

# So, How Sustainable *Are We*?

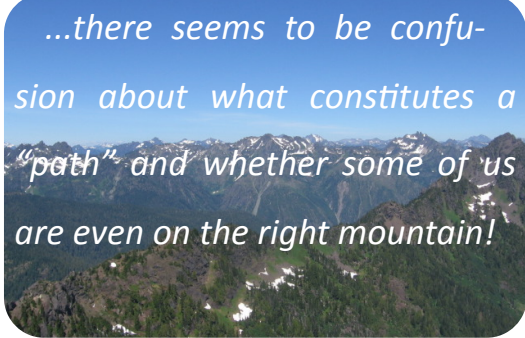


## How Do We *Know*?



## So, How Sustainable Are We? How Do We Know?

There is a lot of buzz about being “green” and acting “sustainably” these days. Unfortunately, a great deal of it seems to be just that: Buzzing. Not to say people are not trying or lack commitment. Many people, communities and organizations are genuinely concerned and trying to address social, economic and environmental challenges by focusing on carbon footprints, renewable energy, resource depletion, and recycling. Organizations have seized upon everything from simple cost-saving initiatives to community involvement as proof of their corporate social responsibility (CSR) and their dedication to sustainability. However, simple questions remain that must be answered: Is my organization sustainable? Am I sustainable? How do we know?



*...there seems to be confusion about what constitutes a “path” and whether some of us are even on the right mountain!*

### When Sustainability is Unsustainable

The Economist recently surveyed and interviewed over 1200 executives from a wide range of organizations, diverse industries and sectors about their sustainability and CSR practices. The results show that although we are expending considerable time and energy becoming sustainable, we may not be succeeding.

*Random acts of kindness are good. They just might not be enough to be sustainable.*

Most of the companies surveyed are not sure “what is enough” when it comes to sustainable business. Aside from public relations, “less than 10% of respondents rated their efforts as outstanding...large majorities described themselves as average or worse.” So what is enough? How many tons of carbon dioxide sequestered will make a company sustainable? How many dollars donated to charity? How much fair trade conducted is enough? There is a famous saying that there are many

paths up a mountain. However, there seems to be confusion about what constitutes a “path” and whether some of us are even on the right mountain!

### Measuring the Right Things

*Organizations leading the way in sustainability are not waiting to be told what to do, nor are they acting alone.*

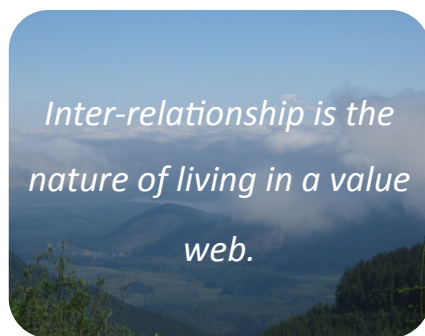
Sustainability is a slippery notion that requires systems level thinking and action. In other words, the sustainability of a company’s actions depends upon what those actions are, and how they affect the complicated social and economic contexts surrounding them. There is no one simple answer for any company. Yet, to make sustainability real, progress and results need to be, in some way, measurable. We measure what we think is important. We orient around what we decide to measure. We become what we measure. What we decide to measure and how we measure it, then, are very important decisions. There are a plethora of measurement frameworks available. The Global Reporting Initiative (GRI), the World Business Council on Sustainable Development (WBCSD) framework, ISO 14000, the Natural Step, LEED, etc. are all great tools for examining internal processes, guiding projects and designing and managing facilities and their relation to the impact of our businesses in the world. From these metrics we get hints and help on aligning with sustainable practices. By following the rules provided by these frameworks we reduce the negative impact we are having on the value web. This is essential. However, what none of these frameworks do is answer the one fundamental question: *So, how sustainable are we?*

### Understanding Sustainability

To understand how sustainable we are we need to understand what sustainability is. If we think of sustainability as our contribution to the ongoing health and resilience of the systems and systems of systems that support us then the question may be better answered by measuring how well we interact with the complicated social and ecological webs that compose our own unique niches in market places and the infrastructures and ecosystems that sup-

*How well we collaborate and the results of our collaborations may be the best way to measure how sustainable we are.*

port them. Simply, how well we collaborate and the results of our collaborations may be the best way to measure how sustainable we are. Charles H. Moore director of the Committee Encouraging Corporate Philanthropy says, “Corporations are past just writing checks...they're making investments in their communities. That kind of deliberate investment is more recession-proof...more and more, consumers and employees expect companies to be involved in solving society's problems, and they make their purchasing and work decisions accordingly.” Respondents to an Economist survey and to a 2007 McKinsey Quarterly survey on corporate philanthropy echoed this development. The organiza-



tions that rated themselves most successful in their CSR and sustainability work were those most frequently collaborating with other corporations, community stakeholders and other interest groups to realize strategic short and long-term value. Realizing value from collaboration and our inter-relation is essential.

The McKinsey Quarterly survey points out that twenty years ago corporations were generally expected to be accountable at contractual and compliance levels. Now, however, they are expected to be responsible in areas as diverse as obesity, quality of schools, climate change, species preservation, maternal health and building roads—to name but a few. Organizations successful at rising to these challenges see them not as burdens but as opportunities to create new value streams, reduce costs and risk, and, yes, become more sustainable. These organizations are recognizing the necessity to have strong internal coherence as well as a diversity of value generating relationships with a wide range of external stakeholders. Burgerville, a regional quick

service restaurant chain in Portland Oregon is well ahead of the game here. Their relationship with Country Natural Beef detailed later in the article stands out as a multi-win re-imagining of supply chain relationships. Unilever pioneering the Marine Stewardship Council is another great example of this. They are not waiting to be told what to do, nor are they acting alone.

*Sustainability is maintaining the quality of...relationships, the health of the nodes, the integrity of the whole.*

**Leveraging the Value in the Value Web**

The global economic crisis that emerged in 2008 is making it abundantly clear that none of us (organizations, communities or individuals) are separate from “the rest of the world.” We are inter-

woven, interconnected, embedded. Everything we do, every choice we make directly and indirectly influences the rest of the world—and we are just as influenced by what happens “elsewhere.” Yes, there are matters of degree. When the butterfly flaps its wings in China we are seeing that commodities markets, air quality in LA, the intensity of climate

change, the quality of gyoza in Japan and paint on Thomas the Tank Engine are affected. The whole world feels the breeze. When you or I accept plastic bags that we don’t need, leave the lights on in a conference room or loophole our way out of taxes we tend to think of these actions as unrelated and small. However our individual actions can add up. It wasn’t just one sub-prime mortgage in a US bank that helped us into the trying economic times we’re facing now.

Inter-relationship is the nature of living in a value web. The web and its complex relationships is WHAT we are trying to sustain because this is what sustains us. Figure 1 above

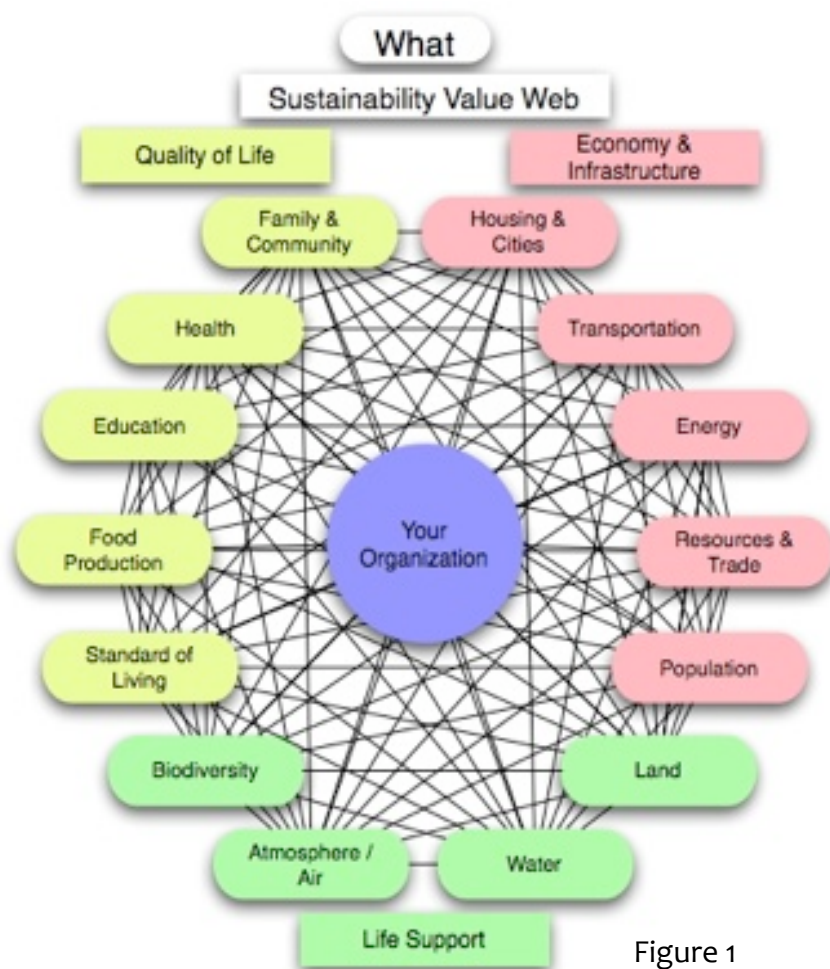


Figure 1

shows how each node of the web is connected to us and us and every other node. Like a wonderful late summer web, intricately woven by a big black spider, we are suspended together, connected by thin, silver threads. We are bound together by our relationships. We need each node of the web to be healthy. Sustainability is maintaining the quality of these relationships, the health of the nodes, the integrity of the whole. We are the spider and the web. To say it again, everything is connected. By acting in collaboration or in larger, more complex constellations of stakeholders we can leverage this connection and bring about more health in each node and in the web as a whole. Random acts of kindness are good. They just might not be enough to become sustainable.

*If you don't live it, it won't  
come out your horn.*

*--Charlie Parker*



### **Sustaining Sustainability: Six Levels of Engagement**

*Creating such an alignment will often...require "a fundamental rethink of the business model, which is really, really tough to do.*

*--John Elkington as quoted in  
The Economist Intelligence Unit Report:  
Doing Good: Business and the sustainability challenge*

#### **So How Sustainable Are We?**

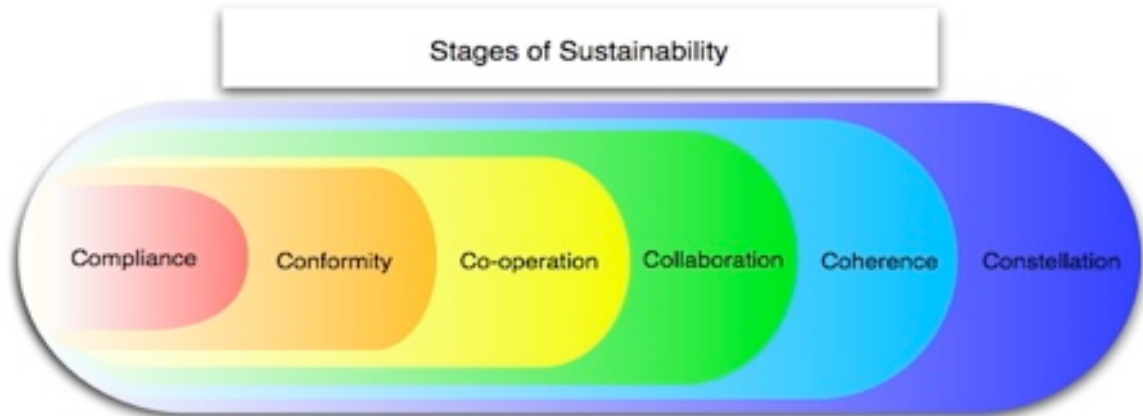
To really understand how sustainable we are, we need to find a way to see our effects on the entire value web. We need a way to understand the complexity of the relationships, and our capacity to change our impacts for the better. From our research we see six key levels of sustainable engagement, each more sustainable than the one before it. They begin at Compliance by building a sturdy foundation for sustainable business and top out at the stretch goal of having systems level influence through multi-stakeholder Constellations.



Figure 2

Also, to really understand the impact we are having and how to evolve our effectiveness, we need to know WHY we are having the effects we are. This goes back to what we decide to measure. For sustainability "the triple bottom line" consisting of the economic (profit), environmental (place) and social (people) can give us a general picture of the results of our actions. To this we believe we must add the reason WHY, the purpose of doing business, and the ethics (principles) for doing business. When our business purpose and mission help us to turn a profit AND benefit people AND improve our place, then we can become truly sustainable (figure 2). Without rock solid principles to guide thinking and behavior and a powerful sense of purpose to point us the right direction, doing sustainable business is, to quote John Elkington again "really, really tough to do." Bjorn Stig-

son president of the World Business Council for Sustainable Development says it this way: “In considering what you should do as a company, it really comes down to your own values...if you don’t know your magnetic north, then the compass is useless.”



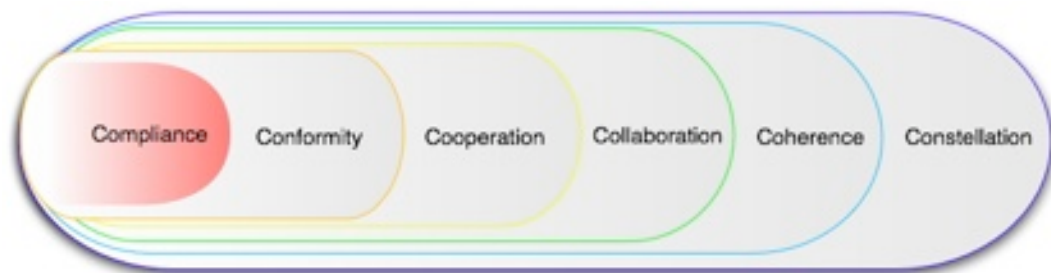
The following six levels show how we can answer that bedeviling question, “How sustainable are we?” By measuring and describing how well an organization can understand and interact with complicated social, economic and ecological value webs, we can define how sustainable that organization is. What follows are overviews of each of the levels of sustainability, examples of common behavior at that level and its impact on the value web. As mentioned above, simply, doing and describing what you do as sustainable does not make it so. To *do* sustainable business, we have to *be* sustainable in who we are and how we *see* the world. Reflecting on who we want to *be* and allowing that to guide how we *see* the world gives us our best shot at *getting* sustainable results. To quote Charlie Parker, “If you don’t live it, it won’t come out your horn.”



## Level One



An organization that can only comply with the external rules and laws placed upon it is at the first level of sustainability. Compliance can be seen as baseline best business practice. Without a strong foundation in compliance we tend to be constantly firefighting and fighting for survival. To work and play well with others in collaborative relationships we need to have strong operational stability. Compliance helps gives us this. Here is the overview:



- Sustainability is externally mandated and internally enforced.
- Example sustainability activities: meeting workplace safety regulations, SOX compliance, ISO 14000 process reporting, and meeting EPA standards.
- *Being* at this level is basically about staying out of trouble and reducing risk. We focus on compliance with rules, regulations and requirements in order to avoid penalties and stay in business.
- What we tend to *see* at this level are the need to meet short-term, externally driven goals and maintain immediate profitability.
- What we are *doing* is trying to establish stability as we establish ourselves, move into new markets and/or engage in new areas of business.
- The positive value we *get* from Compliance is social and legal permission to operate and business stability.
- Failure to evolve the capacity to include and move beyond Compliance mires us in reactive, risky, largely transactional and frequently win-lose relationships with people and organizations in the world around us as we seek to fulfill self-centered short-term needs and fret about regulation.

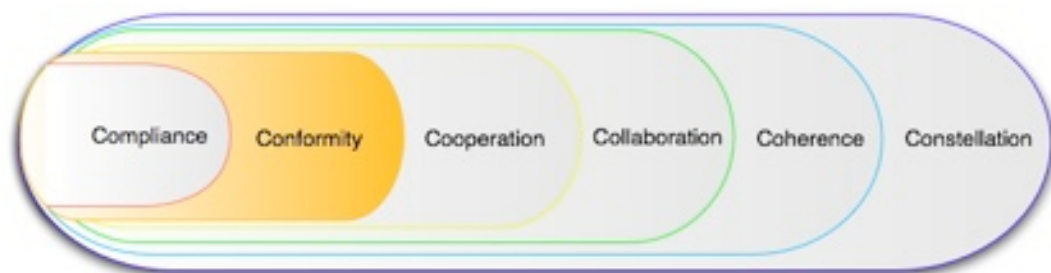
Although more and more organizations are finding it necessary to transform out of a Compliance focused mindset, we all know people and organizations that struggle in this area. The best way to move out of a compliance focus is to develop strong operational standards and protocols that are part of a larger sustainability initiative. To resonate with

a strongly Compliance-oriented culture, sustainability initiatives should be closely tied to financial bottom line improvements and positive visible change with clearly marked goals and milestones. Picking the low hanging fruit (and celebrating/rewarding success) is crucial.

### Level Two:



Some companies move beyond Compliance, and begin Conforming with the desires and expectations of key stakeholders beyond regulators. At Conformity we realize the importance of our reputation and brand and the need to protect and maintain them. Communicating with and meeting expectations of key stakeholders is an essential part of Conformity. According to the Economist survey, over 60% of the companies surveyed listed this as a key aspect of sustainability and one of their core competencies.

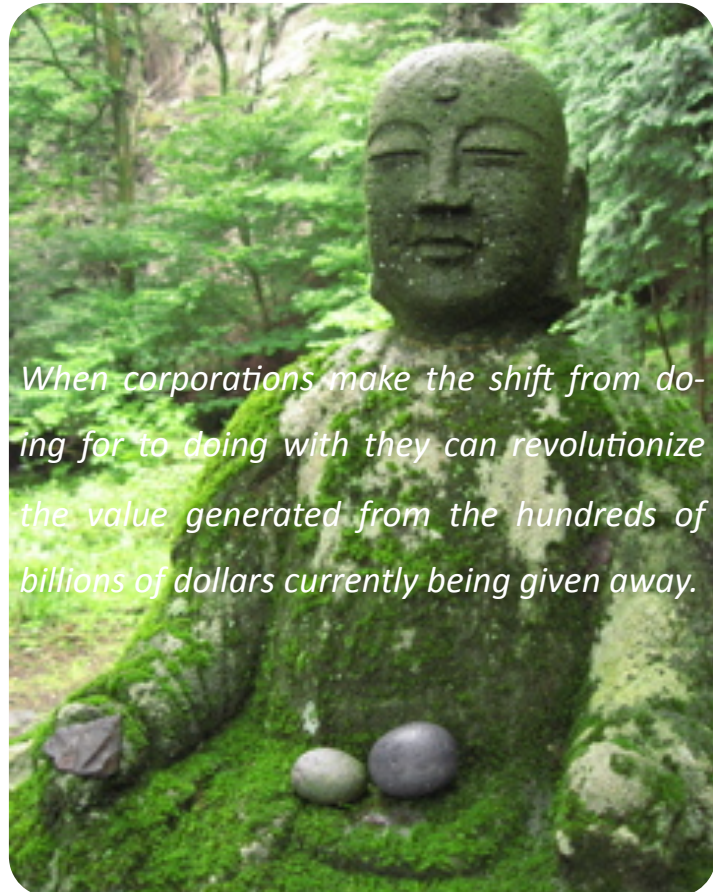


- Sustainability is externally mandated and internally communicated and harvested for public relations.
- Example sustainability activities: Creating a sustainability report and publicizing recent gains in workplace safety, promoting ISO certification, publicly celebrating reductions in energy and paper use and the associated cost savings.
- *Being* at Conformity is about appearing sustainable in order to appeal to shareholders, immediate stakeholders, potential employees, NGOs and the media.
- What we *see* at this level is the power and influence of others over our business.
- What we are *doing* is using sustainability as a means of improving shareholder and key internal and external stakeholder relations to keep control of our business and manage our image.
- What we *get* from Conformity is good PR, enhanced brand reputation, and good relationships with key stakeholders in our work, and perhaps some collateral benefits to the value web.

- Failure to go beyond Conformity frequently results in an overwhelming focus on green washing and “spinning” activities to appear sustainable to avoid trouble and enhance image in the eyes of key stakeholders. This can quickly appear deceitful and inauthentic.

As the Economist survey implies, many organizations find comfort at this level—perhaps too much comfort. Remaining focused on Conformity limits our effectiveness to collaborate because we are more interested in appearing than we are in doing. Projects may be chosen based on their PR value versus their value web impact. The best way to move beyond a conformity focus is to create and clarify a more compelling need for sustainability other than using it as a tool for public relations. This is hard. It entails increasing leadership and organizational awareness, understanding the positive and negative impacts we are actually having

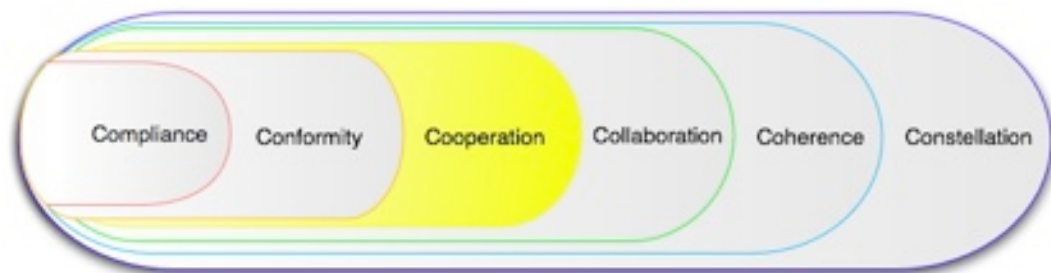
on the world, listening to the feedback of external voices and key stakeholders, developing and embedding principles and a sense of purpose to drive sustainable thinking and behavior in the organization, and communicating successes, failures and changes to internal and external stakeholders. Operationalizing the monitoring, management and development of the above success factors is crucial to developing the ability to cooperate.



*When corporations make the shift from doing for to doing with they can revolutionize the value generated from the hundreds of billions of dollars currently being given away.*

**Level Three:**

At the Cooperation level, we start to cooperate with others as a way to give back and help out. We engage in philanthropy and charitable giving because we've decided or believe it is the "right" thing to do. Cooperation may also include strategic giving and partnerships and isolated or targeted improvements to processes, systems and supply chain relationships so they become more operationally effective and sustainable.



- Sustainability at this level focuses on a mix of internal and external drivers calling for “giving” and “helping out.”
- Example sustainability activities: Charitable giving, service days, volunteerism, targeted but disconnected internal and external CSR campaigns, employee-specific giving schemes, standards for suppliers, stated socially responsible principles and purpose.
- *Being* at Cooperation is about philanthropy. We feel a sense of responsibility to help and support causes of personal interest and meaning.
- What we *see* at this level is our capacity to do good, help out and support social and environmental responsibility.
- What we are *doing* tends toward transactional giving and improvement. We help you so we feel good and look good. We help ourselves. We tend toward “doing for” others rather than “doing with” others.
- The benefits we *get* from Cooperation include improved operational sustainability in targeted areas and the very real sense we are making a difference in the lives of the people and conservation efforts we choose to help.
- Remaining at Cooperation limits the effectiveness of the time, energy, financial and human resources we apply to socially responsible action and sustainable business. Activity gets confused with accomplishment.

Our research and findings in the Economist and McKinsey surveys indicate that most organizations are currently operating around the Conformity and Cooperation levels. Further research by a partner in the US found that over 60% of the companies they surveyed were operating between Compliance and Cooperation. In terms of sustainability, we believe our greatest challenge and opportunity is moving beyond these levels because our thinking and behavior at these levels has brought us to where we are today. Simply put, Compliance, Conformity and Cooperation alone are proving to be unsustainable. This brings us to the question: What is sustainable? We believe that the first level of truly sustainable perception, thought and practice is Collaboration.

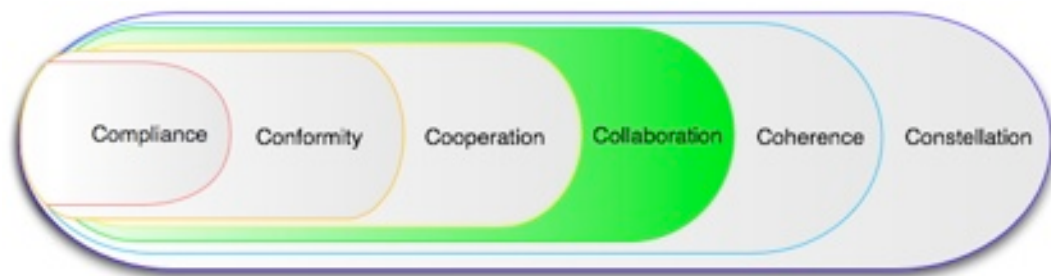
*Simply put, Compliance, Conformity and Cooperation alone are proving to be unsustainable.*

### ***A Better Way***

Nearly 2,600 corporate foundations gave an estimated \$4.4-billion to charity in 2007 and a Forbes survey of the top 78 most generous corporations had them giving away a combined \$3.8 billion. There is strong and growing evidence that the value these companies are giving away could be used to help the same people and the same causes in much more effective, lasting and sustainable ways. Moving beyond Cooperation requires viewing and enacting sustainability as something done systemically in aligned or coherent ways with partners. The organization itself has to recognize and see the value in co-creating, co-evolving and collaborating on solutions internally and externally. Leadership has to take a strong role in “walking the talk” and promoting systems and processes that support collaboration. Cross-functional, whole system thinking and action are crucial. When corporations make the shift from “*doing for*” to “*doing with*” they can revolutionize the value generated from the hundreds of billions of dollars currently being given away.

**Level Four:**

At this level companies begin truly Collaborating with others to really solve problems, innovate and impact the value web. A commonly occurring question is "why we are doing what we're doing?" This is often driven by a desire to be more involved and inclusive internally and externally. Like Cooperation, external stakeholder engagement is still largely targeted and arbitrary although the quality of engagement is less transactional due to the collaborative nature of involvement.



- Sustainability is internally mandated, guides internal and external partner and project selection and areas of collaboration.
- Example sustainability activities: stewarding NPOs on good business practices, co-development of green technologies, cross-functional and multi-level internal initiatives, including NGO's, local communities and other external shareholders in the project and product and service development process.
- *Being* at this level is focused on engaging with others in sustainable work. An organic expansion of Co-operation, we begin to reach out and look for opportunities to work together on targeted and selected projects.
- What we *see* at this level is the power and value in including and embracing multiple perspectives, "multi-win" relationships and transparency in our business.
- What we are *doing* is reaching out to and opening dialogues with suppliers, external stakeholders and even those we formerly perceived as adversaries or competitors to include them in the scope of our sustainability practices.
- What we *get* from Collaboration are deeper relationships with external partners that typically involve learning and development on both sides. This tends to generate more impressive PR and better management of risk as multi-win and longer-term relationships become more common.

- Remaining centered in collaboration is marked by multiple and fruitful initiatives and relationships that, though multi-faceted and value generating, are not fully integrated and coordinated into our business, work and lives.

As stated above, we believe that Collaboration is the first level of “sustainability” that may actually be sustainable. Both the McKinsey and Economist surveys support this conclusion. The companies that tended to rate their sustainability or philanthropy efforts as most effective were those that engaged and collaborated with other businesses and stakeholders. The reason for this is that, at this level, we begin working in interconnected and mutually dependable and mutually influencing ways. Communities of interest and practice develop and become self-organizing and self-managing.

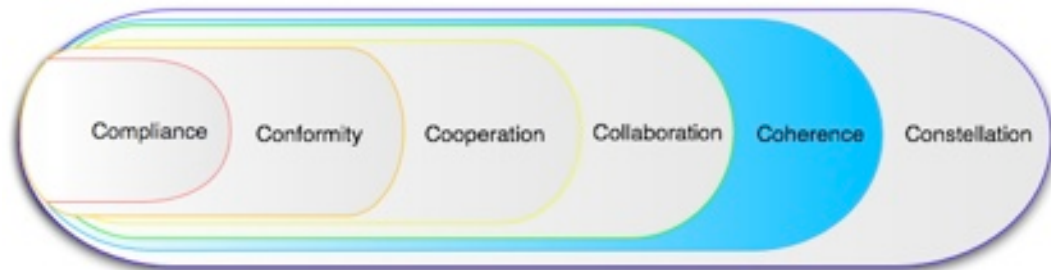


We discover opportunities for new value streams and create the potential to dissolve adversarial relationships. Our style of work, interaction and value generation begin to leverage the value web by mirroring the non-linear workings of open systems.

*Sustainability is generated from clearly articulated principles and purpose that are embedded in action and measured and managed to ensure long-term resilience.*

**Level Five:**

Coherence is signified by an organization or reorganization around a clear sense of purpose and deeply embedded principles that promote sustainability beyond the scope of simply doing business in the conventional sense. The organization and its people begin to fulfill an intentionally larger role in the communities and ecosystems in which they operate.



- Sustainability is generated from clearly articulated principles and purpose that are embedded in action and measured and managed to ensure long-term resilience.
- Example sustainability activities: Strategically integrated and mutually reinforcing long-term/multi-win relationships with supply-chain partners, community enhancement programs that connect employees with community stakeholders to accomplish concrete people/place/profit goals, creating and enacting strategic business practices and processes that create zero waste and actually restore land and stream quality while significantly lowering risk and increasing revenue and value for the business, suppliers and local communities.
- *Being* at Coherence is striving to “be the change you want to see in the world” while being successful at generating effective Triple Bottom Line (TBL) results.
- What we *see* at this level is a multitude of potential opportunities and ways to co-create them through engagement with others in the value web.
- What we are *doing* is “walking” our sustainable “talk” by leveraging value web relationships to generate multi-win, interconnected, short and long-term value—as the example activities cited above demonstrates.
- What we *get* from Coherence is dramatically improved risk management, long-term stability, and increasing value through a healthier, more robust value web.
- Remaining at Coherence has little in the way of negative consequences unless the culture becomes stagnant, insular or arrogant. As the company evolves it is highly likely that opportunities to begin doing Constellation level business will appear. To

seize these opportunities the role of proactive leadership throughout the organization, high levels of awareness, communication, innovation and resilience are necessary.

*Knowing your level of sustainability is about taking an honest look at the ways in which you are being, seeing, doing, and the impacts and results you are getting.*

One of the most Coherent companies, we have found is Burgerville, a Portland, Oregon area quick service restaurant chain. Their mission is simple: *To serve with love.* They embody this mission in their relationship with what would

traditionally be called their suppliers, employees, and customers as well as the communities and market in which they operate. Although their mission can be seen as simple and direct, their implementation of the mission is well suited to the complex adaptive system of the Pacific Northwest. In terms of value web engagement they are actively generating positive, clearly visible interconnected returns in nearly all of the nodes. They don't so much have suppliers as they have deep, mutually enriching, value generating relationships. See the inset for the story of one of these relationships.

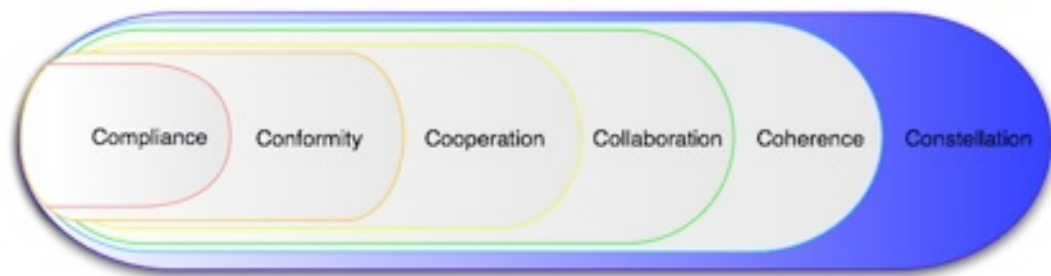


***Burgerville and Country Natural Beef***

Burgerville, a quick service restaurant in the Portland Oregon area, and their supplier of beef, the Country Natural Beef Co-op, have developed a remarkably sophisticated relationship. From introducing compostable plastics in its restaurants and purchasing all of its electricity from wind generation to providing health for all full and part-time employees Burgerville is leading the way in demonstrating how sustainability is good business and that good business should be sustainable. For its part, Country Natural Beef (CNB) is composed of a group of ranchers who believe that raising cattle can be done without the hormones and antibiotics common in larger agribusiness models. They also have proven that sustainable cattle-raising and wise land management practices can actually help improve land and water quality instead of degrading it. Together they have evolved a relationship that has paid off in many ways. For instance, they have worked out a system where CNB can generate more revenue per cow by changing the part of the cow from which Burgerville gets its cuts based on the demand of other clients. Thus, during times of high demand for specific cuts like Easter and St. Patrick's Day when, say, brisket is popular, Burgerville is content to receive its beef from other parts of the cow. In exchange, Burgerville gets a fixed price and consistent high quality beef. Both sides also benefit from their pricing arrangement as they are freed from commodity pricing traps. Their relationship has also proven to provide superior risk management. During the BSE scare a few years ago, while many of their competitors were reeling from the risk of contaminated beef, CNB and Burgerville customers were confident that their beef was disease free. By maximizing the cuts they get per cow CNB ranchers have been able to invest more of their return in responsible land management. Ranchers are also spending less on feed as the cattle are able to better able to live off the land they are grazing. This investment has generated returns in other unpredictable ways as well. On one ranch, native trout, have returned to streams as land quality improved.

**Level Six:**

Constellation is characterized by reaching across industry, sector and national boundaries to create "constellations" of organizations capable of making systemic level change that benefits a multitude of stakeholders including, of course, the constellation members. These constellations are characterized by high degrees of transparency and innovation in a rich learning and opportunity-realizing environment. They are driven by a strong sense of purpose to build systemic capacity wherever they may be operating.



- Sustainability is internally driven and collaboratively realized in multi-stakeholder interventions
- Example sustainability activities: Kalundborg, developing a workable and meaningful approach to transforming the ways we influence and deal with climate change, expanding the Burgerville/Country Natural Beef example cited above throughout Cascadia, the “integral cities” movement.
- *Being* at Constellation involves innovating and organizing from an abundance mindset.
- What we *see* at this level is our capacity to influence and create systems level change and benefits with an array of other capable stakeholders.
- What we are *doing* is creating long-term value and resilience in the systems in which we do business—therefore making them, our selves and our actions more sustainable.
- What we *get* from Constellation is a strong, healthy, positive-value, business opportunity generating Value Web.
- Operating at Constellation is our best bet at sustaining the systems that sustain us and allow us to economically innovate and ecologically flourish.

We are just beginning to see Constellation level work emerge. The simplest way to imagine it is collaboration at a systems level. The project, instead of being a clean tech. development project would entail a focus on a node or multiple nodes of the value web.

*Are these the results we want?*

Again, if the Burgerville/Country Natural

Beef example were expanded and implemented with a number of restaurants and ranchers across Cascadia we would be looking at a constellation-like scope and impact.

### So How Do We Know?

*Are these the results we need to be sustainable?*

Knowing your level of sustainability is about taking an honest look at the ways in which you are *being, seeing, doing*, and the impacts and results you are *getting*. *Being* is about your identity, who you and your organization are and who you want to become. Your principles, purpose, mission, vision and values spring from this focus. *Seeing* depends on who you are. If you are most concerned with staying out of trouble and making a fast buck what you will see are Compliance opportunities. Longer-term is not on your radar. To see more, strive to *be* more. What you *do* is a product of who you are and what you see. If I see every problem as a nail, I'm going to get pretty good with a hammer—even when what is in front of me may be a stained-glass window. What you *get*, then, is directly related to what and how you *do, see*, and who you choose to *be*. If you believe in collaborative innovation and solutions to problems you are going to seek out and have a lot of collaboration in your work. You will look for and

*Do we really do as we say?*

hire people who can do the same. So, how do you know? Ask yourself:

- What are our principles and purpose as an organization?
- “How” and “why” do we say we do business?
- What level of sustainability does this point to?
- How do we see our selves and the world around us?
- Do we *really* do as we say? How do we know?
- How do we work together—internally and externally?

- What results (positive and negative) are we getting?
- Are these the results we want?
- Are these the results we need to be sustainable?

If you're honest with yourself and willing to listen to what you are hearing from internal and external sources, you'll know. If you're not comfortable with what you find, you have two choices: bury your head in the sand and wait for the water to rise and the planet to heat up or make strategic changes in how you are seeing, being and doing—a step at a time. If you would like a partner and collaborator in making these changes, let us know.

