

The sustainability challenge

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Despite several decades of significant public and private efforts to encourage businesses to integrate sustainability in the way they go about what they do, there is still no consensus today about what sustainability in business, or "sustainable business", means. Definitions are either too broad or too narrow; either inspirational or limited to the regulatory guidelines. If we want to avoid that sustainability suffers the same silent death that ethics and CSR are currently facing, it is high time to reach alignment and agreement around an appropriate definitional framework of sustainable business both within the business community as well as the community of management and business education.

"Companies do not share a common definition or language to discuss sustainability - some define it very narrowly, some more broadly, and others have no corporate definition at all."

The 2009 BCG report on business sustainability

The sustainability challenge represents the challenge the extended business community (i.e. businesses as well as management and business education) faces in the next 20 years to meet and exceed the expectations and minimum requirements to ensure the continuous well-being of all life on the planet. As such, the sustainability challenge requires business to become part of the solution for a sustainable world.

How big is the problem behind the sustainability challenge?

The most recent Living Planet Report (WWF, 2010) highlights the fact that already today, we are using resources that account to what 1.5 planets can sustain, up from 1.3 planets just 3 years ago. If current practices and consumption continued, we would need 2 planets by 2025, brought forward from previously 2 planets by 2030. Our current behavior, nothing new here, is dangerously unsustainable. One wonders how we can pretend having more than one planet we can live on!

By 2050, we will be sharing our planet with some 30% more people totaling a world population of some 9 billion. While this perspective of billions of new consumers who will want homes, cars and TV sets, may be a source of joy for the entrepreneurial-minded spirits among us, the shrinking resources and potentially changing climates present a limitation for all the 9 billion of us to maintain or attain the consumptive lifestyle that defines today's affluent markets.

The WBCSD Vision 2050¹ describes the desire for a planet with a population of 9 billion people to be "living well and within the limits of the planet". The vision outlines a critical pathway with clear measures to ensure a world on-track towards sustainability by 2050. It highlights a number of significant changes and improvements required to get there, whereby behavioral change and social innovation are as crucial as better solutions and technological innovation.

For the WBCSD, this critical pathway includes the following elements:

- Developing radically more eco-efficient lifestyles and behaviors and solutions to enable education and economic empowerment for billions of peoples, women in particular.
- Incorporating the cost of externalities, including carbon, water and ecosystem services.
- Doubling the agricultural output without increasing the amount of land or water used.
- Halting deforestation and increasing yields from planted forests.
- Halving carbon emissions world-wide, and providing universal access to low-carbon mobility.
- Delivering a four-to-tenfold improvement in the use of resources and materials.

So what is the "sustainability challenge" all about? The sustainability challenge, simply put, represents the challenge for us, as a global community, to ensure that we together return to be "living well with the one and only planet we have". This challenge is significant given that right now, we are far beyond this basic premise, using resources of 1.5 planets with the roughly 7 billion world citizens we represent of which many aspire to a lifestyle that would lead us to need to have resources of 2 planets available by 2025 if we continue as we do right now. This does not include the fact that we can expect to be some 9 billion citizens by 2050, with an increasing appetite for our consumptive lifestyle that we seem to take for granted.

Given where we are today and how ineffectively the legislative frameworks have managed to safeguard the planet from our consumption-oriented aspirations, I question the effectiveness of the many significant, yet often sadly compromised, efforts of many concerned players to set-up and enforce legislation we can rely on to address the sustainability challenge. I would challenge that unless business embraces the sustainability challenge as its key contribution to fulfill its responsibility to serve society and the planet at large, we are unable to turn-around the one-way track we are all on. It is this premise that serves as the foundation of this effort to develop a definitional framework in order for business to act and start becoming part of the solution towards addressing the burning issue the planet and with it we all as global citizens face.

How good are companies at this thing called sustainability?

Only a minority of companies today are acting decisively in favor of embedding sustainability in their business with the majority of "sustainability action" undertaken to date limited to those necessary to meet regulatory requirements (BCG Report 2009). The report is based on a global survey involving 1500 corporate executive and highlights that despite the fact that there is a strong consensus in corporation world-wide that sustainability is having a material impact in how

companies think and act, 70% of corporate executives say that their company has not developed a clear business case for sustainability.

"Sustainability is a bit like teenagers and sex: lots of teenagers are talking about; only some are doing it; and the ones who are doing it aren't doing it well."

Baroness Barbara Young, former head of the UK Environment Agency

Enabling business to become good at sustainability has become an urgent priority given where the world is heading. The WBCSD Vision 2050 sets the standard of the challenge ahead of us. Most importantly the report stresses the interconnectedness of issues such as water, food and energy and points out that these relationships must be considered in an integrated and holistic way. Both management and business educators as well as business are required to step-change to contribute to these challenges.

But what does sustainability in business mean?

There are two distinct approaches to how sustainability is being defined in business to date:

- Very broadly, most often related to or derived from the Brundtland Report (1987), in a very inclusive form by Frank Birkin (2007) who expanded Brundtland's often interpreted focus on human beings to all higher sentient life forms to read: "Sustainable development seeks to meet the needs and aspirations of present higher forms of sentient life without compromising the ability to meet those of the future".
- More narrowly and operating strictly within the prevailing neoclassic economic framework, such definitions include indices, standards and measures such as Triple Bottom Line (Elkington, 1994), the Eco-Management and Audit Scheme (EMAS, 1995), Corporate Social Responsibility (CSR), the Dow Jones Sustainability Index (DJSI, 1999), the Global Reporting Initiative (GRI, 2000), the Cloverleaf Account of Sustainable Development (Birkin, 2000), the ISO standard for environmental management system and CSR (ISO14000, 2005 and ISO 26000, currently in draft), the UN Global Compact (UN, 2006), the Social and Environment Accounting (CSEAR), Creating Shared Value (CSV), etc.

The first group of definitions has the advantage of inspiring business leaders to review their business models holistically, asking themselves the important strategic questions in the outset. On the other hand, the danger of such broad definitions lies in the fact that business leaders are left alone to figure out how to possibly apply these great ideals to their business in a way that they can continue to operate successfully.

The various approaches of the second group of definitions have helped to raise awareness of sustainability in business and have each in their way contributed to the cause. The limitation of such narrow definitions, however, is that they operate within the current framework of thinking of "the business of business is business" subordinating all sustainability concepts thereby preventing business leaders to fundamentally review their business strategy and adjust their business model to become truly sustainable. The risk of narrow definitions is the danger that

resulting incremental improvements remain largely below the required impact to contribute to resolve the sustainability challenge.

The BCG Report ² demonstrates the prevalence of different interpretations of sustainability in business and reveals that some companies don't understand what sustainability is and what it means to the enterprise. It is interesting to note that self-identified experts define sustainability more comprehensively than novices. While nearly 40% of novices define sustainability simply as "maintaining business viability", nearly two-thirds of "experts" use one of the two widely accepted definitions: the Brundtland definition ³ or the Triple Bottom Line definition⁴, both of which include economic, environmental and social considerations. More than half of corporate executives state a need for better frameworks for understanding sustainability with many companies having difficulties finding or modeling a compelling business case for sustainability.

We are running the danger of doing to sustainability in business what has happened with business ethics and Corporate Social Responsibility (CSR). By leaving a large middle-ground between very broad definitions on one hand, and very narrow definitions on the other, we leave business leaders to struggle with their own interpretations. We have seen what this has meant for business ethics where various inspired efforts to raise awareness around a proper business conduct including voluntary oaths (examples: the global business oath by the Young Leader at WEF, or the MBA Oath by A. Carrera at Thunderbird) have not managed to have prevent unethical behavior in a number of industry sectors causing the recent economic crisis. Here, the issue was a too broad definition of the term, failing to instruct leaders to know how to concretely apply ethics in their own context. CSR, on the other hand, has suffered from too narrow definitions imposed by a clear regulatory framework which forced companies to comply with new standards and measures. This resulted in too many companies ending up doing lip service to the cause, leaving CSR initiatives far below their intended impact.

The World Business School Council for Sustainable Business (WBSCSB) is currently working on a definition that seeks to combine the advantages of both groups of definitions: a definition that inspires to fundamentally review one's business model while being sufficiently concrete to allow measuring resulting performance indicators. The Council starts with a general definition of sustainability as "ensuring the well-being of all sentient life of our planet in everything we do"; whereby well-being is defined as "a condition where all sentient life can live up to its full potential". As a result, sustainability in business or "sustainable business" is defined as

Sustainable Business

"Innovating, producing, and delivering products or services that ensure the well-being of all sentient life of our planet in a measurable and repeatable manner".

This definition can be further improved and is a current work in process.

¹ World Business Council for Sustainable Development (WBCSD): Vision 2050 – The new agenda for business

² BCG Report: "The Business of Sustainability - Imperatives, Advantages, and Action", September 2009

³ The Brundtland Commission, U.N.: "sustainable development seeks to meet the needs and aspirations of the present without compromising the ability of future generations to meet theirs", 1987

⁴ John Elkinton: "Triple Bottom Line: people, planet, profit", 1994