

8.2: Sustainability as Strategy

Sustainability as strategy will encompass all aspects of the company's operations, as demonstrated in the previous chapters. Sustainability as strategy entails a new perspective, recognizing that financial gain is not the only imperative of the firm. Rather, social, environmental, and economic gains can be enjoyed by all and business is the vehicle through which it can happen. Your business can be used to make the world a better place. This idea gains much resistance from those who have been trained to believe that profit is the only purpose of business. That is, some may balk at the idea that a business has any responsibility beyond that to its shareholders. Friedman (1970). For those sharing this perspective, consider the future risks inherent in current operational practices if more stringent social, environmental, or economic regulations emerge. Every executive and Board of Directors should be attuned to world trends impacting the global business environment Doering et al. (2002). and conduct a risk audit of current operations (and the supply chain) to identify vulnerabilities in light of these global trends. A risk audit would entail an honest evaluation of energy usage, water usage, waste produced, toxins used or produced (or both), human resources practices, value and supply chain operations, community relations, regulations and standards, customer relations, technology, and the like. Furthermore, an honest assessment of strengths, weaknesses, opportunities, and threats is in order. The progressive company will view potential risks as opportunities to improve the organization and to seize new market opportunities. In the words of Peter Drucker, "Every single social and global issue of our day is a business opportunity in disguise." Cooperider (2008).

Many successful businesses are exemplars of sustainable and responsible business practices; some before it was "fashionable." Classic examples include Ben & Jerry's (now owned by Unilever), Whole Foods Market, Body Shop (now owned by L'Oréal), ShoreBank, Interface, Newman's Own, Burt's Bees, Seventh Generation, Tom's of Maine (now owned by Colgate), Greyston Bakery, Green Mountain Coffee Roasters, Armstrong International, Virgin Group, Golden Temple, and many others. Today we see a new generation of companies continuing and even expanding on sustainable and responsible business models. A brief overview of a very small selection of these companies is provided in Chapter 10 of this book. These companies serve as role models for others pursuing sustainability.

While many businesses will forge their own path toward sustainability, there is a growing infrastructure of principles and standards to help guide and provide direction to companies. Adoption of these principles and standards is voluntary, allowing businesses the flexibility to choose among the many options available. We will discuss the most commonly adopted principles and standards.

Principles of Corporate Conduct

There currently exists a growing body of protocols for businesses that seek to be sustainable. In addition to creating a strong values-based and ethical corporate culture, many businesses will explore the numerous principles for corporate behavior. Principles of corporate behavior are broad sweeping guidelines to which the business subscribes and which reflect the values and goals of the business. Companies will select one or more that are most appropriate to the type of business and that reflects the outcomes the business wishes to achieve. Whether or not the business elects to become an official signatory of the principles, they can still offer guidance on the type of values the corporation will seek to uphold. We will briefly explain the most common principles for corporate behavior.

United Nations Global Compact. Among the most commonly referenced set of principles for corporate conduct is the **United Nations Global Compact**. The UN Global Compact contains 10 principles for responsible and sustainable business activity in the areas of human rights, labor, the environment, and anticorruption. Over 4,700 businesses worldwide have become signatories (participation is also open to nonprofits, academic institutions, and municipalities). United Nations Global Compact (2008). The UN Global Compact is the business extension of broader UN goals, including the UN Millennium Development Goals (MDG) for governments and international organizations. The UN MDG set forth eight goals (with 21 accompanying targets) related to poverty, education, gender equality, child mortality, maternal health, disease, the environment, and global partnerships. The MDG initiative has been signed by 189 UN member states and international organizations with the goal of achievement by 2015.

AA1000 Framework. Another popular set of principles for corporate conduct is the AccountAbility 1000 (AA1000) series. The AA1000 Framework seeks to engage all stakeholders in determining the organization's course toward its vision. The AA1000 Framework is designed to complement the Global Reporting Initiative (GRI), the most frequently used sustainability reporting framework worldwide (discussed in Chapter 8).

Caux Round Table Principles. The Caux Round Table Principles provide a global vision for business conduct based upon shared values. The principles were developed in 1994 and offer a self-assessment and improvement process self-appraisal tool for organizations to assess their progress.

ISO 26000. The International Standards Organization's (ISO) 26000 guidelines were released in 2010 and serve as a set of principles or guidelines on corporate responsibility, or the relationship between a business and all its stakeholders. The ISO 26000 standards serve as guidelines only and are not part of the ISO certification process.

The Natural Step. The Natural Step puts forth four broad beliefs or philosophies on how business should operate within the natural environment. For those who subscribe to these value statements, the Natural Step offers a framework and tools to assist businesses.

The Aspen Principles. The Aspen Institute's Business and Society Program provides educators and executives with research, information, and opportunities for sustainability and values-based leadership. The Aspen Institute's Business and Society Program has put forth the Aspen Principles. These principles suggest that a long-term focus will ultimately lead to value creation for the corporation. Specifically, they promote improved corporate governance as a means toward long-term value creation for the company, economic growth for the nation, and better service to society.

Coalition of Environmentally Responsible Economies Principles. For the business that chooses to focus only on environmental impact, the Coalition of Environmentally Responsible Economies (CERES) Principles focus on the environment and climate change.

There are a number of less frequently used principles for corporate conduct. These include the defunct UN Human Rights Norms for Business, the Organization for Economic Cooperation and Development Principles of Corporate Governance and Guidelines for Multinational Enterprises, the International Chamber of Commerce Business Charter for Sustainable Development, and the Global Sullivan Principles of Social Responsibility.

Standards

After determining the principles to which a business will subscribe, the next step is to select standards for performance. Some standards identify specific guidelines for corporate behavior while others detail specific quantifiable benchmarks to achieve. There have been efforts to create uniform standards that apply to all organizations and all industries; these have had mixed success. Uniform standards include the Sustainability-Integrated Guidelines for Management, or SIGMA Project, Certified B Corporations, the Corporate Responsibility Index, and the now defunct Social Venture Network Standards of Corporate Responsibility. In addition, there are a growing number of local, regional, and national organizations that identify required criteria to become certified as a sustainable or green business (e.g., Bay Area Green Business Program).

SIGMA Project. Project SIGMA offers guidelines for companies on social, environmental, and economic performance. The guidelines attempt to integrate five types of capital (human, financial, social, manufactured, and natural) while practicing accountability and transparency with all stakeholders.

Certified B Corporations. B corporations are a new type of corporation. To be certified as a B corporation requires companies to (a) meet comprehensive and transparent social and environmental performance standards, (b) amend governance documents to incorporate the interests of all stakeholders, and (c) build collective voice through the power of a unifying brand.

Corporate Responsibility Index. Business in the Community's Corporate Responsibility Index is an online survey of participating companies' performance in seven areas of corporate responsibility: strategy, integration, management, social impact, environmental impact, assurance, and disclosure. The annual results are compiled to create a benchmark of corporate responsibility. Participating companies receive a personalized report to compare their own practices to the average benchmark. This process highlights the gap between current performance and the industry benchmark.

Not all standards address the full three-dimensional realm of sustainability. Some standards focus only on the social or environmental performance of an organization; other standards apply only to a particular industry.

Standards for Social Performance. Standards with a more narrow focus on socially related concerns include ISO 9000 (labor standards), SA 8000 (labor standards), Ethical Trading Initiative (ETI, labor standards), OHSAS 18001 (occupational health and safety), FairTrade (agriculture and handicrafts from emerging economies), and the Standards of Excellence in corporate community involvement (corporate citizenship).

Standards for Environmental Performance. Standards with a more narrow focus on environmentally related concerns include ISO 14000, the Kyoto Protocol, LEED (Leadership in Energy and Environmental Design) certification from the U.S. Green Building Council, and the Forest Stewardship Council. In addition, there is explosive growth in the number of local, regional, and national organizations offering certification as a green business.

Standards for Industry Performance. Standards with a focus on a particular industry are too numerous to mention and exist for every known industry. However, among the more well-known industry standards are the Apparel Industries Partnership (apparel), Fair Labor Association (apparel), Common Codes for the Coffee Community (coffee), Responsible Care (chemicals), Extractive Industries Transparency Initiative (mining, oil, gas, etc.), Green Computing Maturity Model Process (computing), RugMark (handwoven rugs), Equator Principles (banking and finance), and the AIChE Sustainability Index (engineering and scientific firms), just to mention a few.

While adoption of principles and standards are neither required nor necessary for sustainability, they do add credibility to the organization's sustainability efforts. Upon determining principles for corporate conduct and specific standards to follow, the sustainable business turns to the task of implementing the sustainability strategy throughout the various functional areas of the company and tracking and measuring sustainability performance (as explained in each of the preceding chapters).

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