



Essay

## Sustainability: a view from the crossroads

By David Grayson

**It's time to reassess the best direction for the journey towards sustainable business**

I vividly recall listening in early 2005 to a BBC Radio 4 play, *Playing for Time* – 3 days in May 1940, in which Winston Churchill's long-serving personal detective, WH Thompson, described travelling in the car with Churchill, down the Mall from Buckingham Palace, after Churchill had been appointed as prime minister. Thompson congratulated the new leader, who replied: "I hope it is not too late." Thompson added that never again did he hear Churchill express doubts about eventual victory.

A few days later, I heard Al Gore give his *Inconvenient Truth* lecture. I wondered then whether Gore had also pondered whether it was "too late" to save the earth but had concluded, like Churchill, that leadership required projecting absolute confidence in ultimate success; because without that, it would become a self-fulfilling prophecy.

Many times since then, as yet more data about climate change, resource depletion and environmental degradation emerges, I have thought back to that Churchill-Gore juxtaposition. Indeed, Gore himself in his most recent book *The Future*, according to one reviewer, "seems to have left optimism behind a long time ago".<sup>1</sup>

### Room for optimism

In his 2011 book, *The Great Disruption*,<sup>2</sup> Paul Gilding, the Australian writer and sustainability campaigner, combined dire warnings of planetary overload with ultimate optimism that humankind can prevail. His subsequent blogs, *Cockatoo Chronicles*, develop his argument and deserve a wide

audience. His 23 August entry, *The End of the Industrial Revolution*, is an illustrative example:

*"It's going to be a wild and exhilarating ride, with winners and losers, crises and breakthroughs. There'll be a fair amount of chaos and we'll teeter on the edge for a while, wondering if we'll get through. But we will, and we'll then look back to this time and say, yes, I was there. I was there when the third great wave of human progress began. The first was the domestication of plants and animals, enabling what we today see as civilisation to form. The second was the industrial revolution with its great technological and human progress but inherent unsustainability because it depended on taking energy from the past and ecological capacity from the future..."*

*"Like many, I feel a great impatience sitting here on the edge of it all. Waiting for it to be clear to everyone that it's time to stop pretending the old models will somehow get back to normal. We lurch from crisis to crisis, but never seem to face up to the reality that the old normal is gone, that step change is now our only option. I'm not alone in that impatience. The legendary investment manager Jeremy Grantham recently said, 'The economic environment seems to be stuck in a rather unpleasant perpetual loop ... I, for one, wish that the world would get on with whatever is coming next.'"*<sup>3</sup>

I have always believed it is better to see the glass as half full, and it is better to light a candle than curse the darkness. I share the view of the father of management gurdum, Peter Drucker, that "every social issue and global problem is a business opportunity in disguise".

Indeed, Adrian Hodges and I wrote a book on this theme almost a decade ago: *Corporate Social Opportunity*. In other words, that despite all the

*It is better to light a candle than curse the darkness*

*The route ahead will require much more trans-national, cross-sector collaboration if we are to tackle the urgent sustainability challenges*

disturbing scientific and social data, sustainable development campaigners should project optimism that solutions can be found and implemented in time.

But I sense that we are now at a crossroads between the road we have taken – which has seen the development of sustainability practices by a wide range of individual businesses around the world, as well as the emergence of corporate responsibility coalitions of those businesses – and the road we must now take, which will require much more trans-national, cross-sector collaboration if we are to tackle the urgent sustainability challenges which now loom, Everest-like, before us.

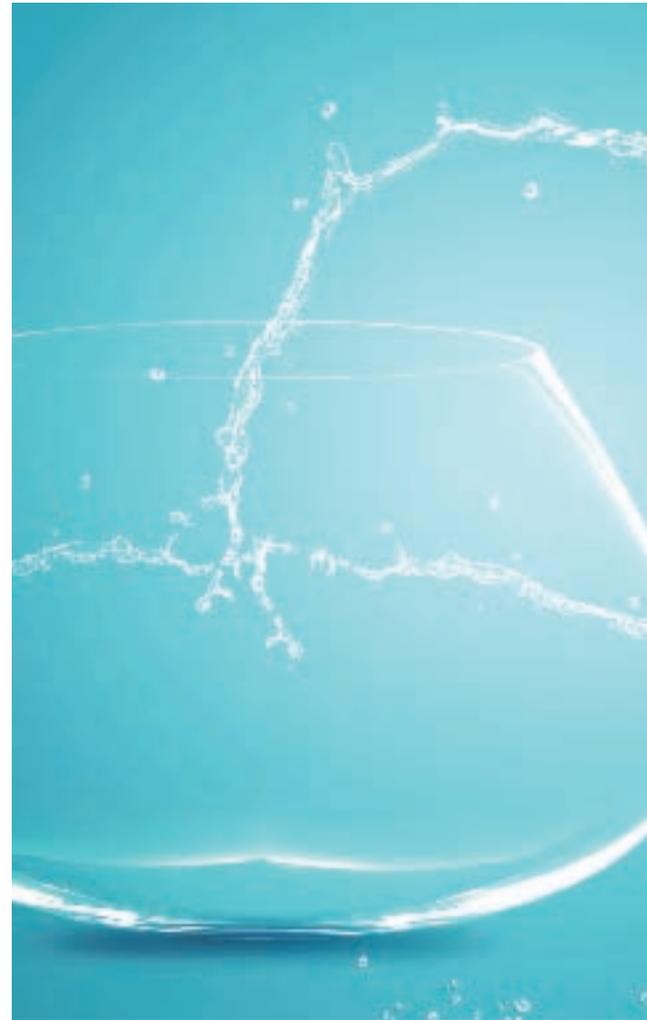
After many years of hard work by many campaigners for responsible business and talented, dedicated business people, there are many more examples of just what can be achieved. A new book by Jon Miller and Lucy Parker, *Everybody's Business: The unlikely story of how big business can change the world*, tells the human stories behind some of these business achievements, as more companies manage their social, environmental and economic impacts, so as to create shared value for themselves as well as for society and the planet. Miller and Parker provide an inspiring and practical read.<sup>4</sup>

Yet shortly after reading *Everybody's Business*, I was absorbed by *Architects of a Better World*, the new UN Global Compact-Accenture CEO Study 2013, and a separate UNGC Global Corporate Sustainability Report 2013, which were both prepared for the triennial UNGC Leaders' Summit held in New York recently. All of us interested in corporate responsibility and sustainability owe a great debt of gratitude to Peter Lacy – a member of the advisory council of the Doughty Centre for Corporate Responsibility – and the Accenture team who have produced this third triennial CEO study and its 2010 predecessor.

#### **CEO views**

The UN Global Compact-Accenture 2013 CEO Study declares itself to be “the most extensive CEO study ever conducted on sustainability. It provides a unique opportunity for global CEOs to voice their views on the past, present and future of sustainable business, and on what it will take to harness sustainability as a transformative force in the global economy. The study features insights from more than 1,000 CEOs across 27 industries and 103 countries. It explores business leaders' assessment of their progress in tackling global challenges, and uncovers what they believe will be required for business to play a leading role in shaping future systems that can align market forces with sustainable development.”

There is some good news among the study's findings. Almost entirely absent in 2010, the concept of the circular economy has taken quick hold among



Time to try something new

chief executives, with a third of those surveyed saying that they are actively seeking to employ circular economy models. On some aspects, the performance gap between what chief executives say companies need to do to embed sustainability and what their own companies are actually doing has narrowed since 2010. In 2013, for example, 94% of CEOs say boards should discuss and act on sustainability issues and 85% say their own boards are doing so. The respective figures in 2010 were 93% and 69%.

However, there is also bad news: 73% say companies should incorporate sustainability issues into discussions with financial analysts, while only 47% are doing so (compared with 72% and 51% respectively in 2010). The continuing “performance gap” even among a self-selecting group of companies publicly committed to corporate sustainability is worrying and is confirmed in the parallel, UNGC Sustainability study of 1,712 corporate members of the UN Global Compact from 113 countries. That report states: “Even those committed to sustainability still have a long journey ahead to fully embed



ISTOCKPHOTO

Eighty-three per cent of respondents think more efforts by governments to provide the enabling environment will be integral to the private sector's ability to advance sustainability. When asked which policy tools should be prioritised, 55% point to regulation and standards and 43% call for governments to adjust subsidies and incentives. A further 31% seek intervention through taxation. Softer measures, such as information and voluntary approaches, are supported by only 21% of chief executives.

In a sense, this is a welcome recognition from companies in the vanguard of corporate sustainability efforts that markets and technology, while crucial, are insufficient to ensure that nine billion people can live reasonably well on one planet by 2050.<sup>7</sup> Business leaders who are grappling with embedding sustainability have earned a right to be heard: politicians and the wider business community should take note.

If a critical mass of companies are to embrace sustainability fast enough and in a truly transformative way, there must be significant changes to the rules and incentives underpinning markets.

But who will act first? In the face of this stark message from the UNGC-Accenture CEO survey, the recent UK government consultation document on how government can encourage more responsible business makes disappointing reading. It explicitly rules out further regulation, pointedly ignores the 2011 European commission's Communication on CSR, which set out a practical action plan to promote responsible business, and is silent on the current coalition government's one innovation on corporate responsibility: the concept of "responsibility deals" in sectors such as public health.<sup>8</sup>

### Trapped in 'the squirrel cage'

A fundamental barrier to large-scale collaboration to achieve change is that companies, as well as governments, are caught in a kind of Prisoner's Dilemma game where no one can be seen to begin tugging at the threads of the current capitalist system without risking serious damage to their own interests.

Back in 1992, Prof Juliet Schor, then at Harvard, wrote in *The Overworked American*<sup>9</sup> that despite overwhelming evidence of runaway increases in American's working hours over the preceding two decades creating large-scale physical and mental health problems, neither employers nor governments nor employees were prepared to take action to break the work-and-spend cycle and "exit the squirrel cage" because the post-war addiction to consumerism had become so deeply embedded in the fabric of society.

Two decades on, the UNGC-Accenture CEO survey suggests that businesses are faced with a comparable dilemma: although they are taking steps to embed sustainability in their businesses, they are often stymied by the difficulty in capturing the value created by sustainable business behaviour:

responsible practices into their strategies, operations and culture." Only around a third train managers to integrate these into their work, and a mere 8% link their remuneration packages to social, environmental and governance performance.<sup>5</sup> (And separate research by the Canadian sustainability expert Coro Strandberg casts doubts on the efficacy of many of the pay packages that do try to incorporate sustainability.)<sup>6</sup>

Perhaps the most striking findings from this year's UNGC-Accenture survey, however, are that business leaders see a plateau effect in sustainability and are calling for a global architecture to unlock the full potential of business:

*"CEOs call for active intervention by governments and policymakers, in collaboration with business, to align public policy with sustainability at global, national and regional levels, including hard measures on regulation, standards and taxation ... This unequivocal call for greater government intervention in the market, from 1,000 CEOs in the largest study of its kind ever conducted, may mark a watershed in the progression of corporate sustainability."*

*If a critical mass of companies are to embrace sustainability fast enough there must be significant changes to market incentives*

“Despite the search for new conceptions of value – ‘shared value’ for example – CEOs are clear that actions must be justified against traditional measures of success ... signals from consumers are mixed, they discover; investor interest is patchy.

*“CEOs see business caught in a cycle of ‘pilot paralysis’ – individual, small-scale projects, programmes and business units with an incremental impact on sustainability metrics – and while they see a role for business in promoting sustainable development, their responsibilities to the more traditional fundamentals of business success, and to the expectations of markets and stakeholders, are preventing greater scale, speed and impact.”*

While this may appear to signify that proponents of integrated reporting and other accounting instruments for measuring social and environmental, as well as economic, value simply need to accelerate their progress, the emergence of alternative accounting systems on their own will not ensure their wide-scale adoption by markets. Hence, for example, the importance of current EU proposals for mandatory “comply or explain” reporting of ESG impacts and implications for future business performance.

#### **Collaboration: the way to the future**

Chief executives who lead companies that are finding innovative ways both to create economic value and meet their sustainability goals are the best candidates to promote systemic change. The UNGC-Accenture CEO survey suggests that this is, in fact, happening:

“Among sustainability leaders, we can see the beginnings of a collaborative, systems approach to sustainability, focused on the impact business can make. These companies are seizing opportunities at speed through building skills, measuring value and performance, and improving the dialogue with consumers, investors and governments. In the innovations of these leaders, we can see the seeds of a new approach to sustainability, with pockets of real innovation beyond the four walls of the firm: collaborating within and across industries and sectors, and working with stakeholders to develop the

beginnings of transformational change that can unlock the full potential of business in contributing to global priorities.”

At the Doughty Centre, we have been studying the emerging phenomenon of social intrapreneurism – the innovation of products, services and processes in companies that create social and/or environmental, as well as commercial, value – because we believe that this represents one potential gateway to a completely new way of doing business, reflecting global sustainability priorities as well as the financial imperatives of business success.

But businesses cannot walk this road alone. The 2012 World Economic Forum report, *More with Less: Scaling Sustainable Consumption and Resource Efficiency*,<sup>10</sup> explored how consumer engagement (demand), value chains (supply) and policies and the enabling environment (rules of the game) all needed to be addressed to promote sustainable consumption.

Whatever solutions emerge, there will be a significant role for corporate responsibility coalitions – such as BSR, World Business Council for Sustainable Development – as well as organisations such as UNGC and the World Economic Forum to stimulate the debate among their member companies and businesses generally about what those changes should be, to coordinate studies of what the most effective policy instruments would be, and then to support the public policy advocacy needed to achieve them.

However, the time available to develop a co-ordinated strategic approach to achieving sustainability is running out. Hannah Jones, vice-president of sustainable business and innovation at Nike, sounds an ominous warning in the Miller and Parker book *Everybody’s Business*:

“I am deeply concerned that we are going to have to be shocked into getting there. I had hoped that we would walk in a more planned way, as a collective, into that new future. I no longer believe that that is going to happen ... we are going to enter into a time of great stress and forced change.”<sup>11</sup>

The clock is ticking. ■

*The time available to develop a coordinated strategic approach is running out*

1 <http://www.telegraph.co.uk/culture/books/bookreviews/9870050/The-Future-by-Al-Gore-review>

2 *The Great Disruption: How the Climate Crisis Will Transform the Global Economy*, Bloomsbury Publishing (2011)

3 <http://paulgilding.com/cockatoo-chronicles/cc20120823endindustrialrevolution.html>

4 *Everybody’s Business*, Jon Miller and Lucy Parker, Biteback Publishing (10 Oct 2013)

5 <http://www.theguardian.com/sustainable-business/business-sustainability-progress-ungc-report>

6 Sustainable pay should be linked to creating value not just protecting it, Coro Strandberg Guardian Professional, Wednesday 26 June 2013  
<http://www.theguardian.com/sustainable-business/sustainable-pay-creating-value>

7 World Business Council for Sustainable Development definition

8 BBC News, “Can the government’s ‘responsibility deal’ work?” <http://www.bbc.co.uk/news/health-12776161>

9 Juliet B. Schor (1992), *The Overworked American: The Unexpected Decline of Leisure*. New York: Basic Books.

10 World Economic Forum, “More with Less: Scaling Sustainable Consumption and Resource Efficiency”, January 2012.

11 Jon Miller and Lucy Parker (2013), op. cit., Chapter 3.

David Grayson is director of the Doughty Centre for Corporate Responsibility, Cranfield School of Management and a member of the editorial advisory board of Ethical Corporation. He writes here in a personal capacity.