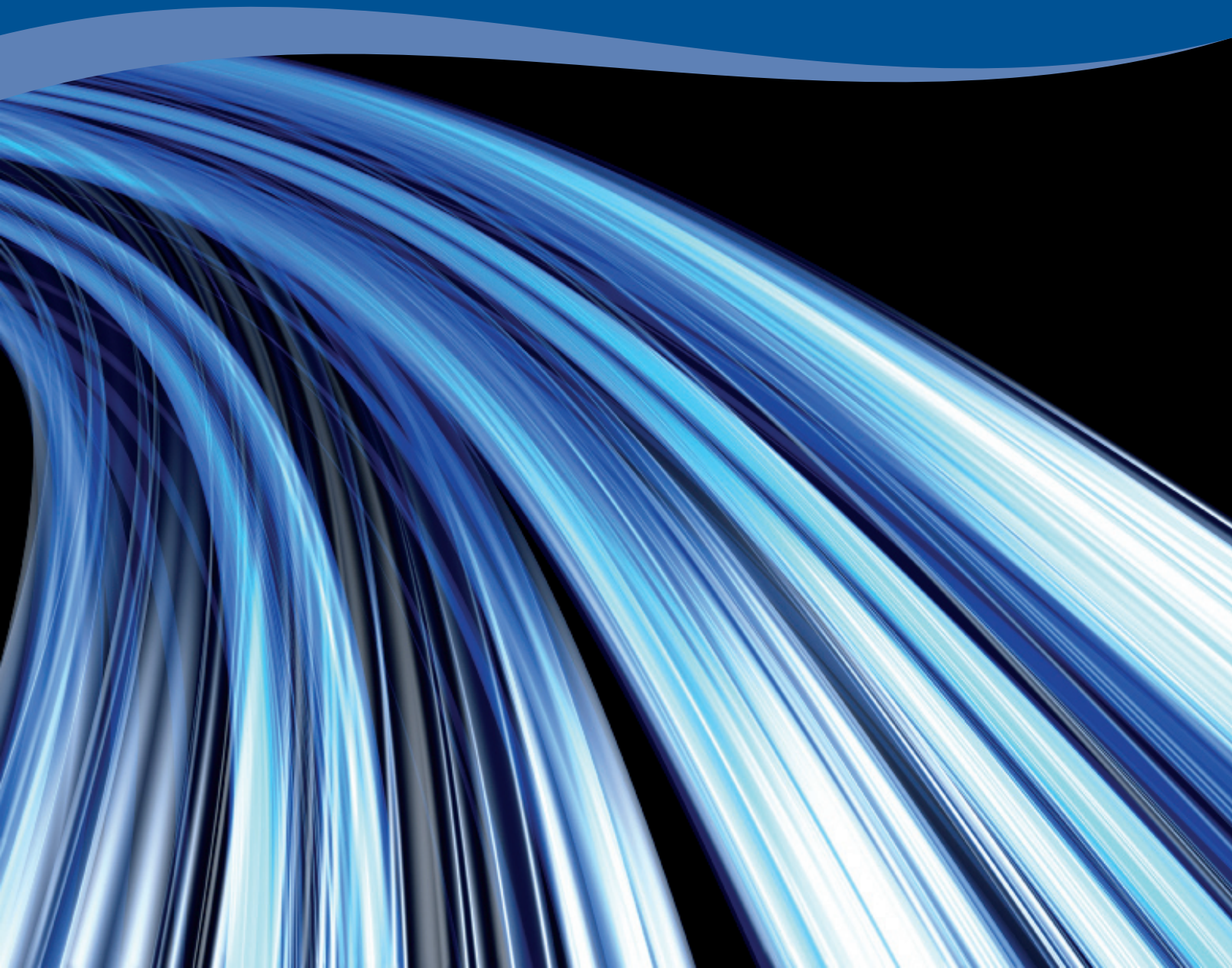


# White Paper

Leading for Sustainability

**Associate Professor Steve Downing**



**'For every great problem, there is a simple solution- and it is wrong'**  
Oscar Wilde

## **Leading for Sustainability: a journey through the business case and beyond and inwards**

Sustainability is a large, rapidly growing, critical, complex and contested topic. This is because it responds to growing perceptions that the way we are producing and consuming is unsustainable – meaning things cannot go on as they are. Perceptions of the drivers of unsustainability are broadly environmental, social and ethical. These give rise to claims about major systemic fault lines in the way industry, trade and society is structured globally.

Recently the sense of urgency for change has been fuelled by politicians accepting scientific evidence of man-made climate change providing a massive threat to humanity, equal or greater than the threat posed by terrorism. The highly visual and emotional drama of unfolding 'climate chaos' and 'eco-doom' in reports of dangers to polar regions, glaciers, permafrost, fish stocks and other species has become a daily feature of media news and entertainment. But these stories co-exist with our overriding commitment to business growth, GDP as a measure of progress and a consumerist culture. As the saying goes, 'we live in interesting times'.

### **Confusion, denial or dialogue towards sustainability?**

It might not be too harsh to say that currently most organisations and consumers are confused or quite uncertain about unsustainability and sustainability. Opinions and arguments are diverse. Many sustainability champions are from outside of the business community in Non-Governmental Organisations (NGOs) and think-tanks. They articulate a vision of sustainability based on a radical transformation of social equity and ecological justice as they define these terms.

In part responding to these critiques of globalisation over the last two decades a small avalanche of business books has argued that sustainability offers business new ways to make money and to simultaneously make the world a better place. This view has gained considerable traction. Approximately seventy percent of the FTSE 100 now report on a triple bottom line, i.e. they report on their social and environmental performance alongside their traditional financial accounting. In order to manage what is measured, new roles directing and managing corporate responsibility and sustainability have been created and environmental management, stakeholder dialogue and community involvement have become staples of the boardroom. In addition to non-financial reporting, investment in ethical or sustainable funds has grown rapidly over the last decade.

However, many sustainability champions still argue that our current response to sustainability indicates we either do not understand the problem, or we are in denial, or worse we are deliberately seeking a 'have cake and eat it' society. For example, the WWF campaign for 'one world living' argues that if today's global population lived at UK consumption levels we would need three planets and if the world lived at US consumption levels we would need six planets.

**if the world lived at US consumption levels we would need six planets.**

Within government and business we seem open to the charge we are not joining up the dots or taking a global systems perspective. The media and public debate on whether concern with light bulbs, carrier bags and bottled water is tokenism or 'greenwash', that is an attempt to look responsible whilst effectively continuing with a fundamentally unchanged business model? Surveys of the public and opinion leaders are instructive. Ipsos MORI surveys in 2006 and 2007 suggest the UK general public's expectations are very close to that of NGOs and CR experts. Sixty-eight percent of the general public compared to 75% of NGOs and CR experts agreed that 'Industry and commerce do not pay enough attention to their social responsibilities'. Interestingly 30% of 'captains of industry' also agreed with this statement.

A range of surveys indicates that sustainability demonstrates a typical 'early adopter' profile. Namely 10-13% of individuals and organisations are activists. Ipsos MORI find there are 11% of regular ethical or green consumers. At the end of 2007 the National Audit Office found 12% of large UK businesses with annual energy bills over £50,000 had worked with the Carbon Trust to reduce greenhouse gases (though 60% of these clients had implemented fewer than half of the recommendations made).

Critically not all non-activists are opposed to sustainability. Research on the British general public conducted by the retailer Marks and Spencer suggests:

- 11% are 'Green Crusaders'
- 27% want sustainability 'If it is easy'
- 38% ask 'What is the point?'
- 24% say 'It is not my problem'

This and research on the US market for 'Lifestyles of Health and Sustainability' (LOHAS), currently estimated to be 19% of all US adults (41 million), suggests the unfolding dialogue on sustainability is in its infancy. Progress will reflect a better understanding of sustainability so that we all 'know the point' and business models have changed to make sustainability 'easy' or just taken for granted strategy.

## **The point or principles of sustainability**

With some risk of over simplification sustainability is a set of ideas seeking to ensure the long-term well being of the planet and all its life forms. This is often expressed as an attempt to secure a better balance between economy, ecology and society (or profit, planet and people). In this phrase is the fundamental assumption that two or three hundred years of industrialisation has taken us to an unbalanced position where the economy is privileged over and above the environment and society to a dangerous/ unsustainable degree.

This pre-occupation with the economy can itself be expressed as a market failure, so that the market price of goods and services has externalised social and environmental costs. Sustainability requires the economy or markets to internalise these costs. An example of this thinking is found in the UK Stern Report which described climate change as the largest market failure in human history and made recommendations to price greenhouse gas emissions through CO<sub>2</sub> equivalent quotas and trading

## the economy is privileged over and above the environment and society

schemes. Despite the tipping point in public consciousness about climate change that has happened in the last few years it is critical to recognise that sustainability speaks to a larger agenda.

A sustainable philosophy has at least four key elements or principles.

- Living within the biophysical parameters of the earth
- Living in harmony with other life forms
- Living to allow future generations to do so also
- Living with greater equity

So for example the idea of the biophysical parameters of the earth speaks to the carrying capacity of the earth, highlighting the services that the earth provides us in the form of resources, food, waste processing, drinking water and supportive climate. The second element noted above, bio-diversity, is critical in its own right, because sustainability is avowedly not anthropocentric (human centred) and because complex eco-systems support the carrying capacity. The third element above is sometimes referred to as an inter-generational responsibility. Whilst greater equity is advanced both on the grounds that extremes of poverty fuels population growth and it is unethical.

### The business case for sustainability

Given the well known view that ‘the business of business is business’ and the over-riding view of most CEOs and their boards that their primary duty is to maximise the financial returns of the business for shareholders, business may not seem a natural bedfellow for sustainability principles. However, as noted above over the last two decades the ‘business case’ for sustainability has become an increasingly well-worn argument. It runs along the lines of enlightened self-interest and extends a stakeholder perspective to assert a win-win relationship between shareholders and sustainability (society and the environment). In short, it suggests increasing public awareness of sustainability principles and issues raises expectations on business performance. The ‘licence to operate’ is raised and if businesses do not respond they face a range of risks and reputational (share price) damage.

The other side of risk is opportunity. It is argued that the application of sustainability principles and related ideas such as ‘biomimicry’ and ‘closed loop systems’ allows the business to reduce costs, increase revenues, innovate, differentiate and enhance brands. In addition there are further competitive advantages from improved recruitment and retention and the ability to partner and lobby government. Within this business case for sustainability a critical element is technological innovation, which is deemed able to provide ever increasing material living standards for everyone in developing and developed economies as population grows. The world population is anticipated to rise from its current level of 6.7 billion people to an estimated 9.6 billion by 2050 - an increase of approximately 80 million per annum.

## Beyond the business case

It may seem premature, when most businesses have limited experience of the business case for sustainability, to be raising limitations with this approach. However, if the issues of confusion and denial raised in this paper's opening remarks are to be overcome, dialogue on limitations should be encouraged. Thus we can observe, that currently where businesses are attempting to bring triple bottom line considerations into decision making, most only feel able to take social and environmental factors into account to the extent that they benefit financial performance. Social and environmental benefits that cost or only offer a distant financial return may be excluded.

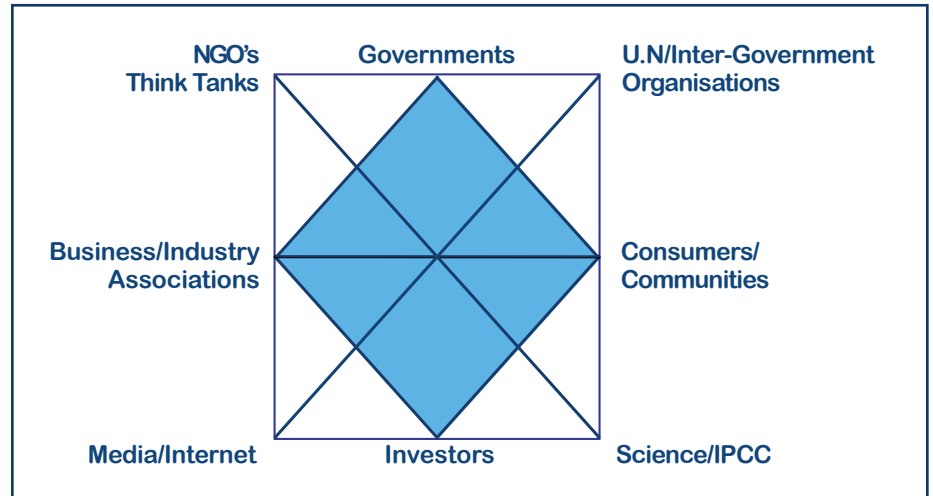
Thus some sustainability ideas associated with 'eco-efficiency' may fit very easily within an existing business model committed to maximising short-term shareholder value. More radical sustainability ideas associated with 'eco-effectiveness' or 'social justice' may be excluded on the grounds there is not a short-term financial return. Critically this calculation may limit investments in R & D that might provide radical technological innovations to support the vision of future green material growth. The way in which the triple bottom line can be operated by business leaders may appear to set limits on the type of sustainability that can be achieved through public companies and partnerships with NGOs. However in addition to pointing to the importance of new social and environmental entrepreneurship and government for sustainability, limitations to the business case indicate the need to address the concept of collective governance and leadership.

## Governance and the field of multi-stakeholder dialogue

Business leaders often express the view that their scope for action on sustainability is constrained – by consumers, by competition, by investors, and by the law for example. Here, it will be suggested that this is actually an admission of a failure to provide leadership in particular a failure to engage with collective leadership. Figure 1. (below) 'The field of stakeholder dialogue' illustrates that the 'business model' is subject to continuing discussion and debate amongst stakeholders. What we mean by responsible business is constantly negotiated between businesses, consumers, governments and investors. There is also, as we have described above, a growing ability of NGOs, think tanks, science, particularly the IPCC (Inter Governmental Panel on Climate Change) and the media and internet (with over 13 million sites for sustainability and over 15 million sites for sustainable development) to influence the discussion.

**this is actually an admission  
of a failure to provide  
leadership**

The field of Multi-Stakeholder Dialogue



Dialogue (as distinct from simply discussion and debate) has been described as a state in which individuals are aware of their own interests but are not wholly tied to them; so that they can fully engage with others and are able to see larger patterns, systems or needs. If individuals from all locations in the field of multi-stakeholder dialogue could achieve a high quality of dialogue then there is no reason that governance of business could not evolve and organisations could become engines for comprehensive conceptions of sustainability.

### Distinctive features of leadership for sustainability

Consistent with this picture of sustainability emerging through multi-stakeholder dialogue, I argued in research for the WWF in 2003, that as the logic of sustainability became more widespread strategic change for sustainability could emerge in a top-down, bottom-up, outside-in and inside-out manner. That is, change could be championed by ‘bosses’ and managers and employees throughout the organisation. It could emerge from trade and sector initiatives, as organisations copy competitors, benchmark, adopt standards or create partnerships, and it could emerge from chance or deliberate attempts to learn.

I also stressed that if we were interested in making sustainability the basis of strategic change it was helpful to see strategy as a story and to recognise that stakeholders’ participation in conversations helped to enable change (Downing, 2004). Today following further research I would add that it is clear that individually and collectively stakeholders make sense of sustainability through distinctive generic plots. I have labelled these plots a Quest, a Contest, a Scam and a Downfall. As these sense-making devices are selective and emotional, learning to recognise others’ and one’s own plotting of sustainability is very helpful for the development of dialogue (Downing, 2007).

An ability to see how these plots are constructed in stakeholder conversations about change (with competing goals, problems agents and causalities) and how the plots are replicated in our inner dialogue is an important aspect of awareness for leaders. Indeed Senge et al (2005) have linked this sort of awareness to a state of ‘mindfulness’ and ‘presence’ that they believe is critical for the profound innovations that are required

### a Quest, a Contest, a Scam and a Downfall.

to secure sustainability. Similarly Boyatsis and Mckee (2005) suggest that the same Buddhist notion of mindfulness enables leaders to resonate with followers by keeping them compassionate and optimistic; and also by connecting individuals to the big picture and maintaining hope.

Individuals who understand the detail of numerous competing optimistic and hopeful Quests for sustainability, but who also attend to the fear, cynicism and anger in others' sense-making in Downfalls, Scams and Contests, can be powerful influences on the creation of collective Quests. Greenleaf (1975) said that this ability to conceptualise and make sense of change was a key skill for 'servant leaders' who do not trivialise complex problems and impose over simplistic solutions on them. They lead assuming an intelligent audience and because they do not impose their own quick fixes they invite those around them to take responsibility for solutions.

The servant leader seeks primarily to serve, before desires for power, money or fame. Like the mindful individual the servant leader knows that the latter are distractions from inner growth. Both appreciate the wisdom of Ghandi's advice: 'we must be the change we seek in society'. Inner growth is the hardest work but it may be the greatest prize of sustainability.

## References


- Boyatsis, R. E. & Mckee, A. (2005) *Resonant Leadership: Renewing yourself and connecting with others through mindfulness, hope and compassion*. HBS Press
- Downing, S. (2004) 'Building sustainable strategic management' Chapter in *To Whose Profit? Evolution* Eds. Kemp, Stark, Tantram, World Wide Wildlife Fund.
- Downing, S. (2007) 'Making SENSE of narratives of corporate responsibility and sustainability: how to read and lead the plot' Paper given at the 13th Annual International Sustainable Development Research Conference June 10-12, Vasteras, Sweden
- Greenleaf, R. K (1977) (reprinted 2002) *Servant Leadership: a journey into the nature of legitimate power and greatness* Paulist Press
- Senge, P. Scharmer, C. O., Jaworski, J. Flowers, B. S. (2005). *Presence: exploring profound change in people, organisations and society*, Nicholas Brealey Publishing, London.

### Steve Downing



Steve Downing is an Associate Professor of Strategy based in the School of Reputation and Relationships at Henley Management College. He is a founder member of Henley's Madejski Centre for Reputation and is responsible for the subject of entrepreneurship and the creation of a new Centre of Excellence in Sustainability. He is a highly rated teacher on the college's international MBA programmes and many executive courses and was previously responsible for the subject area of business transformation. He has published articles in journals such as the *Journal of Business Research*, *Entrepreneurship Theory and Practice*, *Management Learning*, *International Small Business Journal*, *Corporate Reputation Review*, *The International Journal of Human Resource Management*, *The Journal of General Management* and *Strategy Magazine* and his work appears in many international conference proceedings. Prior to joining Henley Steve worked at the London Business School and Cardiff Business School, and in the pharmaceutical industry and as a consultant. He still advises a range of commercial, public sector and not-for-profit organisations as founder of Alive Strategy Limited.

## White Paper

 For more information, please contact:

### Executive Education

Henley Business School  
Greenlands  
Henley-on-Thames  
Oxfordshire, RG9 3AU  
exec@henley.com  
Tel +44 (0)1491 418 767  
[www.henley.com](http://www.henley.com)

