a more industrial-minded strategy.

In one of the industrial companies in which interviews were held, the term sustainability is used for internal operations:

IND1 : Yes, we use the term 'sustainable solution' often, and also the term 'structural'. We want to avoid having to do it all over again. (...) The term is used when we want to start something, or when we are looking for a solution. Then we evaluate alternatives, and see which one comes closest to being self-sustainable or easy to maintain. (53:4)

In the other industrial company, the term is given a prominent position in lectures but it is rarely used in internal communications:

IND2 : Well, look, sustainability, let's say, the term is familiar to me. But if you ask if deal with it on a daily basis? Well, no, I don't. (...) I think sustainability is often used unnecessarily in all kinds of... there is hardly a seminar nowadays where it isn't mentioned. But if you really look at what they mean, then I think, well, it's becoming a fashionable word, you know. I mean, it sounds good, of course, sustainable, recoverable; it includes nature, it includes humans. But what is it exactly? (71:19)

If we compare these uses, Delta's view is most similar to the second industrial respondent. Delta uses the term in its daily language because of the sustainable energy debate, and in

reaction to its frequent use by the provincial government. However, Delta uses it with a scepticism similar to that of the second industrial company.

A theme Delta shares with industry is long-term thinking. One of the respondents comments that long-term thinking is valued more by Delta than by his own company:

IND1 : The difference between Delta and [our company] is, that Delta focuses on financial returns on the long term. (...) We are looking for a much higher margin. You can see it in Delta's installations and in the way it works. What surprised me the most: (...) [for Delta] a pipeline has to function fifty years, at the least. While we plan to replace pipelines in fifteen or twenty years, those are the normal outlooks for us. It is a cultural difference between the companies. (53:5)

Another shared theme is a secure water supply. This large industrial company has its own utilities department, taking care of energy and water supply. If the water supply would fail, this would lead to dangerous situations:

IND1 : The most important issue is that water needs to come our way all the time (...) we sometimes say: we are the heart and lungs of the company. In that sense, sustainability is important: sustainability of supply and sustainability regarding quality. (53:2)

So the industrial company interprets sustainability also as robust technological systems.

Conclusion regarding influence on perceptions of sustainability: on the surface, Delta shares many of these ideas about sustainability in industry: that it is a fashionable term, and that it should mainly concern efficiency and the long-term security of technical systems. Delta probably adopts these ideas in an effort to serve its industrial clients better. At a deeper level, however, Delta has a culture that differs from that of 'normal' businesses because Delta is much less interested in short-term profit.

One of the industrial respondents is pleased with the way Delta follows up on a contract:

IND1 : What they are clearly looking for is partnership. And I should not say this too loudly, but they really do it well.

I : Why can't you say that loudly?

IND1 : Well, if you say it too loudly they'll think "if we do it so well, we can ask more money for it". (laughs) They are not easy guys to bargain with, but when they get the contract, they really make every effort. (53:13)

In the operational sphere, Delta continues to work within its culture of robust solutions. This attitude is appreciated by the industrial customers, so there is no move towards short-term thinking. Industries influence Delta by offering it opportunities for innovation. If they lead to a closed water cycle or more efficiency through cascading, these innovations are more sustainable:

R4 : While we are developing things we ask if this is better or not. (...) Not so much 'more sustainable', but 'better'. (...) we supply a product, namely, water. But behind the meter so much can happen with that water, that we at least want to see if we can improve that, and expand our market (...) that may be a little more sustainable, too, but I think it would be abuse of the term.(57:4)

This respondent states that improving a customer's water efficiency is more sustainable, but he is honest about Delta's main motivation: commercial considerations. The labelling of a large industrial water project as sustainable led to a pleasant surprise for Delta in the form of a subsidy of 6.5 million guilders:

R4 : we did a project at [a large industrial company]; a new water factory. We wanted to keep it as a customer, of course. It was a big investment of one hundred million [Dutch guilders]. (...) Before we knew it, we acquired a subsidy of six and a half million because of saving energy. And we were simply doing a water project. (57:11)

Conclusion regarding influence on operations: Delta's cultural tradition of building durable infrastructure is not affected by industrial influence. Industries sometimes influence Delta to use more efficient and, therefore, more sustainable technologies. Sustainability is not a strategic goal, so Delta would possibly also comply with unsustainable demands from large industries if this brought in money. Furthermore, the pressure from large industries limits Delta in rising its water prices, which in turn severely limits Delta's willingness to do unrewarding nature recovery projects.

#### 7.6.4 The EU and the Ministries of Economic Affairs and Environment

Delta distributes electricity from the only nuclear energy facility that is still operational in the Netherlands (Borssele). This is a result of the Ministry of Economic Affairs' former energy policy:

R1 : Not many years ago, the government's policy was to diversify, so we had to use coal, gas, and nuclear energy. Well, nuclear energy is entirely out of fashion, coal has to be closed down now too, and only gas is left. (...) There still are many coal power plants. But if you want to get rid of them because they cause enormous CO2 emissions, that is true, gas is cleaner, that is true, but you become totally dependent on gas then. (11:132)

Delta does not like these changes in governmental policies, essentially based on sustainability arguments, because Delta's infrastructures are long-term investments. As we saw above, liberalization of the energy sector is a policy change Delta does like. It was initiated by the European Union, and implemented ahead of EU deadlines by the Dutch Ministry of Economic Affairs:

R5 : Well, for electricity, it's already in top gear. In 2003, it will be effective for the last category, the small users. They can choose from whom they wish to buy. And the same is happening for gas. (46:7)

Liberalization offers Delta growth possibilities, and this is stimulated by the Ministry of Economic Affairs. Liberalization of the water business, however, has been blocked by the Ministry of Environment (supported by the Dutch Parliament):

R1 : The government says "(...) try to earn money abroad with the Dutch water industry". (...) That's only possible if you turn it into a market (...) because a monopoly company cannot be successful abroad. (...) if it continues the way the Minister wants, the Ministry of Environment (...) then supply to households stays a monopoly and drinking water above one hundred thousand cubic metres becomes a market (11:123)

Conclusion regarding influence on strategy: the EU and both Ministries have a decisive influence on company strategy. Conflicts of interest between the Ministries cause uncertainty for Delta.

The most relevant topic to Delta in the area of sustainability is that of sustainable energy, which is regulated by the Ministry of Economic Affairs:



R1 : We had a governmental target to realize a certain amount of sustainable energy; 3% in the year 2000 (...). We reached it too. There is a discussion going on right now if it should be 10% or less in the year 2010, (...) but we'll simply wait for that. We are not going to say 'let's do it', if the agreement with the government is not certain and if we don't see that others are committed to that agreement too. (11:79)

The Ministry, in turn, is influenced by the Dutch parliament:

R1 : And then there are members of Parliament who yell that green energy should be cheaper. It isn't cheaper if you look at it realistically, only you make it cheaper with subsidies. (64:39)

Besides stimulating production of sustainable energy, the government stimulates consumption of sustainable energy using ecotax measures. Delta respondents have doubts about this 'artificially created market':

R1 : The taxes are so low now that our green energy is the same price as other types of energy. So everyone starts buying green energy. (...) And actually that is, in my opinion, an artificially created market. (...) That governmental subsidy comes from (...) sales tax on other energy. But if it's the same price and everybody shifts, then the part that is taxed will be smaller and smaller. And then the government will decide that it can't pay for that anymore. So I think it cannot continue, the way it is happening now. (64:3)

Delta's suspicious attitude towards 'politics' is supported by its experience with waste management projects. The Ministry of Environment planned to forbid shredding, burning, and dumping of electronic waste, which would make dismantling obligatory. They also wanted to forbid the dumping of waste water sludge. But in both cases, the Ministry altered its plans and Delta suffered the consequences:

R1 : We established a workplace for dismantling office equipment, computers, and copiers. (...) When the shredding prohibition law did not go through, we had to put a lot of extra money into it and we quit. (...) we did a pilot project (...) to vaporize sludge from waste water treatment. Technically it was a perfect system, only it cost 900 guilders per ton. And that was meant for when it would not be allowed anymore to dump it; and as long as we're allowed to dump it, we're not getting any business out of it. And so I said, "Stop that project". (11:80)

When the market for green energy was liberalized, Delta started a large marketing campaign, and with success:

R2 : Forty thousand people subscribed to green electricity and we are happy with that. It's a success. (...) But the research also shows that those customers do not even know what it is. (...)

I : But it is the same price and...

R2 : Yes, because the government pumps so much money into it. I don't know if the government will still be prepared to subsidize it so much four years from now, but we'll see about that when the time comes. What's happening is really strange, because (...) the regular electricity goes to industrial companies (...). Those companies make nice products with it and we all buy them. It is actually a collective cheat and we participate in it. (93:5)

Delta engages in this activity because otherwise it might lose customers to competing energy companies. But it does not believe in the tax construction.

Conclusion regarding influence on operations: the sustainability of Delta's operations is influenced by the national government through legislation, agreements about sustainable energy targets, and subsidies. Delta distrusts the national government and chooses to operate defensively as far as governmental policies are concerned.

#### 7.6.5 Municipalities

Roughly 50% of the shares is owned by municipalities. Among this group of shareholders, there are no dominant actors:

- I : Does [the largest municipality in the province], for example, have more influence within the province?  
R2 : I don't think so. (...) They listen a bit more to larger towns than to small villages (...). But its not noticeable to me. (52:27)

Municipalities own between 0.9 and 5.8% of the shares, so there are no obviously influential actors apart from the provincial government, which holds 50% of the shares. Although the provincial government seems to be in a dominant position relative to the municipal shareholders, it is unclear whether these shareholders make the balance of selling/not selling more precarious than if the provincial government was 100% owner.

Conclusion regarding influence on strategy: municipalities probably have little influence on Delta's strategy.

Household water is an issue for municipalities in Zeeland. Delta carried out one project that was economically sound, but often Delta refuses to cooperate.

- R3 : We also had a situation in Axel, (...) I think it was in the newspapers, (...) that Delta was not willing to do anything for the environment because it did not want a household water project. (...) They expected (...) us to pay a financial contribution. From our commercial viewpoint, we said "no, we are not going to give away any money". Why would we do that? Also, we were not convinced about the environmental benefits. (50:29)

Conclusion regarding influence on operations: municipalities have little influence on sustainability activities. Delta chooses to do economically rewarding projects, and certainly does not go along if environmental benefits seem absent.

#### 7.6.6 Water boards

Delta tried to cooperate with water boards in several projects, for example, in combining laboratories. The water boards feel threatened by Delta's competitive attitude and cooperation initiatives have not worked out so far:

- R3 : With [Water board I] (...) we have some difficulties along other lines, because we intend to compete with them in the area of waste water treatment. They see us as a threat there and keep us out. And so they influence the atmosphere and the environment in a rather negative way for us. That's what it comes down to.  
I : Yes. And with [the other water boards]?  
R3 : There are two of them, one of them is called [name]. (...) There, the (...) relation is business-like, but cool. (short laugh) Because we fought a heavy competitive battle with them a couple of times, again in the area of waste water treatment. And now [we

had] the idea, for example, to upscale, and combine laboratory activities (...) each party could save one million. Well, for those reasons it was not realized. (43:26)

After a while, Delta stopped trying:

R1 : We try to cooperate. It's not working. (...) we are a threat to them, that's what the water boards think. (...) Whether we really are a threat is a different matter, but that's how they see it. And if they see it like that, then they want to avoid all contact.

I : Yes. So what do you do?

R1 : Nothing for a while. We are not going to invest time in things that, let's say, only get bogged down and don't seem to work out. There are enough other things we can do. (64:17)

Conclusion regarding influence on strategy and sustainability: water boards have little or no influence on Delta's strategy. Competition led to cool relationships, which inhibit cooperation.

#### 7.6.7 Nature organizations

Nature organizations form a coalition with the provincial government:

R3 : That's the nature-managing organizations (...) which actually would like to have the area to themselves, and so they say that the area is suffering under Delta's regime. And it's the nature people, the biologists of the provincial government, (...) who, of course, are members of those organizations, too, and can pull all kinds of strings. (43:9)

Conclusion regarding influence on strategy: nature organizations manage to have some influence on Delta through the provincial government.

Delta reacts to pressure from nature organizations to organize their nature management in a certain way. Delta's attitude has become more positive than it was in the past:

R2 : We have a kind of compromise situation nowadays. (...) the environmental movement became more pragmatic, too. (...) If there is an issue, then a consultation is arranged. (...) And it all happens in a very positive atmosphere. Unlike ten, fifteen years ago. (...) Back then, it was a real war. (...) the environmental movement has changed, but the companies have changed as well. We appreciate it more nowadays. (52:13)

Although Delta is willing to listen to nature organizations, it guards its territory in the dunes so that it can give water extraction priority.

R1 : We have a site now where we are in charge, with government rules and indeed several organizations pushing us to work in a certain way. But we are the owner and in the end we do with that property, (...) within limits, what we want. When we transfer the ownership, then maybe others can provide better care for that piece of nature, but at the moment they say that now water extraction is subordinate to the nature interest, we cannot function anymore. (64:23)

One environmental organization also wants Delta to put more effort in water saving:

PROV2 : (...) but also saving water. As far as consumers are concerned, you can do it in different ways, with education, with choice of appliances (...) Well, I think Delta did a number of things in that area. It depends on how you look at it, because if you

look at the Environmental Federation of Zeeland, which is also monitoring Delta, it thinks it's not enough.

I : What is not enough?

PROV2 : Delta (...) should be more active in water saving. (55:19)

Water saving is not mentioned in the interviews we conducted within Delta, but water saving brochures were noticed in Delta's reception hall.

Conclusion regarding influence on operations: it is likely that the provincial government would be less strict about nature management in infiltration areas if the nature organizations weren't lobbying. Therefore, nature organizations have an important influence. This influence is enhanced by rather harmonious relations between Delta and these organizations.

#### 7.6.8 Vewin and other water companies

Delta left the Vewin association and did not cooperate in the benchmark because of a conflict over liberalization. Most of its relations with other water companies are rather cool. The closest relationship is with a neighbouring water company: they set up a joint venture to approach the industrial water market.

I : But you have an alliance with [two other water companies]?

R2 : Yes. (...) But that is rather passive, I must say. Especially with [one company], it is extremely passive. Cooperation with [the other company] is more aggressive, though mainly focused on water for industry (...) it's a sectoral alliance. And not from the heart. So we're not sleeping with each other, but we do something together on Saturday mornings. (52:23)

Conclusion regarding influence on strategy and sustainability: there are no important sources of inspiration for Delta among other water companies.

#### 7.6.9 Overview of network influences

Delta seems to be selective in its external relations: either it is warm and cooperative, or it stops cooperation completely. This probably has to do with efficiency ('we have enough other things to do') and with their straightforwardness: if Delta does not agree, it says no, and it does not try to appear cooperative.

The shareholders and the customers are by far the most important actors. Relations with the national government rest purely on its legislative and financial power, and Delta would prefer not to have to deal with it anymore. Delta's relations with nature organizations are untypical but can be explained by their coalition with the provincial government. Over the years, Delta has even come to like them, but it may cease cooperation as soon as pressure from the provincial government stops.

As far as sustainability is concerned, the future plans are clear:

- Because of the company culture, Delta will continue producing and maintaining a durable infrastructure;
- Together with industry, Delta will expand and develop eco-efficient alternatives, such as water for industry and water recycling;
- Unrewarding sustainability activities, notably nature recovery projects, can only be enforced by the provincial shareholder.

Table 7.3: Network partners influencing Delta

|  | Influence on strategy                             |    | Ideas about sustainability   |   | Influence on sustainability activities  |    |
|--|---|----|--|---|---|----|
| Province of Zeeland  | 50% shareholder; important influence              | ++ | many similar ideas (carrying capacity)                                       | + | with much effort, provincial government succeeds in adaption of dune extractions                | ++ |
| Large customers  | large influence because of liberalization         | ++ | similar ideas (fashionable term) but different culture concerning durability | + | quest for efficiency leads to innovation but also limits Delta's space for unrewarding projects | +  |
| EU, Ministry of Environment and Ministry of Economic Affairs | conflicting policies cause difficulties for Delta | ++ | - *)   |   | Delta complies with sustainability targets and makes use of sustainability subsidies            | +  |
| Nature organizations   | influence via provincial government               | +  | - *)   |   | nature management adapted in cooperation  | +  |
| Province of Noord-Brabant                                    | less than 3,5% of shares, little influence        | -  | - *)   |   | lasting conflict about desiccation  | -  |
| Municipalities   | few shares and little influence                   | -  | - *)   |   | Delta does no household water projects unless it's rewarding                                    | -  |
| Water boards   | no influence                                      | -  | - *)   |   | cool relationships inhibit cooperation  | -  |
| Vewin and other water companies                              | Delta left Vewin, cool relations                  | -  | - *)   |   | no participation in benchmark   | -  |

## 7.7 Case specific conclusions

Delta is a multi-utility company, including energy, waste management, and telecommunications businesses. In this company, we see that the concept of 'sustainable development' is interpreted entirely in the framework of a transition to the market. Delta is forced to make this transition because of European and Dutch legislation. However, it sees mainly positive consequences, which is illustrated by the use of the terms 'liberalization' and 'freedom' instead of the term 'privatization'. The partners in this coalition are the European government, the Dutch Ministry of Economic Affairs, large industrial customers, and the provincial government. The alignment of the company with these actors is probably due to cultural beliefs that existed in this company before liberalization became effective. This, in turn, may be related to the importance of large industrial customers in Delta's home market.

'Sustainable development' is seen as a change imposed on the company by a coalition of the Ministry of Environment, the Dutch Parliament, nature organizations, the Ministry of Economy (for energy issues), and the provincial government. The term 'sustainable development' is not appreciated by the company, because Delta associates it with political whims. That is how the respondents use the term themselves: to legitimize their activities to actors who are sensitive to this terminology. The general concepts associated with sustainability such as long term thinking, a whole system approach, and carrying capacity are valued by Delta. It even claims its business has always worked along sustainable principles. Delta's management leaves it up to society to define sustainability.

Sustainability is incorporated in company practices in the following way:

- Opportunities inspired by sustainability thinking which are also commercially attractive are fully exploited. The most important example of this is development of water for industry. These activities are only labelled 'sustainable' for actors who seem to be sensitive to this type of argument; for the industrial customers, terms like 'cheaper' and 'efficient' are often convincing enough.
- The company tries to behave responsibly towards the environment. The provincial government is allowed to bargain over environmental improvements, which in practice mostly concerns nature management in infiltration areas. These activities may lower the company's margin, but that is accepted as long as the balance remains positive for the company.
- The company makes use of subsidies to realize sustainable activities such as wind energy and cogeneration of heat and power. A subsidy can also convince Delta to carry out a nature restoration project in a former extraction area. In general, however, Delta does not trust such subsidies to last and cuts off activities as soon as subsidies are withdrawn.
- The company refuses to engage in activities that may be beneficial for the environment if they have a negative financial result.

The role of the provincial government is interesting in this case. Historically, the bonds between the company and this government were tight, because the provincial government initiated and owned the utility company for many decades. Now that liberalization is gradually becoming effective, the provincial government is reluctantly letting go of its steering power. There is still a warm relationship between company and provincial government, expressed by the payment of a high dividend and by the incorporation of 'societal' goals in company practices, though always under the condition that the activities are financially viable. All in all, the provincial government seems to be the most influential governmental actor concerning ideas about sustainability. This influence is likely to decrease in the liberalized future. An indication of this is the fact that Delta's Board of Directors now has a majority of industrial representatives.

Water boards, municipalities, and nature organizations are potential sources of innovative ideas about sustainability. The relationship between Delta and most of the water boards in this region is cool, because of competing activities in the waste water market. Because they are governmental agencies, water boards are not used to competition and they interpret it as aggressive rather than as fair. They reject cooperative initiatives by Delta and this inhibits exchange of ideas. Municipalities rarely have an influence. Some of them wish to implement a second supply system for household water, but Delta refuses in most cases because it is too expensive. Nature organizations do have an influence, because they operate through the provincial government. Nature is important to the provincial government, and in its conceptualization of good nature management, it incorporates the expert knowledge of nature organizations. Delta view this coalition as 'societal pressure' with which it has to comply.

All in all, the combination of company characteristics and external influences has a paradoxical effect on sustainability issues. Delta's company culture is already aligned with important principles behind the concept, such as long-term thinking and a whole system approach. A tight provincial groundwater policy has forced Delta to behave responsibly in the dunes, and made it adopt the use of terms like 'carrying capacity'. But its aversion to governmental politics causes it to dislike the term sustainability, and to refuse to look for opportunities other than commercial ones.