

## 8.3: Making the Sustainability Commitment

As a strategy, sustainability requires leadership and top-level commitment, strong values and ethics deeply embedded in the corporate culture, and incorporation throughout all business activities. Sustainability must be embedded in the core competencies and competitive position of the company and engage all stakeholders. Finally, reexamination of the business model, organizational structure, reward system, and other management systems are in order. We will examine each of these in further detail.

### Leadership and Top-Level Commitment

Sustainability requires commitment by the Board of Directors, CEO, and top management team. This commitment and leadership begins at an executive level and is spread throughout the organization. Leadership and top-level commitment demonstrate that sustainability is a priority for the organization. Many corporations have created new positions, such as Corporate Responsibility Officer or Corporate Sustainability Officer, to oversee this aspect of company operations.

In addition to supporting sustainability as a value of the organization, many organizations, such as the U.S. Green Building Council, have turned to **dynamic governance** (also termed sociocracy) Endenburg (1998); Siong and Chen (2007); Buck and Villines (2007). as a model for corporate governance, decision making, and organizational structure. The sociocratic model has four principles: decisions are made by consent, the organization is a hierarchy of semiautonomous circles, circles are double-linked with two representatives from each circle serving on the next circle up in the hierarchy, and elections are held by consent. The model is inclusive, gives everyone a voice, and reaches consensus easier and faster than traditional governance, decision making, or organizational structure models.

### Values and Ethics

One thing we see in common throughout sustainable organizations is a strong values-based and ethical corporate culture. In fact, it is argued that the strategic deployment of corporate values is a necessary building block for competitive advantage in this new era of sustainable business. Landrum, Boje, and Gardner (2009); Rochlin and Googins (2005). Training and development opportunities for employees will focus on personal growth and development, instilling corporate values and ethics, and promoting sustainability. Landrum, Boje, et al. (2009).

### Core Competencies and Competitive Position

As we have seen throughout this book, sustainability encompasses the entire organization. Sustainability is deeply integrated throughout all activities, functions, operations, and business activities. Sustainability should also be deeply embedded in the company's core competencies Hamel and Prahalad (1990). and contribute to a strong competitive position for the company. That is, your business must develop strengths, competencies, and expertise in a way that sets it apart from its competitors (which makes the business unique, one-of-a-kind, and different) and that produces a result that is valued by customers. Hamel and Prahalad (1990). The business must develop a skill set that promotes its core competencies and strengthens its competitive position so that the business becomes known as the place to patronize for those who seek out that particular core competence.

As an example, if you think of a business that has the absolute lowest prices, one particular business may come to mind. Or if you think of a business that has combined low prices and stylish or trendy items, another particular business may come to mind. These descriptions might identify the particular business's core competency (or what they are known for, the business's area of expertise). It is also certain that a broad skill set has been developed across all functions and dimensions of the business to promote and advance the core competency, thereby strengthening its competitive position in the market place.

A sustainable business must identify its core competency (what it is known for), identify the set of skills across the entire range of business functions that must be developed in order to perfect the core competency, and use this information to strengthen its competitive position against rivals. Sustainability must be rooted in the core competencies and must contribute to strengthening the company's competitive position; sustainability should be the linchpin of, rather than peripheral to, the company's strategy.

### Stakeholder Engagement and Assurance

Sustainability requires a shift in mindset in the way companies interact with stakeholders. Companies have historically viewed stakeholders in terms of their threat and power and have developed strategies for managing stakeholders in order to reduce their threat and neutralize their power. Freeman (1984); Mitchell, Agle, and Wood (1997). By contrast, a sustainable business will interact with stakeholders, including critics, listen to their concerns, and will seek to engage them in identifying plausible solutions.

There appears to be no prominently used stakeholder engagement standard although several exist, including AA1000 Stakeholder Engagement Standard and the SIGMA Project's Stakeholder Engagement Tool (both discussed in Chapter 8). It appears that most companies develop their own approach to stakeholder engagement. As such, companies must consider how each stakeholder will be impacted within the sustainability efforts.

*Suppliers.* A commitment to sustainability will require that the company engage its suppliers in the move toward more sustainable business practices. This will require a critical analysis of suppliers' current social, environmental, and economic impacts. It is of critical importance to engage suppliers in your transition toward sustainability so that your business has a complete understanding of the supplies being used, the conditions under which they were produced, and their associated impacts. Sustainable businesses often work with suppliers to help them become more sustainable. Furthermore, suppliers need to understand what types of products and services you seek to support your sustainability strategy.

*Customers.* Customers can offer valuable insights regarding your business and should be engaged in sustainability efforts. In addition, customers should be part of the sustainable business's education and communication efforts related to sustainability. This group of stakeholders might ultimately be affected by changes in product or service offerings.

*Employees.* Employees can be engaged in the sustainability process in a number of ways. Training and education will be critical (as discussed in Chapter 3). For example, employees must understand their role in the sustainability strategy, rewards for achieving sustainability goals, and the change in corporate emphasis from a profit orientation to a more balanced triple bottom line orientation. Employees must also frequently receive communications related to sustainability progress. Lastly, employees can be an invaluable source of sustainability-related innovations.

*Shareholders.* Shareholders must also understand the change in corporate emphasis from profit orientation to triple bottom line. Studies show that sustainability-focused companies outperform other companies. Most recently, a study of companies with a commitment to sustainability showed that they continued to outperform other companies even during the midst of the economic crisis during the period of May through November 2008. A. T. Kearney, Inc. (2009).

*Society.* Communities and society at large are important stakeholders that must be included in a company's sustainability efforts. Americans are skeptical of and generally do not trust businesses, particularly big businesses. Deutsch (2005). Furthermore, it may be more difficult to overcome image and reputation problems.

As we discuss society as a stakeholder, globalization and international strategies bear mention here. Once a company begins conducting business outside its own borders, the sustainable business will become cognizant of the unintended consequences of traditional international strategies. Landrum (2009). Companies have been accused of exploiting human and natural resources in areas in which they have business operations.

**Base of the pyramid (BOP) strategies** seek to address these concerns and improve the social, environmental, and economic performance of corporations conducting business in emerging economies. Prahalad and Hart (2002). Not without criticism, Landrum (2007). BOP strategies are an effort to adopt localized nonethnocentric partnership-based approaches to conducting business in emerging markets. BOP strategies also seek social, environmental, and economic benefits for all partners involved. The Base of the Pyramid Protocol 2.0 Simanis and Hart (2008). provides an excellent standard for conducting business in emerging economies.

One example of a BOP strategy is Grameen Bank. Muhammad Yunus started Grameen Bank as a means of providing credit to the poorest residents in rural India. Loans are made to an individual, without collateral, whose family and friends guarantee the loan. Loans are typically small, or microloans, but can make a significant impact in residents' quality of life. Yunus was awarded the Nobel Peace Prize in 2006 for this social banking model and strategy that ultimately fights poverty and promotes self-sufficiency in BOP communities.

*Other stakeholders.* The list of a company's potential stakeholders is much larger than the five groups of stakeholders mentioned here. Other possible stakeholders include creditors, environmental organizations, nonprofits, government, and many more. The sustainable organization will engage each group in a cooperative dialogue to generate mutual benefit.

Numerous academic centers, research centers, and nonprofit organizations around the world work with businesses toward a sustainable future. Among those centers and organizations are the Applied Sustainability Center, Business Alliance for Local Living Economies, Center for Business as an Agent of World Benefit, Center for Companies That Care, Center for Corporate Citizenship, Center for Responsible Business, Center for Sustainable Business Practices, Center for Sustainable Enterprise, Center for Sustainable Global Enterprise, Consortium on Green Design and Manufacturing, Enterprise for a Sustainable World, Erb Institute for Sustainable Global Enterprise, Ethical Trading Initiative, Forum for Corporate Sustainability Management, Global Institute of Sustainability, Green Design Institute, Minnesota Center for Corporate Responsibility, National Association of Socially

Responsible Organizations, Peace Through Commerce, World Business Council for Sustainable Development, and World Resources Institute. Sustainable businesses recognize the importance of mutual learning and networking with others in order to generate a shared knowledge base.

*Assurance.* It is important to provide assurance (a social audit, ethical audit, or monitoring) that systems are in place to track and measure sustainability claims made by a company. There are two widely used assurance standards that companies will want to consider: AccountAbility's AA1000 Assurance Standard 2008 and the International Auditing and Assurance Standards Board's International Standard for Assurance Engagements (ISAE 3000). Both are discussed in detail in Chapter 8.

## Business Model, Systems, and Structure

Incorporating sustainability throughout all functional areas of the business and across the entire supply chain of the business will require closer examination of the business model being used, the various management systems in place (including reward systems), and the organizational design or structure in place; changes may be in order. A business model is the way in which a company's value chain is organized in order to be most efficient and effective in achieving its social, environmental, and economic goals while making a profit.

A particular example of an innovative business model emerging in this era of sustainable business is a social or open business model that engages stakeholders in determining and defining how the business will operate. Stakeholders are the decision makers and contribute to the ongoing operations of the business. First termed crowdsourcing, Howe (2006). social business models leverage the power of mass collaboration in creating a successful business. Tapscott and Williams (2006). One example of a successful **social business model** is the sports apparel company nvhk where anyone can become a partner for \$50. Partners contribute apparel and logo designs, vote on designs, vote on advertising, sponsorships, and which charities receive 10% of the company profits, and make many other company-related decisions.

Furthermore, the company may need to reexamine its management and control systems (including corporate governance and reward systems), organizational structure, corporate culture, and other aspects of the business (such as the discussion on dynamic governance earlier in this chapter). For example, as with all aspects of strategy and strategic planning, the company must set sustainability-related goals, measure results, train, educate, and involve employees and other stakeholders, and tie rewards to the achievement of goals. The organizational hierarchy in place must be one that supports the sustainability-related goals and objectives of the strategic plan. Sustainability is well planned and coordinated across all activities of the corporation, and the business model, systems, and structure must support the sustainability-related goals of the strategic plan.

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