

*The Next Sustainability Wave (Book Excerpt)*

*by Bob Willard*

*[Bob Willard is a leading expert on the business value of corporate sustainability strategies. During his 34-year IBM career, he held leadership positions in marketing, technical support, education, and human resources, including 20 years in management. His previous book was *The Sustainability Advantage: Seven Business Case Benefits of a Triple Bottom Line*.]*

*In *The Next Sustainability Wave: Building Boardroom Buy-in* (New Society Publishers, 2005), I explore why the idea of sustainability has been embraced enthusiastically by some businesses and rejected by others. The first wave of corporate converts to sustainability was driven by a PR crisis, regulatory pressures, or the founder's personal passion. The next wave, however, requires different drivers if it is to build a critical mass for corporate responsibility in the business community. I focus on two emerging drivers that promise to spur corporate commitment to sustainability strategies:*

- a compelling quantification of potential business opportunities, and*
- a 'perfect storm' of threatening market force risks on the horizon that range from climate change to the rising demands of stakeholders.*

*An effective carrot-and-stick duo, these two drivers are both triggering the need for change and providing a vision of business success if the transition to sustainable operations, products, and services is smartly managed. Emphasizing the importance of how sustainability is presented to corporate leaders -- using the right language, and avoiding threats to the status quo that provoke habitual corporate defense mechanisms -- the book applies effective selling techniques to reposition sustainability strategies as a means to achieving existing corporate ends, rather than as a separate priority to worry about. It sells sustainability as a solution, a business strategy, and a catalyst for business transformation.*

*The following excerpts position the drivers against the stages that companies go through on their sustainability journeys.*

Bob Willard, Author

\*\*\*\*\*

*Sustainability Stages*

*In PricewaterhouseCoopers' "2002 Sustainability Survey Report," 89% of respondents from 140 large US companies believe there will be more emphasis on sustainability in 2006 than in 2002. The increased emphasis anticipated in the PwC survey will move the next wave of organizations from wherever they are today on the five-stage sustainability continuum to the next stage.*

<b>Stage 1:</b> <b>Pre-Compliance</b>	<b>Stage 2:</b> <b>Compliance</b>	<b>Stage 3:</b> <b>Beyond Compliance</b>	<b>Stage 4:</b> <b>Integrated Strategy</b>	<b>Stage 5:</b> <b>Purpose &amp; Passion</b>
--	--------------------------------------	---	---	---

Figure 1: The Five Sustainability Stages

*Authors of sustainability continuums use different labels and language to describe “shades of green” at each stage, but the overall concepts are similar.*

*Stage 1:* The company feels no obligation beyond profits. It cuts corners and tries not to get caught if it breaks the law or uses exploitative practices that cheat the system. It ignores sustainability and actively fights against related regulations.

*Stage 2:* The business manages its liabilities by obeying the law and all labor, environmental, health, and safety regulations. It reactively does what it legally has to do and does it well. Emerging environmental and philanthropic social actions are treated as costs, projects are end-of-pipe retrofits, and CSR is given lip service.

*Stage 3:* The company moves from defense to offense. It realizes it can save expenses with proactive and incremental operational eco-efficiencies, cleaner processes, and better waste management. It recognizes community investment and social marketing can minimize uncertainty, enhance its reputation, and help maximize shareholder value. However, sustainability initiatives are still marginalized in specialized departments -- they are tacked on as “green housekeeping,” not built in and institutionalized.

*Stage 4:* The firm transforms itself. It re-brands itself as a company committed to sustainability and integrates sustainability with key business strategies. It captures added value from breakthrough sustainability initiatives that benefit all stakeholders. Instead of costs and risks, it sees investments and opportunities. It makes cleaner products, applies eco-effectiveness and life-cycle stewardship, and enjoys competitive advantages from sustainability initiatives.

*Stage 5:* Driven by a passionate, values-based commitment to improving the well-being of the company, society, and the environment, the company helps build a better world because it is the right thing to do.

### ***The Stage 3 to Stage 4 Transformation and the Stage 5 Difference***

***The leap from Stage 3 to Stage 4 on the sustainability journey requires linking market opportunities with corporate responsibilities: creating positives like innovative products and services for the world’s poor while eliminating negatives like pollution, waste, and child labor; creating new value like sanitation, health, safe food, clean water, and new jobs while eliminating non-value; seeing partnerships with diverse stakeholders in the market as a source of innovative solutions; seeing sustainability as an engine for growth as well as risk mitigation.***

*Stage 3 is about incremental, continuous improvements in eco-efficiency. Stage 4 is about discontinuous, leapfrogging breakthroughs. It is about creative destruction of existing manufacturing process and product design, and breakthroughs in new products, services, markets, and processes. It is a transformation from Stage 3, not a transition.*

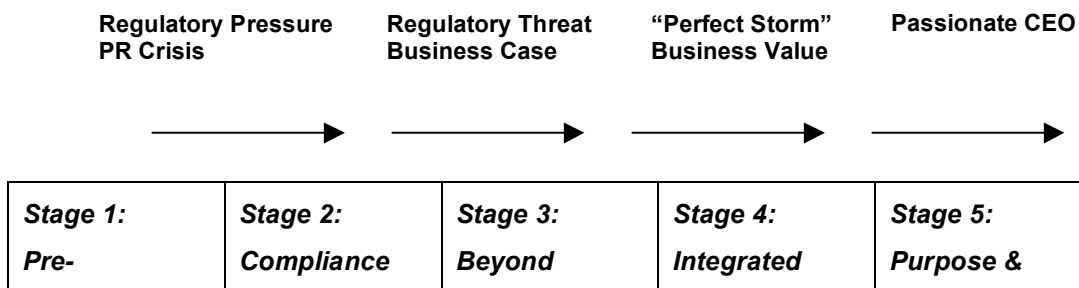
*Transformations are not trivial. Moving from Stage 3 to Stage 4 requires internalizing sustainability notions in profound ways, both personally and organizationally. Environmental considerations move from the Environmental Affairs or Environment, Health, and Safety (EHS) department into the boardroom. Social considerations move from the Community Relations or Corporate Donations department into the strategy function. Sustainability-based thinking, perspectives, and behaviors are integrated into everyday operating procedures and the culture of the organization. When these migrations happen, the metamorphosis is underway. The payoff is tapping into the revenue, innovation, and productivity side of the sustainability business case rather than just the risk mitigation and cost-savings side.*

*What about Stage 5? Stage 5 is very different, but simultaneously very similar. About 90% of what Stage 4 and Stage 5 companies do looks the same. They both deploy business strategies that respect the environment, the community, and the ongoing business health of the firm. Motivations differ. Stage 4 companies “do the right things” so that they are successful businesses. Stage 5 companies are successful businesses so that they can continue to “do the right things.” The line between Stage 4 and Stage 5 in Figure 1 denotes this significant difference.*

*The distinction is not meant to be a value judgment. Frankly, if we got to the tipping point of companies using sustainability as a management discipline at Stage 4, I would be delighted. I am less concerned with the righteousness of motivations than I am with results.*

**Positioning the Drivers**

[Earlier in the book], I have identified three drivers that triggered early corporate responsibility adopters and two emerging drivers. How and when are they effective motivators for the next wave of CSR leaders? What are the most convincing rationales for companies moving to the next stage on the sustainability continuum? It depends where they are on the continuum, as shown in Figure 2.



<b>Compliance</b>		<b>Compliance</b>	<b>Strategy</b>	<b>Passion</b>
-------------------	--	-------------------	-----------------	----------------

Figure 2: Stage-to-Stage Drivers

*For companies in get-away-with-whatever-you-can Stage 1, enforced regulations or a PR crisis will work. These companies are the sustainability laggards. They may never “get it,” insisting to the end that they are just trying to be as efficient as possible and avoiding costly environmental or social measures not strictly required by law.*

*Compliant companies in Stage 2 will be driven by the pleasant prospect of savings from eco-efficiencies and move beyond compliance to Stage 3. These are often the companies that had a PR crisis, cleaned up their act, and then discovered that the new approach was actually a better way to run a business -- increased savings and revenue resulted from their corporate responsibility actions. A high-performance corporate culture helps at this stage. Companies that pride themselves on doing whatever they do very well, once awoken, commit to ensuring they go beyond compliance and never are subject to public embarrassment again.*

*Transformation from Stage 3 to Stage 4 is not trivial. Risk management expands to ensure the company is better positioned to weather a wider “perfect storm” of potential market force risks on the horizon. These companies capture the benefits of re-branding themselves as responsible corporate citizens and quantify them as business value. Day-to-day corporate decision-making processes ensure sustainability’s financial rewards are reaped and accounted for. The momentum feeds on itself as these companies get smarter about how to do well for their stockholders while “doing good” for a wide network of stakeholders.*

*The transition from Stage 4 to Stage 5 is rare. In Stage 5, sustainability becomes a legitimate end in itself, not a means to business ends. Instead of being a co-benefit, making a worthy contribution to society becomes the purpose of the firm. Few public corporations will be able to make this transformation, which does not concern me. A critical mass of companies in Stage 4 would make a world of difference.*

#### **Leaders, Followers, and Laggards**

Sustainability leaders are in Stage 4 or Stage 5 on the sustainability continuum. They integrate social and environmental considerations into investment, research and development, and procurement decisions. They clearly understand the power of human ingenuity and let the spirit of the company’s corporate culture shine through. They measure, manage, and transparently report their ecological impacts, their waste and emissions, and their social impacts. They work with stakeholders to minimize the ecological and social footprints of their supply-chain members. They educate customers and encourage them to demand more sustainable choices. They influence capital markets and analysts to recognize lower long-term risks compared to competitors less engaged in sustainable practices. They influence regulators to implement progressive, smart regulations that reward leaders and punish laggards, strip away perverse subsidies,

unleash market forces, and introduce market-based regulatory approaches like emissions trading. To them, CSR is no longer about buffering up one's corporate reputation. It is about a comprehensive way of doing business to yield intelligent profit maximization, which is as pro-business as it gets.

*Sustainability followers are at Stage 3 on the sustainability continuum. They are starting to see benefits and are paying attention to further possibilities. They are proactively learning from the leaders, intelligently experimenting, and courageously pushing the edges of their envelopes of status-quo comfort. They are starting to see that corporate social responsibility marries profit and purpose, results and inspiration. Once a critical mass of followers is on board, the tipping point is reached and we can all enjoy the momentum as it kicks into overdrive.*

*Sustainability laggards are in Stage 1 or Stage 2. They may never "get it" or they may experience a rude awakening from their reactive rut by a PR crisis in time to get on board.*

*Corporate responsibility is no longer a luxury for companies. In today's global economy, it is critical for companies to embrace social and environmental responsibility in order to meet the demands of their investors, consumers, employees, and communities they serve. Smart sustainability champions can help executives and directors of forward-looking companies recognize that sustainability strategies serve these goals.*

Source: Ubiquity Volume 6, Issue 23, (June 28 - July 5, 2005) <http://www.acm.org/ubiquity>

*See also <http://www.sustainabilityadvantage.com>*