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Introduction and overview

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# Introduction and overview

Jeana Wirtenberg, William G. Russell,  
and David Lipsky

What changes in lifestyles, behaviour patterns and management practices are needed, and by when?

*Intergovernmental Panel on Climate Change (Pachauri, 2007, slide 15)*

On October 17, 2005, a small group of like-minded committed practitioners convened at Fairleigh Dickinson University and began a conversation about the conditions in the world (the good, the bad, and the ugly) and what was needed to bring about large-scale transformation to a more sustainable world. We talked about what we could do individually and collectively to help people in organizations, especially leaders and managers, better appreciate the value they can bring to and the difference they can make in their organizations to help create more sustainable enterprises, and ultimately a more sustainable world. Over the next several years this team self-organized into a community of 29 diverse, experienced professionals and many additional collaborating friends and associates to discover and help breathe life into the missing ingredients of sustainability and to create a vision for the sustainable enterprise.

We began our journey with an eclectic group of people with diverse backgrounds, experiences, perspectives, and aspirations. Our shared commitment to creating a more sustainable world, especially ensuring that the world is livable for our children, grandchildren, and generations to come continues to fuel our passion and unite us. This is consistent with the basic and most widely used definition of *sustainable* drawn from the Brundtland Commission (World Commission on Environment and Development, 1987), “meeting the needs of the present without compromising the ability of future generations to meet their own needs.”

This *Fieldbook* captures the essence, energies, experiences, and best practices that emerged through the collaborative efforts of our community of co-authors. Our mantra was and is,

Be the change you want to see in the world.

*Mahatma Gandhi*

We began our journey hoping to write a book and articulate what a sustainable enterprise is. Now that we have significantly achieved our original objectives, we see our role within an even larger community whose objective is nothing short of making the world sustainable for all who inhabit it today – and, more importantly, for those future generations we know we will never see but to whom we bequeath the stewardship of this precious planet.

## ■ ‘Business case’ for a sustainable enterprise

Companies that want to succeed and thrive in the future are increasingly being encouraged to find ways to *simultaneously* meet both their own strategic needs and those of society (Porter & Kramer, 2006). More than ever before, companies are being asked to emphasize a broader and more balanced array of outcomes such as those characterized by the “triple bottom line” of people, planet, and profits (Savitz & Weber, 2006). In the 21st century, rather than focusing singularly or even primarily on the “financial bottom line” and the financial assets they possess, the most sustainable companies are looking at themselves and their future through the lens of the “five capitals model” of natural, human, social, manufactured, and financial capital (Costanza, 2001).

At the same time, evidence continues to mount that demonstrates that corporate social-environmental performance is strongly associated with financial and marketplace success (Cusack 2005; Innovest Strategic Value Advisors<sup>1</sup>). And we see more and more evidence on almost a daily basis that the professional investment community, corporate executives, and directors appear to be increasingly focused on the degree to which firms are managed sustainably (Dixon, 2003; Margolis & Walsh, 2001).

What is the most important ingredient in Coca-Cola’s success? Water. The syrup is what gives the product its competitive advantage, but without water Coca-Cola could not supply the world with its products. When the company became aware of the global challenge facing potable water, it co-founded the Global Water Challenge to address the problem. Sustainability makes business sense.

So why do we need *The Sustainable Enterprise Fieldbook*? And why now? Although the desired *outcome* of sustainability is becoming increasingly clear, the *process* by which one can best *develop and implement* sustainability is considerably less so. Our book is designed to help address both the *what* (what is a sustainable strategy for a company or organization?) and the *how* of sustainable enterprise (how do we go about building a sustainable enterprise?).

Although we use the term *enterprise* throughout this book (a term that is usually associated with the for-profit business sector), we firmly believe that the disciplines, case studies, tools, and references presented throughout our *Fieldbook* are applicable to organizations within the government, education, nonprofit, and nongovernmental organization (NGO) sectors as well. Furthermore, wherever possible we intentionally include examples of successful public-private partnerships, collaborative initiatives operating across multiple stakeholders and institutions, and organizations working in the “in-between space” to build sustainable enterprises. We believe these cross-sector, collaborative partnerships may offer the greatest hope for solving many of the globe’s most intractable problems.

1 [www.innovestgroup.com](http://www.innovestgroup.com) (accessed May 12, 2007).

## ■ Purpose of *The Sustainable Enterprise Fieldbook*

The purpose of the *Fieldbook* is to help forge a path to a better world and a more sustainable future by supporting employees, managers, and leaders at every level and in every function, sector, and industry in three key ways:

- Increasing their understanding and awareness of the meaning of sustainability on a conceptual, practical, and personal level
- Energizing and expanding their commitment to building sustainable enterprises that can contribute to enhancing the sustainability of the world and its ecosystems for generations to come
- Providing readers with the tools and techniques needed to individually and collectively take appropriate actions that will improve their personal and enterprise sustainability performance in the short and long term

## ■ Missing ingredients and *The Sustainable Enterprise Fieldbook*

*The Sustainable Enterprise Fieldbook* is designed to align with an emergent framework of best-practice enterprise qualities. In it, we pay particular attention to those areas with identified gaps between current practices and risks and future practices and risks that were identified during a global sustainability survey of business leaders and managers (American Management Association [AMA], 2007).

We believe this *Fieldbook* is unique in at least six respects:

1. It is based on a stream of original research, both qualitative and quantitative, focused on the qualities of a sustainable enterprise and state-of-the-art best practices. This research is summarized later in this chapter and interspersed throughout the book with specific illustrative examples from businesses and other organizations
2. It offers concrete and practical ways to close the significant gaps that our recent worldwide study revealed in the role that managers in every function need to play to build a sustainable enterprise. For example, there are significant gaps between how important managers think a variety of sustainability-related issues are, and what they and their organizations are actually doing about them in their day-to-day practices
3. We focus on the critical role that human capital (i.e., people) needs to play in the transformational journey to sustainable enterprise. We believe that this is the missing ingredient in transforming rhetoric into action, and we are committed to helping pave the way for people to take the actions needed to, quite literally, save the world
4. We engage with you, our readers, by sharing the experiences some of our authors have had working with businesses, nonprofits, and educational institutions to design and implement elements of an organizational model founded on principles of sustainability, integrity, inclusivity, mutuality, and self-organizing leadership

5. By offering a complementary online *Living Fieldbook* (see below) we strive to model sustainable principles and practices. In fact, our hard-copy book was itself created on a collaborative worldwide sustainability knowledge network portal that we now invite all readers to join. Going forward, readers can contribute knowledge and insights and share their own stories, accomplishments, and challenges
6. We have taken action, and we seek to continuously learn and improve on all elements of our current understanding and the future iterative learning we will all experience during the global journey to sustainability

*The Sustainable Enterprise Fieldbook* and its innovative *Living Fieldbook* and online community support services offer a missing ingredient in the elements we think must come together to create a sustainable world.

## ■ How should a person be if he or she has values aligned with sustainability?

We acknowledge our own imperfections, weaknesses, and biased perspectives, and invite all readers to join and expand our learning community. We welcome all comments and suggestions, positive and negative, on what you like and how to improve on what we have created. We will continue to ask: What more needs to be done?

To support our efforts, the ESAT (Enterprise Sustainability Action Team) authors agreed to base our work on these principles:

- Holistic, emergent view
- Collaborative, sharing, inclusive, open approach
- Inquiry–action–inquiry . . .
- Act with integrity and help each other; be respectful
- Win–win–win
- Listen deeply – for understanding – and create the space for conversations
- Work in the in-between space and across boundaries
- Stay present to our intention, focus on improving the world
- Be attractors
- Be careful that we understand what we mean
- Seek to discover and serve mutual interests
- Walk in others' shoes
- Be committed and accountable
- Create room for the difficult conversations
- Live what we want to become; pay attention to our “way of being”
- Develop tangible actions and short-term successes

Following these principles yielded many positive outcomes for the ESAT. Among these are:

- Increased energy levels
- Humbled, fascinated, and intrigued
- Focused our attention on the power of individuals and the common threads that unite us
- Reinforced the power of sustainability
- Created the conditions to help people bring their aliveness to their roles
- Reinforced the importance of continuing to capture and share our passion for sustainability

Our hope is that these principles and the outcomes they generated ignite the passions and actions of readers worldwide as they did for our team.

## ■ Using *The Sustainable Enterprise Fieldbook*

*The Sustainable Enterprise Fieldbook* is designed so that the reader may quickly and easily reference any individual enterprise quality and find resources, case studies, tools, and related materials that can be used to help transform any enterprise from its current state to a more sustainable future state. Although all chapters cover distinctly different sustainable enterprise qualities, a consistent set of content categories are highlighted by icons throughout the *Fieldbook* to provide users with a quick visual guide and to enhance the *Fieldbook's* utility.

### Activities for awareness and understanding (A)



Throughout the chapters we introduce a number of activities, frameworks, thought questions, and the like. All of these are intended to increase awareness and understanding and are denoted by an **A**. Wherever an **A** appears, we suggest that managers lead a simple activity, such as having their group read and discuss the associated text (essay, framework, and the like). In some cases, we supplement the **A** with an **L** for *Living Fieldbook* (see below). The **L** lets readers know they will find more detailed thought questions, discussion guides, and specific exercises aimed at further increasing awareness and understanding around that activity on the *Living Fieldbook*.

### Case examples (C)



*The Sustainable Enterprise Fieldbook* uses case examples throughout the chapters as an effective way to make our messages more real to *Fieldbook* users. A **C** highlights case studies.

### Tools (T)

*The Sustainable Enterprise Fieldbook* provides sample tools that lead to action. These were strategically selected by each chapter subteam as we discovered and



used them during our work or learned about how others were using them by interviewing practitioners and identifying case examples. A **T** highlights tools.

Collectively we hope the Activities for awareness and understanding (**A**), Cases (**C**), and Tools (**T**) help inspire people to ACT.

## *Living Fieldbook* collaborative workspace



The authors not only of this Introduction, but of *The Sustainable Enterprise Fieldbook* as a whole, recognize the constraints imposed by a physical book with hard page limits, deadlines, and production costs that make it impossible in one physical book to keep up with the rapid pace of learning and change related to sustainable enterprise practices. We hope to accommodate these limitations by supplementing the physical book content with an online *Sustainable Enterprise Living Fieldbook* workspace. The workspace is referred to throughout this book and can be freely accessed at [www.TheSustainableEnterpriseFieldbook.net](http://www.TheSustainableEnterpriseFieldbook.net).

Since the beginning of our ESAT discussions, we determined that there was an abundance of highly valuable reference materials, tools, and case studies that individual team members were aware of and wanted to share. This shared knowledge became so expansive that we began to explore ways to introduce the best themes of these works within our book and offer readers an efficient way to identify and access our references and learn more deeply about any selected topic. We also recognized that, as standards and best practices rapidly evolve, our *Living Fieldbook* would provide a way to keep our insights current and even support open discussions and feedback forums where different opinions could be openly progressed, and completely unanticipated insights and solutions could naturally emerge.

This *Living Fieldbook* workspace is hosted within the Sustainability Knowledge Network platform introduced in Chapter 8. The business model to support the *Living Fieldbook* and similar more interactive and open content-sharing services are in their formative stages and are still evolving. All of the material on the *Living Fieldbook* that is referred to in this physical book (e.g., at the beginning of Chapter 1, we refer readers to the *Living Fieldbook* for an essay by Theresa McNichol) was purposefully made to be freely accessible.<sup>2</sup>

As we gained experience using our own collaborative workspace, we began to explore new social network technologies and communities. We recognized that we could be more effective by expanding our own collaborative community and purposefully connecting with selected networks with aligned and complementary values and objectives. We committed ourselves to sharing and leveraging our online workspace by connecting it with others in social network communities and participating in related, relevant groups. Our hope is that members of those related sustainability social network communities may choose to connect with and contribute their own unexpected innovations to our work. We are currently actively engaging with others through several strategic online networks such as Facebook<sup>3</sup> and Second Life.<sup>4</sup> We want to engage and collaborate with people within the online communities in which they are already actively par-

2 Interested readers are also invited to join a premium service portion of the *Living Fieldbook* for a fee in order to access selected additional resources and services including some premium tools, restricted copyright articles, webinar archives, and expert moderated forums.

3 Sustainability and Sustainable Enterprise Group at [www.facebook.com/s.php?k=100000004&id=4698033510&gr=2](http://www.facebook.com/s.php?k=100000004&id=4698033510&gr=2).

4 ESAT in Second Life at [slurl.com/secondlife/Cedar%20Island/159/209/33](http://slurl.com/secondlife/Cedar%20Island/159/209/33).

ticipating. We are also using the *Living Fieldbook* workspace to develop network maps, beginning with our core group of 29 ESAT members and strategically adding connections through an extensive group of collaborating partners. (See Chapter 8 for more on social networks.)

While these efforts are action learning experiences in themselves, we expect that they will bring more breadth and depth to our work and, most important, extend the reach and impact of our message as we strive to positively influence the path toward a more sustainable world.

## ■ Context: acknowledging current reality, best practices, and iterative learning

The vast majority of the more than 6.5 billion people living on the planet today are poor, hungry, disconnected from the rest of the world, and often afraid (Curtis, Bedell, & Christian, 2005). As we continue to better understand and appreciate how we are all connected, we trust that all efforts to improve ourselves and our affiliated enterprises as we collectively journey toward sustainability will positively impact everyone.

Our community of co-authors, along with a minority, but rapidly growing number, of enlightened people, has only recently become aware of our unsustainable personal practices. We have struggled to resolve our own confusion and paralysis to initiate actions, but, as we began to appreciate “reality,” the true condition of our world today, we knew that we must change. Here are a few of our observations that motivated us to examine our personal actions as well as the actions of our enterprises.

### Current reality

The ESAT team has used the work of hundreds of other people who were our teachers, mentors, and peers as we began to define what a sustainable enterprise might be like. The works of Peter Senge and his colleagues, including *The Fifth Discipline* (Senge, 1990), *The Fifth Discipline Fieldbook* (Senge, Kleiner, Roberts, Ross, & Smith, 1994), and his more recent book, *Presence* (Senge, Scharmer, Jaworski, & Flowers, 2004), provided a solid foundation for our team. That foundation included our use of systems thinking (the fifth discipline), thinking of the whole system as one holistically integrated, continually changing organism rather than a sum of discrete parts. Senge also describes how to see things more clearly from a higher perspective that allows us to acknowledge the reality of the whole system as opposed to only seeing reality through the narrower lens of one of its parts.

The following subsections provide several facts and observations that we offer as a way to quickly let our community of readers better appreciate our current global state of affairs. It represents real challenges to be addressed and, for our sustainable enterprises, opportunities to provide solutions.

### *Environmental sustainability*<sup>5</sup>

- **Rainforests.** Between 20 and 40 years remaining at current deforestation rates
- **Atlantic cod.** Stocks collapsed and not recovering
- **Grain.** Harvest less than consumption globally for fourth year in a row
- **Freshwater.** Two-thirds of all people in severe shortage by 2025
- **Top soil.** Agricultural land area the size of China at “very high risk” of human-induced desertification
- **Polar ice cap.** 20% gone in the last 25 years
- **Ecological footprint.** A resource management tool that measures how much land and water area a human population requires to produce the resources it consumes and to absorb its wastes under prevailing technology. Today, humanity’s ecological footprint is more than 23% larger than the planet’s regeneration capacity.<sup>6</sup> In other words, it now takes more than one year and two months for the Earth to regenerate what we use in a single year<sup>7</sup>

### *Economics*

- Every day more than 3 billion human beings live on less than \$2 (Curtis et al., 2005)
- The three richest people in the world control more wealth than 600,000,000 people in the poorest countries on Earth (Curtis et al., 2005)
- Eighty of the world’s poorest countries are poorer now than they were 20 years ago (Curtis et al., 2005)
- The cost estimate of ending starvation and malnutrition everywhere is US\$19 billion per year (Symes, 2006)
- Globally, US\$47 billion is spent every year on ice cream (Symes, 2006)
- Globally, more than US\$1 trillion each year is spent on weapons (Symes, 2006)
- The 2005 Carbon Disclosure Project survey of CEOs and the climate change and carbon management practices of their companies were endorsed by more than US\$30 trillion of investment capital (Morrow, 2006)

### *Social justice*

- One in five of the world’s children gets no schooling whatsoever (Symes, 2006)
- The United States spends more money every year on building prisons than it does on schools (Symes, 2006)
- There are currently more than 30 ongoing armed conflicts in the world and roughly one-third of the world’s population is at war (Symes, 2006)

5 All the information in this section, except for that on the ecological footprint, is from *Your Planet Needs You* (Symes, 2006).

6 The ecological footprint is covered more extensively in Chapters 7 and 8.

7 Global Footprint Network homepage, [www.footprintnetwork.org](http://www.footprintnetwork.org) (accessed June, 2007).

- The United Nations reported that the global population has increased by 500 million people since 1999, to more than 6.5 billion people today (United Nations Population Division, 2006)
- The United Nations estimates that by 2050 the population will grow almost 50% again to approximately 9.1 billion with almost all of these increases occurring in developing countries (United Nations Population Division, 2006)

## ■ Iterative learning: action research efforts evolve our understanding

Like most communities seeking to gain a better understanding of sustainability, we had read numerous books and attended numerous conferences that greatly informed our understanding of current reality and the many significant real-world challenges that cause us to act unsustainably today. Each of these efforts was valuable, but we knew so much more was needed. Although all the team members were forging ahead, engaged in enterprise-specific projects and teaching others about sustainability, the specific question about exactly what a sustainable enterprise is remained unanswered.

So in early 2006, several team members and other close associates at the Fairleigh Dickinson University Institute for Sustainable Enterprise (FDU-ISE) self-organized and initiated a research project specifically intended to learn the qualities of a sustainable enterprise. The results of that research and its associated **Sustainability Pyramid model** were a major step forward in our team's collaborative journey. Interim publications were written and several presentations given to share and obtain feedback on our insights. We were all gratified that we had learned much, but again asked ourselves, "What more needs to be done?"

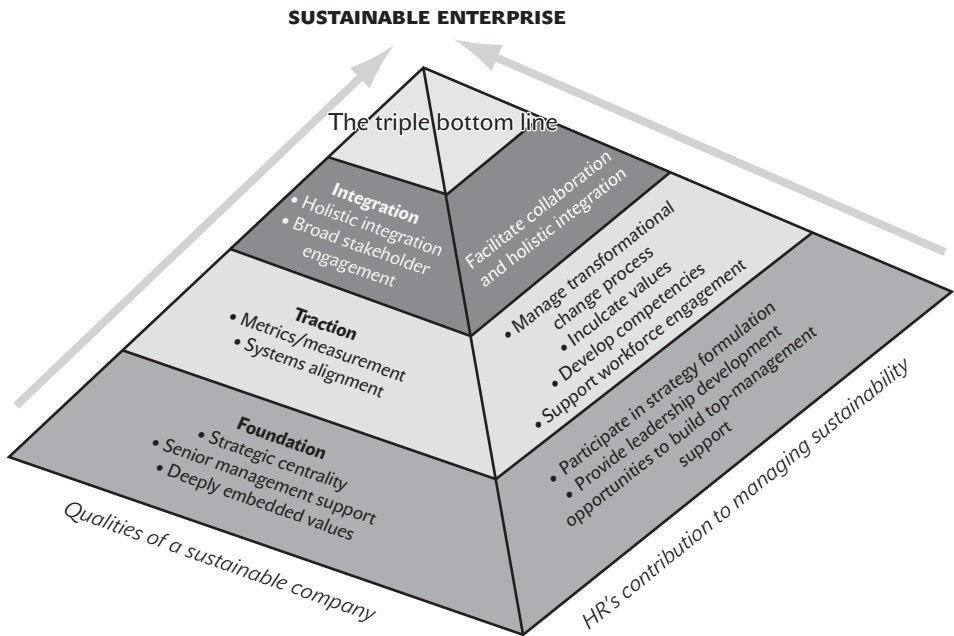
Subsequently, we completed additional research work, including a recent worldwide sustainability survey (AMA, 2007), the highlights of which are shared below. We have also embarked on a number of other related independent projects and initiatives.<sup>8</sup> One of our most important findings so far has been about our iterative learning process itself. We all are deeply committed to the process of **action learning**. Through this process, we are intentional about creating value by taking small (and sometimes bigger) steps, capturing the essential learning points, applying them, and sharing this learning with others. We have embraced this iterative learning process as we prepare to take our next steps along the journey. We also see iterative learning as a large-scale transformative process that will cycle among individuals, enterprises, and large-scale global systems. As long as we remain open to learning more, we believe this collaborative approach will lead to self-fulfillment, sustainable enterprises, and global sustainability.

<sup>8</sup> For more information about these ongoing initiatives, see [www.fdu.edu/ise](http://www.fdu.edu/ise) (accessed January 17, 2008).

## The Sustainability Pyramid model

Our recent study of nine of the world's most sustainable companies (Wirtenberg, Harmon, Russell, & Fairfield 2007)<sup>9</sup> identified a “pyramid” of seven core qualities associated with successfully implementing sustainability strategies and achieving triple-bottom-line results. This model also illustrates the necessary contributions of human capital practices (see Fig. i.1).

Figure i.1 **The Sustainability Pyramid: qualities associated with highly successful sustainability strategies**



Source: Copyright 2006, Institute for Sustainable Enterprise. Reproduced with permission.

### *Foundation layer*

At the base of the pyramid and along the left face is the “Foundation.” It contains deeply held corporate values consistent with sustainability, top management’s visible support for sustainability, and its placement as central to overall corporate strategy.

<sup>9</sup> The companies were Alcoa, Bank of America, BASF, The Coca-Cola Company, Eastman Kodak, Intel, Novartis AG, Royal Philips, and Unilever. All are listed in “The Global 100 Most Sustainable Corporations in the World,” a project initiated by Corporate Knights, with Innovest Strategic Value Advisors. Details on its methodology and results can be found at [www.global100.org](http://www.global100.org) (accessed January 17, 2008).

### *Traction layer*

At the next level up is “Traction,” which can be achieved by engaging employees, developing sustainability metrics (“we manage what we measure”), and aligning formal and informal organization systems around sustainability.

### *Integration layer*

Toward the top of the pyramid is “Integration,” which occurs via broad stakeholder engagement and holistic integration. At this level, many facets and functional domains of sustainability are coordinated in an integrative fashion. Even the nine highly rated firms studied seemed to be struggling with reaching this cross-boundary, multistakeholder, integrative pinnacle. Wirtenberg and her colleagues (Wirtenberg et al., 2007) conjectured that deeply infusing sustainability-oriented values and creating holistic integration are the highest-level challenges associated with implementing sustainability strategies.

The three sustainable enterprise pyramid layers and subsequent enterprise qualities are used to provide an overall framework for *The Sustainable Enterprise Fieldbook*. More detailed case studies, learning, and stories obtained from our research with some of the world’s most sustainable companies are included in several *Fieldbook* chapters.

## Worldwide sustainability survey results

While our team was extremely pleased to have developed an initial framework for defining a sustainable enterprise, we appreciated that our view was limited by the small number of companies included in this research and that the people included in the study represented only senior managers. We asked ourselves, “What more needs to be done?” And we continued to identify actions we could take to learn more. Precisely such a learning opportunity became available when our team leader, Jeana Wirtenberg, was approached by the Human Resource Institute to support the AMA in conducting a worldwide sustainability survey (AMA, 2007). Wirtenberg immediately engaged her colleagues at the FDU-ISE (AMA, 2007).<sup>10</sup>

Consistent with earlier research by Wirtenberg et al. (2007), the AMA (2007) study found that respondents rated every element in the Sustainability Pyramid as *very important* for building a sustainable enterprise (from about 3.9 to 4.4 out of 5). But we also found sizable gaps between the perceived importance of these qualities and the degree to which the average responding organization actually demonstrated these qualities (from 2.8 to 3.3; see Table i.1).

These gaps may be closed over time as more companies adopt sustainability qualities to a greater extent. Throughout the book, we provide some examples of exemplary sustainability companies and their specific practices from which organizations might learn. It is important to note, however, that we do not hold up any single organization as the best example of all sustainability practices. Even organizations with exemplary practices in one area may act in “unsustainable” and sometimes even irresponsible ways in other parts of their organizations. Further, sustainability should be considered an “end state” that will be redefining itself each day as we move forward on the journey to sus-

10 *Creating a Sustainable Future* was written under the auspices of the AMA, and in conjunction with the Human Resource Institute (HRI), by M. Vickers, J. Wirtenberg, J. Harmon, A. Lindberg, J. M. Lee, and D. J. Dennis. Contributors were K. D. Fairfield, S. Nickbarg, and W. G. Russell.

Table i.1 **Degree to which companies have the qualities of sustainable enterprises** (mean responses on a 5-point scale, where 1 = not at all and 5 = to a very great extent)

Qualities of a sustainable enterprise	Extent company has these qualities	Importance to building a sustainable enterprise
<b>Top-management support.</b> The CEO, the chairman of the board and senior management teams show public and unwavering support for sustainability	3.33	4.36
<b>Centrality to business strategy.</b> Sustainability is central to the company's competitive strategy	3.23	4.07
<b>Values.</b> Key values related to sustainability are deeply ingrained in the company	3.10	4.15
<b>Metrics.</b> The company deploys an array of rigorous sustainability measures	2.91	3.89
<b>Stakeholder engagement.</b> The company reaches out to and involves a broad array of external and internal stakeholders around sustainability issues, including customers, suppliers, governmental and non-governmental organizations (NGOs)	2.90	3.87
<b>Systems alignment.</b> The company's structure, systems, processes, and culture are aligned around sustainability	2.88	3.98
<b>Organizational integration.</b> Various aspects of sustainability are viewed holistically and integrated across the functions that have responsibility for them	2.82	3.88

Source: American Management Association. (2007). *Creating a sustainable future: A global study of current trends and possibilities 2007–2017*. New York: AMA, p. 30. Copyright 2007, American Management Association. Reproduced with permission.

tainability. With these caveats noted, the following is a list of some of the companies that are considered “current sustainability leaders” by the AMA (2007, p. 28) across a variety of industries.

- **Energy.** BP, Conoco-Philips, Florida Power and Light, Royal Dutch Shell, PG&E
- **Manufacturing.** Alcoa, Alcan, BASF, Dell, DuPont, Eastman Kodak, Electrolux, Epson, GE, Herman Miller, Honda, HP, IKEA, Intel, Interface, Johnson Controls, Nike, Philips NV, SC Johnson, Toyota, Volkswagen
- **Food.** Bon Appetit, The Coca-Cola Co., Frito Lay, Heinz, Stonyfield Farm, Unilever, Starbucks
- **Pharmaceuticals/Healthcare.** Johnson & Johnson, Novartis

- **Services.** Bank of America, Continental Airlines, Goldman Sachs, Kaiser Permanente, Swiss Re

## Sustainability practices

In addition to validating the Sustainability Pyramid, the sustainability survey also looked at a number of other factors related to sustainability. How much do managers care about sustainability issues? How much do they think their companies care about these issues? How much are managers actually implementing sustainability practices?

Below is a quick review of the some of the key findings<sup>11</sup> from the worldwide AMA sustainability survey (AMA, 2007) of 1,365 managers around the world; these essentially form the business case and the burning platform for the *Fieldbook*. They helped to reaffirm our desire to write a book to assist managers understand the issues of sustainability management and advance their own organizations in this direction.

**Respondents personally care more about sustainability issues than they think their organizations do, especially when it comes to social and environmental issues.**

Major gaps exist between the importance of a variety of sustainability issues from people's personal perspectives and their perceptions of the importance of these same issues from their organizations' perspectives. For example, people care much more about such issues as safe and reliable food sources, worker job security, climate change, well-being of employees, and poverty and homelessness, than they think their organizations or companies care about these issues.

**Sustainability-related initiatives are not yet deeply ingrained in most organizations:**

- About a tenth of respondents think their organizations are implementing a sustainability strategy to a very great extent, and another 25% think their organizations are doing so to an above-average extent
- Twenty-eight per cent said they see measurable benefits from sustainability initiatives to a very great or above-average extent
- Twenty-four per cent said their organizations supply and/or review information that is used to develop sustainability-related metrics to a very great or above-average extent

**But organizations that use sustainability strategies to a greater degree are also more likely to be high performers in terms of reported progress in the marketplace.**

Although correlation is not causation, this suggests that sustainability might provide competitive advantages to organizations. Compared with lower-performing organizations, higher-performing organizations are more likely to:

- Engage in sustainability practices to a greater extent
- Attach greater importance to qualities associated with sustainability
- Have all sustainability qualities, as defined in the survey, to at least a moderate degree

11 For complete findings and a copy of the report, see the *Living Fieldbook* (L) or visit [www.whenitalldomestogether.com](http://www.whenitalldomestogether.com) (accessed January 17, 2008), [www.fdu.edu/ise](http://www.fdu.edu/ise), or [www.amanet.org/research](http://www.amanet.org/research).

It is important to note that **reducing or managing the risks of climate change was not highly rated in terms of its ability to drive key business issues, either today or in ten years.** In fact, it was ranked 24th out of 25 sustainability-related issues today, and only 23rd when respondents were asked to look ten years into the future. However, the study noted that “effectively addressing regulatory restrictions” was viewed as a key factor driving business issues, and the authors suggested that future regulations could drive up the importance of greenhouse gas emissions.

**There is a correlation between the degree to which firms implement sustainability strategies and the degree to which they see measurable benefits from sustainability initiatives.** That is, the more firms implement such strategies, the greater the extent to which they see measurable benefits.

**What are the most important qualities that an organization needs to successfully implement a sustainability strategy?** According to respondents, as we noted above, the top three are:

- Top management’s visible support for sustainability
- Deeply held corporate values consistent with sustainability
- Sustainability’s placement as central to overall corporate strategy

**There are major gaps between the extent to which certain qualities are important for building a sustainable enterprise and the extent to which companies have these qualities,** suggesting that companies have made only moderate progress toward sustainability, with definite room for improvement.

Out of 17 sustainability-related practices, the most widely used were:

1. Ensuring the health and safety of employees
2. Ensuring accountability for ethics at all levels
3. Engaging collaboratively with community and nongovernmental groups
4. Supporting employees in balancing work and life activities (see Table i.2)

**There are no particularly strong barriers to making organizations more sustainable.** None of the barriers asked about is seen as very strong. Those with the highest rating are a lack of demand from consumers and customers, a lack of demand from managers and employees, a lack of awareness and understanding, and a lack of standardized metrics or performance benchmarks.

Barriers to sustainability can come from outside or within organizations. Managers who are trained to believe that profit is the primary purpose of business may find it hard to believe that the financial bottom line can improve through social responsibility and environmental initiatives. Table i.3 shows the rank order of potential barriers and the mean values based on the responses to the worldwide sustainability survey.

Some of these issues are reflected in the results of the *2007 AMA Sustainability Survey*. The “lack of demand from consumers and customers” and the “lack of demand from managers and employees” were seen as the most powerful factors hindering companies from moving further in the direction of sustainability. Close behind were the third- and fourth-ranked reasons: “lack of awareness and understanding” and “lack of standardized metrics or performance benchmarks.” But it should also be noted that none of these barriers received ratings that were above the moderate level. In other words, none was seen as a particularly strong barrier to sustainability.

Table i.2 **Top 12 most commonly used sustainability-related practices** (mean responses on a 5-point scale, where 1 = not at all and 5 = to a very great extent)

To what extent does your company have practices in place to do the following?	Mean responses
Ensure the health and safety of employees	4.02
Ensure accountability for ethics at all levels	3.95
Engage collaboratively with community and nongovernmental groups	3.47
Support employees in balancing work and life activities	3.35
Encourage employee volunteerism	3.29
Involve employees in decisions that affect them	3.28
Provide employee training and development related to sustainability	3.26
Reduce waste materials	3.14
Highlight our commitment to sustainability in our brand	3.12
Improve energy efficiency	3.06
Work with suppliers to strengthen sustainability practices	2.95
Get groups across organization that are working on sustainability-related initiatives to work more closely together	2.85

Source: American Management Association. (2007). *Creating a sustainable future: A global study of current trends and possibilities 2007–2017*. New York: AMA, p. 32. Copyright 2007, American Management Association. Reproduced with permission.

Clearly, if there is a lack of awareness and understanding, then few from the inside or outside of organizations would make a push to develop sustainable practices. Likewise, if companies possess no easy way to measure the success or profitability of such practices, they are less likely to undertake the effort and perceived expense of such a campaign. The findings do suggest that a lack of awareness, understanding, and demand are key factors. These are cultural issues that can be changed over time, and later in this book we suggest processes and methods to do just that.

## The state-of-the-art sustainable enterprise

For enterprises to operate in a way that actively fosters sustainability, we believe<sup>12</sup> those organizations need to help restore – or at least not undermine – the capacity of the natural environment to provide resources and services. To earn the sustainability moniker, organizations must also actively contribute to stability in the communities and economies in which they operate.

12 These perspectives are entirely consistent with and covered more extensively in the AMA 2007 report as noted above.

Table i.3 **Factors that can hinder the movement toward sustainability practices, based on mean responses** (mean responses on a 5-point scale, where 1 = not at all and 5 = to a very great extent)

Potential barriers to sustainability	Rank	Mean
Lack of demand from consumers and customers	1	3.13
Lack of demand from managers and employees	2	3.13
Lack of awareness and understanding	3	3.11
Lack of standardized metrics or performance benchmarks	4	3.10
Lack of specific ideas on what to do and when to do it	5	3.08
Lack of demand from shareholders and investors	6	3.04
Lack of demand from suppliers	7	2.99
Unclear or weak business case	8	2.97
Lack of demand from the community	9	2.93
Lack of support from senior leaders	10	2.92
General risk aversion	11	2.80
Fear of competitor's taking advantage of us	12	2.38

Source: American Management Association. (2007). *Creating a sustainable future: A global study of current trends and possibilities 2007–2017*. New York: AMA, p. 21. Copyright 2007, American Management Association. Reproduced with permission.

We define a “state-of-the art” sustainable enterprise as one that adopts a long-term, collaborative, “holistic” or systems-oriented mindset. It integrates sustainable development into its core business strategy, and its activities result in the generation or regeneration of the planet’s capital stocks: that is, natural, social, financial, human, and manufactured capital. A state-of-the-art sustainable enterprise implements ethics-based business principles and sound corporate governance practices that consider the rights and interests of all relevant stakeholders, not only the immediate interests of company shareholders.

A sustainable enterprise is likely to pursue a triple-bottom-line strategy that is tied to three broad domains of stakeholder needs: social, environmental, and economic. A sustainable enterprise is committed to transparency and accountability. Such an organization gives stakeholders opportunities to participate in all relevant decisions that affect them. A sustainable organization uses its influence to promote meaningful systemic change among its peers, within its neighboring communities, and throughout its supply chain. This is because it recognizes that, for sustainability to be achieved, it is not enough simply to change one’s own organization; enterprises should also be a vehicle for encouraging the improved performance of others (Prince of Wales’s Business and the Environment Programme, 2003).

Most importantly, the AMA 2007 sustainability study found that the degree to which sustainability practices and strategies were being implemented – and the extent to which those strategies reportedly produce benefits – was significantly stronger among the higher-performing organizations. Such performance was based on self-reported

Table i.4 **Implementing sustainability strategies and seeing measurable benefits, based on mean responses** (mean responses on a 5-point scale, where 1 = not at all and 5 = to a very great extent)

To what extent . . .	Lowest performers	Highest performers	All respondents
. . . do you believe that your organization is implementing a sustainability strategy?	2.65	3.33	2.99
. . . is your organization seeing measurable benefits from sustainability initiatives?	2.56	3.19	2.88

Source: American Management Association. (2007). *Creating a sustainable future: A global study of current trends and possibilities 2007–2017*. New York: AMA, p. 25. Copyright 2007, American Management Association. Reproduced with permission.

progress over a five-year period in terms of revenue growth, market share, profitability, and customer satisfaction (see Table i.4).

This last point supports our premise that sustainable development is associated with superior marketplace and financial performance. As mentioned above, these findings suggest that sustainability might provide competitive advantages to organizations. In addition, anecdotally, many organizations have made that assertion (Wirtenberg et al., 2007).

## ■ Overview of this book

*The Sustainable Enterprise Fieldbook* is organized into five parts and nine chapters. Each part and the subsequent chapters in this book follow the framework of our pyramid model and provide activities, case studies, tools, and techniques to forge a successful path toward creating a sustainable enterprise.

Our goal in this book is to forge a path to a better world and a more sustainable future by supporting employees, managers, and leaders at every level, function, sector, and industry by educating, energizing, and sharing best practices.

### Part I. Understanding reality: our context for *The Sustainable Enterprise Fieldbook*

#### *Introduction and overview*

This Introduction attempts to provide you with an appreciation of the formation of our team, the ESAT, a summary of our understanding of the current state of our environment, economic, and social systems, and the action research efforts we initiated in response to our ongoing question: What more is needed? We present our commitment to iterative learning and the research that focused our understanding and shaped the *Fieldbook's* framework. The Introduction also provides the background and rationale for focusing on the people factor, the missing ingredient, in the field of sustainability and the importance of providing practical tools and approaches to drive positive sustainable action. We will use key principles and models to show how each of the book

chapters contributes a key ingredient to the challenge of building a sustainable enterprise.

The *Sustainable Enterprise Living Fieldbook* is introduced as a means to capture and share best practices in collaboration technology, knowledge management, and social networks for sustainability.

## Part II. Preparing the foundation for a sustainable enterprise

Part II presents the qualities of a sustainable enterprise that provide a foundation from which enterprise sustainability can be advanced:

- Lead a sustainable enterprise (Chapter 1)
- Think about a sustainable enterprise (Chapter 2)
- Develop a sustainable enterprise strategy (Chapter 3)

### *Chapter 1. Leadership for a sustainable enterprise*

Chapter 1 focuses on the way leaders see themselves and choose to be in relation to each other, employees, customers, communities, the larger society, the environment, and other stakeholders. Leaders in sustainable enterprise choose to purposefully engage with the people inside the organization as if it were a living system, while recognizing that they are simultaneously operating in the larger ecosystem of the world.

The processes of transformation and change begin with the leaders who then engage with the people in the organization; they all make it happen together. The aim of this chapter is to provide leaders with insights and examples of how this can be achieved in ways that produce superior results. To accomplish this, a **Leadership Diamond model** was developed, and essays that breathe life into the model are shared. The Leadership Diamond model integrates the roles of leaders in relating and influencing through the power of the enterprise intent and the embedded governing principles. It emphasizes the *way of being* that is so critical to sustainability. These essays focus on both theory and practical business examples (such as Microsoft, DuPont, and Toyota). The essays significantly expand traditional ideas regarding leadership.

### *Chapter 2. Mental models for sustainability*

Chapter 2 focuses on the all-pervasive nature of the prevailing patterns of thought and shows the importance of becoming aware of the currently dominant models that reinforce wasteful and unsustainable behavior. The chapter recognizes that, for sustainable initiatives to succeed, organizations, their leaders, managers, and staff need to co-create more versatile, inclusive, and conscious thinking patterns. In this chapter, both theory and practices for making desired substantive changes in mental models are offered. ESAT member John Adams draws on his many years of research and consulting to lay out a structure with six dimensions for assessing and working with mental models. To illustrate the difference that mental models make regarding the challenges and opportunities corporations encounter along the journey toward sustainability, examples are presented from two companies – one in the energy industry and one chemical company – that have transformed their thoughts and actions in response to the communities in which they are situated. Three case studies follow that provide tools and exercises for effecting mental model changes and cultivating personal and group operating systems that support a high-quality, sustainable future.

### *Chapter 3. Developing a sustainability strategy*

Chapter 3 helps leaders, managers, and change agents better understand how to craft and implement a sustainability strategy for their enterprise. For most organizations, this will involve reshaping the nature and goals of their existing strategy as well as changing the way they go about developing and executing it. The chapter focuses on the content and process of developing a sustainability strategy, by first briefly examining the core elements of *any* good strategic management process and then discussing what is different about a good *sustainability* strategy. Examples are provided of the myriad ways that actual organizations in diverse situations are using sustainability initiatives to improve their performance. The strategic formulation process is presented to integrate elements particularly critical to developing and implementing sustainability strategies. Finally the rich case example of Nike is presented. Many key elements noted in this and other chapters are evidenced in this case: systems thinking, mutuality, collaboration, leadership/champions, employee engagement, decentralized yet integrated internal and external social networks, and aligned performance management systems and metrics.

## Part III. Embracing and managing change sustainably

Part III includes specific sustainable enterprise qualities that infuse innovation and personal and group commitment as well as the performance measurement information that allows all enterprise stakeholders to appreciate their progress along the journey to enterprise sustainability:

- Manage the change to a sustainable enterprise (Chapter 4)
- Engage employees in the sustainability journey (Chapter 5)
- Measure and manage your movement (Chapter 6)

### *Chapter 4. Managing the change to a sustainable enterprise*

Chapter 4 presents the primary challenges to building an enterprise culture that embraces sustainable development values. The authors advocate application of an integrated change management approach blending elements of transformational change, project management, participative change management, and adult learning principles to cultivate sustainable enterprise cultures.

The chapter is built around an enterprise transformation methodology that has had demonstrated success in generating sustainable culture change. In particular, the authors advocate an iterative transformation of organizational “DNA” using the “FAIR” methodology:

- Framing enterprise mindsets to develop fresh mental models of what we are and what we can become
- Aligning economic models, physical infrastructure, and workplace processes to achieve a competitive level of performance
- Igniting growth and innovation through market focus, new business models, and technologies changing industry rules of competition
- Refreshing enterprise information metabolism to foster creativity, generate energy, and reinvigorate *esprit de corps* required for continuous enterprise regeneration

### *Chapter 5. Employee engagement for a sustainable enterprise*

Chapter 5 looks at the importance of engaging employees at all levels in co-creating the enterprise's future, a crucial accomplishment if even the most enlightened leaders are to get beyond their own best intentions. What approaches are recognized as necessary to involve employees in any major organizational change? What is unique about involving them in sustainability management?

This chapter suggests some of the psychological dynamics that contribute to achieving employees' sense of ownership and commitment to taking on sustainability. It describes the power resulting from people experiencing autonomy and interdependence, and belonging to a community of kindred spirits. It describes how authentic leadership can resonate with people at all levels of an organization, as positive energy and resolve become contagious.

Five in-depth case studies illustrate distinctive approaches to employee engagement. One describes how senior management set up conditions for self-organizing at a previously underperforming plant at DuPont. Another case study elaborates on a multiyear effort to bridge labor and management differences to radically improve safety; yet another infused safety concerns through the constant drumbeat of companywide activities. Eileen Fisher lives out the keen social consciousness of its founder. Employee engagement even spreads across company lines when Eileen Fisher enlists management at overseas suppliers to improve working conditions for low-paid employees. Similarly, a grassroots effort in India paid dividends with social and environmental benefits for a whole community. Each situation exemplifies sound management concepts for unleashing the power, creativity, and insights made possible only by engaging a broad swath of the workforce.

### *Chapter 6. Sustainable enterprise metrics and measurement systems*

How do you measure sustainability? Sustainability is an ever-changing end state; "one knows that one doesn't know" what that end state will be. Acknowledging and accepting that we do not know is an important part of designing and implementing sustainability metrics and measurement systems. The chapter supports developing an integrated framework of ecosystems, social systems, and economic system metrics and management systems that allow people to co-develop the collective awareness and understanding needed to energize and enable global, enterprise, and personal action.

This chapter provides overviews of the enormous progress being made on sustainable development indicators, measurement frameworks, and systems at the global, national, and enterprise levels. As with any science, measures over time get more refined. The outcomes of those systems, including the realization of how much is not known about them, have enabled the appreciation of the current condition of the world. Measures are provided for each of the relevant chapters in this book. This section is intended to help leaders and managers more clearly understand how they can apply measures to more qualitative sustainability attributes in order that they be measured and managed within a holistic sustainability metric and management program.

## Part IV. Connecting, integrating, and aligning toward the future

Part IV offers critical insights about how people relate to each other within their sustainable enterprise, its extended stakeholders, their communities, and the world. The two chapters in this section cover best and leading-edge practices regarding how to:

- Operate in a global context (Chapter 7)
- Create alliances and social networks to fuel the sustainability journey (Chapter 8)

### *Chapter 7. Sustainable globalization: the challenge and the opportunity*

Chapter 7 represents a breakthrough and a fundamental transformation in how we approach doing business in a global world in the 21st century. The authors use **six lenses of sustainable globalization** to provide fresh perspectives on global issues:

- Economic/financial
- Technology
- Poverty and inequity
- Limits to growth
- Movement of talent
- Geopolitical

An emphasis on multidisciplinary approaches is encouraged because of the complex and interconnected nature of the challenges facing the world today. Opportunities for sustainable globalization are introduced in case studies. The six lenses sustainable globalization tool provides readers with a means to assess the degree to which their organization is addressing each of the six lenses.

### *Chapter 8. Transorganizational collaboration and sustainability networks*

Chapter 8 approaches the enterprise as a living system operating in a dynamic environment. Topics of collaboration, stakeholder engagement, and social networks are presented with application tools and processes.

The authors make the case for using second-generation Web — Web 2.0 — applications such as social networking, wikis, and virtual environments to purposefully engage individuals and their larger networks in co-creating sustainable enterprises. Issues of trust, control, competition, and network communities are explored.

## Part V. When it all comes together

Consistent with the major conclusions from previous research, our concept of sustainability has evolved from mostly separate streams of parallel conversations into a holistic notion that rejects the premise that social, environmental, and economic issues are competing interests. This integrative perspective contends that social, environmental, and economic performance can and *must* be optimized simultaneously for both short- and long-term success.

### *Chapter 9. A new beginning: when it all comes together*

Chapter 9 offers reflections on the journey we and our readers have traveled together. We have learned that the term *conclusion* may not be the best way to describe the ending of this physical book on sustainability. Each thing we collectively learn and share in our team makes us see even more clearly how much more information there is to learn and how many more insights and perspectives there are to explore if we are to have a

lasting deep impact on the future of sustainability. In this chapter, we share what we have learned to this point and lay the foundation for a path forward that will provide for continued learning and sharing with the larger social network of sustainability we have chosen to contribute to. And, as members of this network, we hope to continue to contribute, engaging with others on the collective global journey to a sustainable world.

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