

Building corporate sustainability

In many ways corporations have come to rule our world. But can these rulers be merciful while still achieving their commercial goals? Can they be both sustainable and sustaining?

Andrew Griffiths asks.



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WE ARE FACED with an extraordinary situation. Never before in the history of the world has the viability of much of the life of the planet been under threat from humanity; never before have so many of the world's people experienced such material wealth and so many others lived in abject poverty; never before have so many had such interesting and fulfilling work and so many others such degrading work or no work at all. The patterns of industrial development from which these situations have arisen are clearly not conducive to the creation of sustainable knowledge-based economies.

The critical situation in which we find ourselves has been brought about by multiple causes. One important contributing factor is the rise of the corporation and the political and economic systems that have supported its evolution into a dominant organisational form. The powerful dynamism of the modern organisation has transformed nature and society. The central question to be answered in this century is

whether the current model of the corporation needs to be modified to contribute to the continuing health of the planet; the survival of humans and other species; the development of a just and humane society; and the creation of work that brings dignity and self-fulfilment to those undertaking it. In other words how do we build sustainable corporations?

Achieving corporate sustainability is a challenge that will increasingly occupy the attention of CEOs, senior executive teams, change agents and key stakeholders of twenty-first century organisations. The debate about the path forward will be protracted, noisy and tough. The resolution to fundamental dilemmas involved will come, not primarily through words, but through the actions of those corporations that see opportunities inherent in the emerging ethos of sustainability. This ethos is already apparent in increasing pressures on corporations from governments, shareholders and political interest groups to change wasteful and destructive practices.

So it is imperative that the issue of how to implement sustainable corporate practices be engaged quickly and in a practical way that appeals to managers. Can we chart a practical path, a series of concrete steps, that will help organisations survive and thrive while strengthening the developing capabilities of their workforce members? Can these organisations start contributing to a rich and varied community life, sustaining and renewing the biosphere? Can we move organisations toward the ideal of being both sustainable and sustaining?

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Corporations are instruments of social purpose, formed within society to accomplish useful social objectives. If they do this they have a continued right to exist.

tence, a licence to use resources and a responsibility to produce socially beneficial products and services. However, if they debase human life, act with contempt for the community of which they are part, plunder and pollute the planet, and produce bad as well as good outcomes, they forfeit their right to exist. They become unsustainable because they are unsustainable. The single-minded pursuit of short-term profitability for shareholders or owners does not justify a 'couldn't care less' approach to people and the planet.

Building corporate sustainability can lead to sustained long-term performance. It requires the integration of two alternate approaches to viewing sustainability – human and ecological. Issues relating to human sustainability draw on research undertaken in the disciplines of strategic human resource management and change management. Issues relating to ecological sustainability draw upon the disciplines of strategic and environmental management. It is argued that

these two issues, when combined within organisations, create a powerful drive towards sustained long-term performance.

Outlined below is a comprehensive sustainability phase model that emerged from a review of the literature on the development of both ecological and human sustainability. The result is a comprehensive model of the developmental phases through which corporations progress toward both human and ecological sustainability (see Figure 1). As a tool, the phase model allows meaningful comparisons between organisations, helping to assess current commitment to and practice of human and ecological sustainability and assisting managers in capitalising on the benefits of moving towards more sustainable practices in both areas.

The phases of sustainability are:

1. Rejection
2. Non-responsiveness
3. Compliance
4. Efficiency
5. Strategic proactivity
6. The sustaining corporation.

Rejection: involves an attitude on the part of the organisation's managers that all resources – employees, community infrastructure and the ecological environment – are there to be exploited by the firm for immediate economic gain. The firm disregards any negative impacts of its activities. These firms externalise costs to others. A simple example from managing a household economy is to throw the rubbish over the neighbour's fence or onto public parkland. All this does is transfer the cost to someone else. While efficient in the short-term, we do not see it as leading to sustainability. Instead these practices result in exploitative

relationships, alienation and community and environmental degradation. Continuing the analogy, we may reduce household costs in the short-term by chopping up floor boards for heating and selling off basic facilities like refrigerators and stoves. In this case we have externalised costs to the future.

Non-responsiveness: usually results from lack of awareness or ignorance rather than from active opposition to a corporate ethic wider than financial gain. The firm concentrates on 'business as usual' and ignores issues of sustainability.

Compliance: focuses on reducing the risk of sanctions for failing to meet minimum standards as an employer or producer. Changes are primarily reactive to growing legal requirements and community expectations for more sustainable practices. Here corporate strategies relating to human sustainability focus on policies of legal compliance plus benevolent paternalism with the expectation of employee loyalty in return.

Efficiency: reflects the growing awareness on the part of managers in the corporation that there are real advantages to be gained by proactively instituting sustainability practices. In particular these practices are directed toward reducing costs and increasing operational efficiency. Some organisations capitalise on these cost savings and reinvest them in their employees to achieve sustainable longer-term gains by building the appropriate cultures and human systems that support value-adding and innovation. For example, Scandic Hotels have had considerable success at reducing and eliminating waste and using these cost savings to build their employee skill base. The new innovation focus has led to huge cost savings, reduced ecological impacts and enhanced



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the reputation of the corporation.

Strategic proactivity: emerges when sustainability is used to seize merging opportunities by, for example, improving competitive advantage by positioning the firm as a leader in sustainable business practices. BP has adopted such a strategic approach to sustainability. As one of the world's largest extractive resource-based companies and energy producers, BP has strategically repositioned itself to be seen as moving 'Beyond Petroleum'. They have incorporated these goals into their corporate strategies. While BP is in the early stages of the sustainability journey, the company is being positioned as an industry leader.

The sustaining corporation: reflects an internalisation of sustainability and actively promotes the emergence of a society that supports the ecological viability of the planet and its species. It contributes to just, equitable and democratic social practices and human fulfilment. There are few organisations that embody this ideal. To date, those most cited include Ben and Jerry's, Patagonia and Interface – yet these are not public companies, but rather relatively small and privately owned. And they have not always been able to maintain the advances they have made. However, evidence is emerging of innovative companies implementing sustainability practices in a range of operations. In the process, these companies bring stakeholders into the organisation, build reputational capital, build the capability of the workforce, and contribute to ecological and community regeneration. These organisations are building corporate sustainability.

The phase model represents an ideal model type and an organisation would only seek to

approximate it. The model comes with a set of indicators which allow managers and others to chart where the organisation is on the path, assess what actions are needed to capitalise, in a business sense, on the current phase and to plan the next logical move forward (for example, in anticipating increased compliance standards or identifying strategic opportunities). Managers can therefore choose whether they need to undertake transformational or incremental changes in the pursuit of sustainability. A particular strength of the model is the balance it provides in emphasising both the human and ecological bases of a comprehensive approach to sustainability. In particular, the emphasis on human sustainability provides an important role in strengthening intellectual capital needed to create a modern knowledge-based society.

The challenge, for managers, is to act with integrity, standing with courage for the planet, for a healthy society and for future generations, our leadership will contribute to creating a new organisational reality – the sustaining corporation that contributes to creating a fully sustainable world. 🌍

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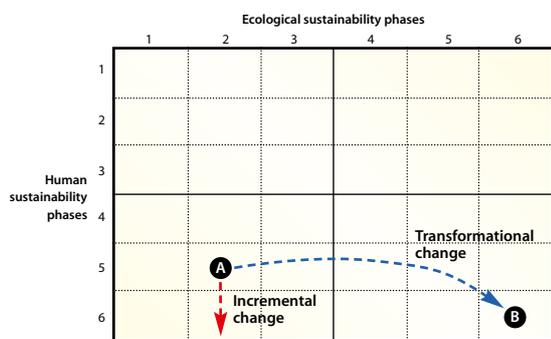


Figure 1 Sustainability phase model: incremental or transformational paths.