CHAPTER 1

Addressing the Confusion About Sustainability: The Typical Executive View

“If you cry ‘Forward!’ you must without fail make plain in what direction to go. Don’t you see that if, without doing so, you call out the word to a monk and a revolutionary, they will go in directions precisely opposite?”

—Anton Chekhov

Consider these typical responses you might hear from business executives about sustainability:

“The business of business is business, not sustainability.”

“Sustainability is nice to do if you can afford it, but we are running a lean organization here and don’t have the time or money for such things.”

“Sustainability is about good citizenship and good public relations. We have always tried to be a good corporate citizen. There’s really nothing more we need to do.”

“Sustainability seems to encompass everything under the sun. It’s just more tree-hugger mumbo jumbo.”

“We’re in a U.S. service business. Sustainability is not for us. It’s for those big international manufacturers.”

“What is sustainability?”

For sustainability advocates, this isn’t encouraging. The picture was rosier for them in the 1990s when President William J. Clinton appointed a council to study and publicize sustainability. But in recent years, the U.S. government’s focus on it has subsided as terrorism and war have dominated the agenda.

So is sustainability just a fad?

No. Quite the contrary. There is plenty of evidence the concept is here to stay. In government circles in Australia, Canada, Europe, and several
other regions, sustainability has been gaining momentum. Attention to it has also been on the rise among leading businesses, academic institutions, and other sectors in the United States and abroad. More than 70% of large companies surveyed by PricewaterhouseCoopers in 2002 reported that sustainability was important or very important to them, and nearly 9 of 10 respondents believed there would be more emphasis on it in the near future. World leaders like United Kingdom (U.K.) Prime Minister Tony Blair and former United Nations (U.N.) Secretary-General Kofi Annan are promoting it. Over the past few years, sustainability conferences have been held throughout the world—even in places like Chile, China, Croatia, Iceland, Kenya, Morocco, Palestine, and United Arab Emirates. Forty major banks around the world have committed to consider sustainability effects in making major investment decisions. Wangari Maathai, a crusader for poor women and the environment in her native Kenya, acknowledged the importance of the concept in her acceptance of the Nobel Peace Prize in 2004. It was included in U.N. resolutions on the recovery and rebuilding of Iraq. The European Commission issued a “green paper” on it in 2001 and chartered an organization to determine how to further it. In recent years there has been a blizzard of discussion and debate among business, activists, and academics about it. Books, articles, and conferences abound on the topic. In 2006, there were over 60 million entries on sustainable development on the Internet, up eightfold from 2003.

History of Sustainability

But even with all this attention to sustainability, much confusion remains about it in business circles. The concept—really a blend of concepts—first emerged in Stockholm during the 1972 U.N. Conference on the Human Environment. There, industrialized and developing nations debated which was more important: environmental protection or economic development. This was a time when the environmental movement was bursting on the scene, 10 years after Rachel Carson published *Silent Spring*, a powerful book describing the dangers of pesticides to wildlife and humans. The same year of the Stockholm meeting, the United States passed five major pieces of environmental legislation. Only a year later, India would witness the Chipko citizen uprising against deforestation. Within this setting, the debates at Stockholm gave birth to the notion that both environmental protection and economic develop-
ment were inextricably linked. That idea was refined through extensive
discussions in U.N. circles over the many years that followed.

In the late 1970s and the decade thereafter, other momentous events
sparked public outcries about the need for environmental responsibility.
These outcries were coupled with growing demands for open, transpar-
ent communication from industry and government about environmental
risks. This was the time of the Love Canal toxic waste debacle in New
York and the deadly Bhopal release in India. It was also the period of pub-
lic anger over the massive Alaskan oil spill from the Exxon Valdez oil
tanker and the disastrous radiation release at the Chernobyl nuclear power
plant in the Soviet Union. In the United States, these headline events in-
spired a number of laws, including one requiring industry to file annual
public reports on their inventories and releases of toxic materials—data
that proved shocking to many communities.

But environmental issues were not the only concern. The Apartheid
racial segregation policies of South Africa were coming under attack
from Rev. Dr. Leon Sullivan, a Philadelphia clergyman and civil rights
leader, and from other religious and student activists as well. The move-
ment gained momentum in 1976 when South African police fired on stu-
dent demonstrators at Soweto. A burgeoning number of universities,
pension funds, and local governments in Europe and the United States
began dropping their investments in companies that refused to recognize
human rights and equal opportunity in their South African operations.
The seeds of Apartheid’s demise were being sown, and “socially respon-
sible investing” was finding new meaning. Meanwhile, a new disease,
acquired immune deficiency syndrome (AIDS), was beginning its devas-
tating rampage.

These issues were the backdrop for the Bruntland Commission, a
group appointed by the United Nations to propose strategies for im-
proving human well-being without threatening the environment. In
1987, the commission published its report containing the definition of
sustainable development most widely used today: “Development that
meets the needs of the present without compromising the ability of
future generations to meet their own needs.”10 Five years later, the
concept was fleshed out in 27 principles in the Rio Declaration on Envi-
ronment and Development,11 the work product of the Rio Earth Sum-
mit—the U.N Conference on Environment and Development in Rio de
Janeiro. The declaration recited the economic and environmental con-
cerns that had been the main focus of sustainability, but added social topics like peace, poverty, and the role of women and indigenous people. In 1997, Briton John Elkington introduced a definitional term drawn from financial accounting: the triple bottom line (TBL). By this he meant that to reach sustainability, one must achieve not only economic “bottom-line” performance but environmental and social performance as well. When the Global Reporting Initiative (GRI) issued its draft *Sustainability Reporting Guidelines* for organizations in 1999, it, too, assumed sustainability entailed all three TBL elements. The final versions published in 2000 and 2002 continued that assumption.

In recent years, other developments have refined the dimensions of sustainable development. High-profile incidents involving sweatshops in Asia have given rise to voluntary inspection and certification programs targeted at operations supplying products to transnational companies. Pressures from activists have led to other certification programs on fair trade, lumber, fishing, and agricultural products. Labor and environmental groups have appeared together in front-page photos of demonstrations against global trade policies. Financial scandals at Enron Corporation, Tyco International, Ltd., and WorldCom have highlighted the importance of good corporate governance. Organic food and hybrid cars are no longer novelties but big business. Product and packaging take-back laws have extended the responsibility of producers across Europe. Climate change is now a threat backed by serious science, and an issue of growing investor concern. Rating groups have exploded on the scene to evaluate company social and environmental performance to satisfy growing legions of socially responsible investors. The GRI, a coalition of investors, activists, business, and other organizations, has helped make sustainability reporting commonplace among major companies. Activist and public interest groups—known as NGOs—have gained considerable voice and power. With their creative use of coalitions and the Internet, their role continues to expand. All of this has been encircled within the concept of sustainability.

**Resources and Respect**

Indeed, trends and events ascribed to sustainability, and the scores of definitions of it, have reflected a common theme about its meaning. We shall use that theme to craft the meaning of sustainability for purposes of this book. We shall call this meaning the “2Rs,” which stand for:
Resources: the wise use and management of economic and natural resources; and

Respect: respect for people and other living things.

The aim of the 2Rs from an organization’s perspective is _long-term well-being, both for society as a whole as well as for itself._ A more in-depth explanation and examination of the 2Rs is given in Chapter 2.

**Selecting the Term: Sustainability? Corporate Social Responsibility? Something Else?**

_Sustainability_ and _sustainable development_ are two terms that cover the 2Rs as it applies to organizations. But there are other terms, too. _Corporate social responsibility (CSR), organizational social responsibility (OSR), social responsibility, corporate responsibility, corporate social investment, corporate citizenship, global corporate citizenship, and sustainable growth_ are sometimes used to mean the same thing. While sustainability, as we have seen, originated from a concern about the balance between the environment and economics, the terms related to responsibility and citizenship have generally sprung from the tradition of corporate philanthropy. With the advent of the TBL, all those concepts have been drifting together.

Still, there are many who insist that these terms carry different meanings. In one sense, _social responsibility_ is but one of the three parts of the TBL that covers community and employee issues and the like. But the term is often used in a broader sense, too. Some relegate sustainable development or sustainability to the larger societal focus of the TBL and 2Rs, and consider social responsibility to cover the company perspective on the same topics. For example, the draft _Guidance on Social Responsibility_ of the International Organization for Standardization (ISO) defines _social responsibility_ to be

> actions of an organization to take responsibility for the impacts of its activities on society and the environment, where these actions are consistent with the interests of society and sustainable development; are based on ethical behavior, compliance with applicable law, and intergovernmental instruments; and are integrated into the ongoing activities of an organization.

Think also of _socially responsible investing_, which has come to mean investing in companies taking into account not only their financial perfor-
mance but that on environmental, social (in the narrow sense), and governance matters as well.

CSR—a term of growing popularity, especially in Europe—is occasionally used in a way that excludes environmental responsibility, although the more popular usage includes it. Indeed, documents labeled “CSR reports” often cover the same TBL scope as those called “sustainability reports.” Some other variations of CSR exclude economic responsibility, however. For instance, the European Commission Green Paper defines it as “a concept whereby companies integrate social and environmental concerns in their business operation and in their interaction with their stakeholders.”18

The term corporate responsibility is usually thought to be synonymous with social responsibility in either its broad or narrow sense, or with business ethics. To some people, corporate citizenship suggests an emphasis on activities within local communities weighted more toward social concerns than environmental ones.19 However, the most commonly cited difference between sustainability and the responsibility and citizenship terms is that the latter concepts sometimes exclude a company’s financial viability—its need to economically prosper as a business.20

Companies like DuPont that use the term sustainable growth intend it to mean corporate sustainability as defined by the TBL, adding the word growth to make clear sustainability is not about stagnation. However to others, the word growth is to be avoided because it suggests the need to increase size or consumption, irrespective of other ways of adding value through sustainability. Some even think these words mean simply perpetual growth with no social or environmental emphasis at all.

Admittedly, the raft of terms can be quite confusing, especially since these fine distinctions are sometimes followed, sometimes not. You should feel free to use any term that best fits with the goals and culture of your organization. Businesses may also find more descriptive terms, like “a better company, a better world,” “long-term well being,” or “people, planet, and profits” to be useful in certain communications.

Regardless of the words used, however, sustainability and sustainable development should nevertheless be explained to employees because of the historical significance and since workers are bound to encounter these terms outside their organization. For our purposes, sustainability or sustainable development are the most appropriate terms given their breadth, origin, and consistent inclusion of a company’s financial success. And, of
course, financial success is an indispensable element of a company sustainability initiative because without it, the organization cannot contribute to the well-being of its community or employees—or do anything else for that matter. Moreover, the terms sustainable development and sustainability have become increasingly important in communications with government and industry leaders over the past decade.21

The Executive View: “That Sounds Nice, but . . .”

From what has been said, sustainability sounds like a warm and comforting concept. The reality is, though, few executives understand the hard-nosed business ramifications of it. Granted, a 2002-2003 survey of over 500 U.S. business executives found 8 in 10 agreeing that good corporate citizenship helps the financial bottom line and that it needs to be given a priority. But while most executives have their hearts in the right place, their actions speak louder than words. Less than one-third of those surveyed said they were increasing resources in that area and 14% were cutting them. Nearly one-half of the respondents declared the lack of resources to be a barrier to corporate citizenship within their companies.22 Even among corporations noted for sustainability—members of the World Business Council for Sustainable Development (WBCSD)—nearly one-third claimed their management doesn’t have much faith in the business case for sustainability and doesn’t actively support the concept internally.23 Examining their actions, it is apparent that many executives don’t fully appreciate what a pursuit of sustainability can mean to business success and society; still fewer know how to approach it in a systematic way that realizes its maximum business value.

Business people often see sustainability programs as outside the circle of things essential for success. These programs may be looked upon as the hobby of the chief executive officer (CEO)—something to be tolerated but not taken seriously. They may be considered discretionary measures for image-polishing when times are flush, but something to be quickly jettisoned when financial results slip. Occasionally some enlightened company sets course toward sustainability, but commonly this is understood and pushed by only a few executive champions with the rest of leadership simply riding along. Even the enlightened few may struggle with how to address so broad a concept within their organizations, a concept that doesn’t fit neatly into any one function or department.
On the other hand, sustainability may be taken very seriously at a few companies, especially those beaten down by the press over a dispute with activists. Frequent poundings from the media about a company’s toxic emissions, unhealthy products, or unsound forestry practices—or front-page stories on its sweatshop labor, exploitative hiring policies, or overly zealous security measures—can bring the importance of sustainability to a business’ front door. Executives across the organization can see first hand how sustainability issues can affect business risk, reputation, sales, and efficiency. Still, these managers may remain oblivious to the other business benefits a broader strategy on sustainability could provide. “Old school” companies under the same public relations heat may dismiss altogether any form of sustainability strategy and instead plead “victim!” and pull up the drawbridge to wait out the siege. To them, making money is job number one, happy customers and low costs are the keys to this, and these companies see no meaningful way sustainability can help achieve those ends. To them, the idea is, at best, garnish. Clearly, many people have a long way to go in grasping the value of this illusive concept to their organizations. They don’t see that ignoring key sustainability trends and issues can impede a company’s ability to compete. They don’t understand that addressing these trends and issues systematically can open new business opportunities and protect the organization from the risk, reputational challenges, and inefficiencies that destroy shareholder value.

“If pursuing sustainability is all that important,” say some business leaders, “why is it that many companies not noted for their drive toward sustainability can be so prosperous?” ExxonMobil Oil Corporation and Altria Group, Inc./Philip Morris Co. (Altria) are among the most successful corporations in the history of capitalism, yet neither has a long track record as public stars of sustainability. Does this mean a business can have no formal approach to sustainability—no SOS—and still build a successful organization? Yes. An SOS does not guarantee business success, but like other sound business aids, it can surely improve an organization’s chances for achieving it. An SOS is a tool, an attitude, a philosophy that can lead to new insights and solutions to business challenges while helping address some of the world’s most worrisome problems.
Nobody’s Perfect

Sustainability within business is not a black-and-white thing; it’s not that a company either has or doesn’t have initiatives driving toward sustainability. Whether they know it or not, almost all companies have some activities that further the cause of sustainability. Those that have sustained their own financial success and provided long-term employment for many have at least part of the sustainability equation right. Unfortunately, companies that suffer adverse press because of some misstep concerning their environmental or social performance may find that bad news overshadowing anything positive they do. While the public lambastes ExxonMobil for its stand on climate change and for alleged human rights abuses by the Indonesian military it hired to secure a project, few acknowledge the company has a world-class safety program. Nor do they recognize ExxonMobil’s pipeline project in Cameroon and Chad, which has shown how large development projects of transnational corporations can be structured to guarantee ongoing benefits to local citizens. Altria’s extensive charitable giving is forgotten when the safety of its products is debated. Shakespeare was right: “The evil that men do lives beyond them; the good is oft interred with their bones.” Even so, the good that these companies have done and continue to do has helped them sustain operations through community and employee support, improved efficiencies, and in other ways.

Other companies like Shell Oil Corporation, Hewlett-Packard (HP), Statoil (a Norway-based oil and gas producer), and Baxter lie on the opposite end of the spectrum. For years they enjoyed a solid public image in many circles when it came to sustainability. Certainly each has had many commendable accomplishments. Yet they are not perfect either. Within the past few years, all four companies suffered setbacks in credibility with investors—Shell for overstating oil reserves, Statoil for ethical improprieties in Iran, Baxter and HP for failing to meet sales and earnings projections. Added to Shell’s woes were well-publicized “alternative Shell reports” by Friends of the Earth, Inc., criticizing the company for what it claimed were shortcomings in fulfilling its sustainability commitment in the field. Said Shell’s new CEO Jeroen van der Veer: “Recent events have only reinforced the importance of embedding sustainable development consistently in our systems, processes and behavior.” He added: “People who accuse us of getting distracted by sustainable development miss the mark. Indeed, I am heartened to see growing awareness
in the financial community that companies—especially energy companies—ignore sustainable development concerns at their peril. Fortunately all four companies are strong. Now under new leadership, all four seem on the mend, and should continue to see positive results from their attention to sustainability.

Firms like BP (formerly British Petroleum), BT (formerly British Telecom), Dow Chemical Company, and Procter & Gamble (P&G) that have pursued sustainability aggressively and openly have their own challenges. Still, their focus on sustainability is proving advantageous as well. But even the best of them have not reaped all the benefits that a fully deployed SOS can offer.

Views on Sustainability Reporting

Often executives gain their understanding of sustainability by skimming through sustainability reports of their own company or those of a competitor or other respected peer. They become interested in these reports primarily to keep up with the herd. Some also may be influenced by the attention given these reports by a growing number of journalists, NGOs, and rating companies. Unfortunately, too many business leaders think sustainability is merely about reporting—getting the right message in the right form to the right people who will pass judgment. But given their vague understanding of sustainability, their sensitivity to criticism, and their tight control on resources, business executives often find sustainability reporting perplexing if not daunting.

Those who consider such reporting are often dissuaded by the extensive, polished reports issued by companies they consider big liberal, elite corporations. Both the cost of publication and the effort needed for data collection seem way out of reach. A quick review of reporting guidelines issued by the GRI doesn’t help. Company representatives often skim over the part about materiality and mistakenly think most of the listed data must be reported to make a decent showing among peers and critics. Prospective reporters can be overwhelmed by the amount and complexity of the data they think they must gather. And the thought that some other companies may actually be reporting all this—as evidenced by their 100- to 200-page tomes—just exacerbates the frustration. In the end, some conclude they will never be able to compete and cease trying altogether.

Companies that feel they can master the publication cost and effort still may be reluctant to report for other reasons. They may believe that
transparent reporting—openly discussing problems—is shark-infested waters, with the press and activists circling hungrily, intent on consuming them whole. Yet they are sophisticated enough to know that a dessert table of good stories or “greenwash” may be greeted with even less favor. They see transparency as a risk but fail to comprehend that the lack of transparency is an even bigger risk-spawning distrust and inhibiting constructive change.

Many of the organizations that do report have problems too. They struggle with what to report and what to leave out. They question how much to include in the report, how to balance Internet data with hard copy reports, how often to report, and to whom. Some go too far, producing weighty documents that few read. Exhausted by the effort, they vow never again to attempt reporting. Yet others seem to find a comfortable balance between the effort and value of reporting, viewing it as a vehicle to drive both reputation and performance. How can a company reach that balance? Chapter 10 on transparent sustainability reporting provides guidance.

Reason for Optimism

While few business executives understand the full business value of sustainability reporting or of sustainability itself, more and more are getting the message. Wal-Mart, for years the retailing giant that activists loved to hate, has more recently taken on a wide range of sustainability commitments and actions, including improvements in the energy efficiency of its fleet vehicles and facilities, reductions in solid waste and packaging, and the introduction of sustainability-certified coffee, fish, and other products. In total, the company plans to invest $500 million in sustainability projects. It has also announced initiatives to address the healthcare benefits of its employees and close the gender gap in pay and promotion. While this transformation in attitude may have been prompted at least in part by the McKinsey & Company study the company funded showing it had lost 8% of its shoppers because of its reputation, Wal-Mart executives have come to realize this approach presents real opportunities to improve public and employee relations, grow sales, cut waste, and otherwise make the company more competitive.

Said Jeff Immelt who now heads the $150 billion General Electric Company (GE), another company not formerly known for leadership on sustainability: “The world’s changed. Businesses today aren’t admired. Size is not respected. There’s a bigger gulf today between the
haves and the have-nots than ever before. It’s up to us to use our platform to be a good citizen. Because not only is it a nice thing to do. It’s a business imperative.”28

Follow-up Checklist for Action: Management Views on Sustainability

☐ Informally assess the views of key management about sustainability.
☐ Identify the common points of confusion and misunderstanding. This will help you shape communication strategies later on.
☐ Identify the best term to use for communicating about sustainability inside and outside your organization.
Endnotes to Chapter 1

1. This quote by Anton Chekhov, the famous Russian dramatist and short story author, can be found in Vladimir Ermilov, Anton Pavlovich Chekhov, 1860-1904 (1950) and William Safire & Leonard Safire, Good Advice, More Than 2,000 Quotations to Help You Live Your Life (Time Books 1982).


3. For a list of events, see Forum on Science and Technology for Sustainability, Harvard University, Events, http://sustsci.harvard.edu/events.htm (last visited Jan. 13, 2005).


12. Id.


18. See EC Communication on CSR 2002, supra note 7, at 5.

19. A survey of over 500 U.S. business executives found that over 8 in 10 believed ethical business practices, treating employees well, providing jobs and profits, and producing good products and services were very important to corporate citizenship. Less than 6 in 10 believed a good environmental record was very important to corporate citizenship. See THE CENTER FOR CORPORATE CITIZENSHIP AT BOSTON COLLEGE AND THE U.S. CHAMBER OF COMMERCE CENTER FOR CORPORATE CITIZENSHIP, THE STATE OF CORPORATE CITIZENSHIP IN THE U.S.: A VIEW FROM INSIDE 2003-2004 (2004), available at http://www.bccce.net/ [hereinafter BOSTON COLLEGE-USCC CORPORATE CITIZENSHIP SURVEY].


21. In GlobeScan surveys, 300 sustainability experts from around the world were asked in 1996 and 2002 whether the potency of the term “sustainable development” was positively influencing key government and industry decisionmakers. In 2002, 55% of all experts—three-fourths of those from Asia, over one-half in Europe and North America—agreed the potency was increasing, up from only one-third six years earlier. Only one-sixth said the potency was decreasing, down from double that amount in 1996. See GlobeScan Inc., Assessing Sustainable Development: Potency of Term

22. See Boston College-USCC Corporate Citizenship Survey, supra note 19.


24. William Shakespeare, Julius Caesar act 3, sc. 2.


27. See GRI Guidelines, supra note 14. The third edition of the guidelines (G3) was issued in October 2006.