

Can we imagine an economic model where sustainability is the goal of business?

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Chair

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There is much appetite for 'sustainability' among organisations. But according to Members and guests at this Criticaleye Discussion Group, many talk the talk, but have yet to establish a comprehensive means of delivering initiatives. Sustainability is a 'mega-trend' and those companies that do not adopt sustainable business practices will fall behind.

For many, defining sustainability purely as an environmental issue is too limiting. The definition of the issue, participants felt, should balance the social, economic and environmental factors.

Real value is beginning to be associated with creating a sustainable business plan. Marks & Spencer is a great example of an organisation that has wholeheartedly integrated 'green' initiatives from which it has reaped enormous benefits. Yet there is a problem with embracing these initiatives and truly incorporating them into strategy. The group felt strongly, that sustainability initiatives mustn't be mere add-ons to create good PR.

Organisations often establish CSR programmes to ease corporate guilt and increase shareholder value. But share price cannot be the only focus; stakeholder value must also be considered. Sustainability, Members felt, is for the good of society, and the real impact of large firms' behaviours have to be measured to get this point across.

Where are the pressures for more sustainable models coming from?

Talent

Employees and prospective employees are putting increasing pressure on companies to become more sustainable. Today's talent wants to work for organisations that 'give back' to the community.

Personal beliefs of leaders

Sustainability initiatives and strategy are oftentimes pushed through because of the personal beliefs of the chief executive or chairman. Having

endorsement from leadership is the key to getting acceptance of the issues throughout the organisation. Stuart Rose, from Marks & Spencer, was mentioned as a great example of a leader that pushed 'green' issues throughout the organisation

Cost-efficiency

The recession has seen organisations question where processes can be made more efficient and sustainable. For example, a sustainable building is much cheaper to operate but the initial outlay of money can be daunting for many investors. They are not asking the right questions about risks and operations about the investment. There is too much concern about quarterly reporting, investor requirement and the financial reward reaped. Investors have therefore been adjusting their models to include a more sustainable outlook.

Communication

Transparency is incredibly important. Organisations frequently fail to communicate their sustainability plans to the public in fear that protagonists will uncover an unsustainable practice in another part of the organisation. The larger organisations are attempting to protect their brands. The example of the Shell North Sea oil platform was given. From a sustainable perspective, sinking it would have been better, however, Shell's leadership decided to pull it to shore due to public outrage. This did wonders for the company's image in the community.

What barriers prevent the transition?

Lack of commitment

To push through sustainability schemes, there needs to be a strong commitment from leadership. "Unless you have the CEO commitment, it will never happen," asserted a delegate.

Once leaders are aligned, you have to get through the 'permafrost' of middle management, who the group saw as a significant barrier to launching initiatives. One Member asserted that a change in situation is necessary to change attitudes. Staff members will have to adjust to the initiatives, and if they do not, it is a good opportunity to get rid of them. On the other hand, those who adapt well to changes should be rewarded.

Lack of awareness

Engaging middle management was also seen as a barrier due to their lack of awareness of the issue. Once the leadership has bought into the 'cause', it is important to simplify the message for the staff, to create a culture of engagement. To get buy-in from the whole organisation you need to communicate straightforward and simple propositions that the 'troops' can readily engage in.

It was mentioned that engaging with the diversity that usually appears at the bottom of the employee pyramid can be helpful with the adoption of sustainability practices.

Doing the little things

Many organisations have attempted to undertake large initiatives rather than quick fixes. But quick fixes, which are cost-neutral, can be useful for engaging staff on sustainability. For example, turning off the lights, unplugging unused equipment and recycling are all beneficial and simple practices to standardise.

Organisations must have the right metrics in place and gradually move from soft to hard measures. Don't start by measuring things like return on investment, as these initiatives can take time to reap any financial benefits.

Focus on incremental change, rather than breakthroughs. "The sweet spot," asserted a delegate, "is finding when it is right to have incremental change and when breakthroughs are needed."

Business models

Business models are at the heart of the issue, argued delegates. Consumers, for example, expect constant innovation from high-tech companies. The sheer speed needed to get these products in stores can mean that unsustainable practices are implemented.

To become completely sustainable, organisations have to examine their supply chains. Often, having low high street prices means driving the supply chain to use unsustainable practices.

Case study

The group was dismayed by the lack of examples of companies, other than Marks & Spencer, that have successfully implemented sustainable operations. The Chair offered the example of Interface, a carpet manufacturer.

Interface realised that their operations were becoming unsustainable, especially when changing carpets. They were becoming huge contributors to landfills. They looked at their model and found that only 20 per cent of carpet was being walked upon. With this idea in mind, they invented the carpet tile that allows for only certain parts of to be replaced.

Through their sustainable actions, Interface has dramatically reduced their impact on the environment. Seeing the success, they have now set themselves an aggressive target to be "the first company that, by its deeds, shows the entire industrial world what sustainability is, in all its dimensions: People, process, product, place and profits by 2020."

Please click here for more information about their practices:
<http://www.interfaceglobal.com/Sustainability/Sustainability-in-Action.aspx>

Conclusions

Although consumers say that they will buy sustainable products this does not translate into sales. 'Green' products are still slightly more expensive and consumers are unwilling to spend those extra pounds. The trick, according to participants, is to break behaviours of consumers.

Many participants felt that something major, either economically or environmentally, would have to happen in the UK for real action around sustainability issues to become a part of everyday life. Yet, the group was optimistic that there is a shift afoot. Although, there are real metrics for sustainability being measured, delegates felt that the 'real' impact of companies' practices have to be calculated. In the end, sustainable practices will be adopted only if brand reputation or the bottom-line are unaffected.

Many business leaders are still cynical about sustainability issues; for many, 'seeing is believing'. Many participants cited Business in the Community as a great place to learn. Their website is <http://www.bitc.org.uk/>.