

# The Sustainability Challenge Is a Leadership Challenge

- The Urgent Need for a Practical Guidebook
- Leadership Practices for Sustainability Champions
- An Unsustainable Company
- A Sustainable Company
- Transforming from a Stage 3 Company to a Stage 4 Company
- The Big Four Sustainability Challenges
- Culture Change Framework

I am concerned that we are running out of time. Leading economists who study the economics of climate change, people like Nicholas Stern, say that we have 10 to 20 years before we reach an irreversible tipping point (Figure 1.0). Parts of the world are losing access to food and water and experiencing other severe resource, climate, population, and health problems. In isolation, each crisis is not good; combined, they are a troubling mix. Rather than improving, things seem to be worsening. So, in short, we need to crank up the urgency, stop the talking and hand-wringing, and get on with making our world more sustainable. As the most influential actors on the planet, companies must lead by example by adopting sustainable economic, environmental, and social practices. Quickly.

A few companies (3 to 5 percent) are already taking the lead. However, we need more enterprises to join the movement so that we have a critical mass (20 percent) of enlightened enterprises on board. We will only achieve unstoppable momentum if sustainability champions become more effective leaders.

Sustainability champions/leaders are looking for help, and they are understandably impatient. They seek a prescriptive distillation of lessons learned from others — an abridged field guide of tips for transforming organizational culture from unsustainability to sustainability, without all the supporting anecdotes and case studies. That is what this guidebook provides.

Despite the urgent need for corporate transformations, the change leadership style advocated throughout this book is decentralized and non-directive. It is courageously soft. That is why it works and enables companies to rapidly develop winning sustainability strategies, breakthrough products, and innovative services.

## Stern Review: The Climate Change Situation Is Urgent

There is still time to avoid the worst impacts of climate change, if we take strong action now. The scientific evidence is now overwhelming: climate change is a serious global threat, and it *demands an urgent global response*.

The evidence gathered by the [Stern Review report] leads to a simple conclusion: *the benefits of strong and early action far outweigh the economic costs of not acting*. Climate change will affect the basic elements of life for people around the world — access to water, food production, health, and the environment. . . .

If we don't act, the overall costs and risks of climate change will be equivalent to losing at least 5% of global GDP each year, now and forever. If a wider range of risks and impacts is taken into account, the estimates of damage could rise to 20% of GDP or more.

In contrast, the costs of action — reducing greenhouse gas emissions to avoid the worst impacts of climate change — can be limited to around 1% of global GDP each year. The investment that takes place in the *next 10–20 years* will have a profound effect on the climate in the second half of this century and in the next. *Our actions now and over the coming decades could create risks of major disruption to economic and social activity, on a scale similar to those associated with the great wars and the economic depression of the first half of the 20th century. And it will be difficult or impossible to reverse these changes. So prompt and strong action is clearly warranted.*

**Source:** Nicholas Stern, *The Economics of Climate Change*, Cambridge University Press, 2006, pp. vi–ix (italics added).

Sustainability champions are found throughout corporate hierarchies. They have a passion about sustainability and they aspire to persuade their companies to become model sustainable enterprises. They want their companies to be a more positive force in the world. Often they hold junior or middle management positions in their organizations and lack the authority to effect the necessary changes. Understanding that leadership is a role, not a position, they cleverly exert their influence and convince the right people to help make it happen.

Sustainability champions promote the dialogue that creates the culture change and governance transformations necessary for a company to be truly sustainable. They are change makers. They use strategies and tactics from the arsenal of effective organizational development practitioners, social marketers, team builders, and learning organization leaders. They transform their companies into more sustainable corporate citizens with better products, more responsible services, and more inclusive governance approaches.

Another appropriate label for these leaders is “sustainability intrapreneurs.” Intrapreneurs apply entrepreneurial approaches within existing large organizations.<sup>1</sup> Sustainability intrapreneurs integrate environmental and social values and behaviors deeply into their companies. I will use the labels “sustainability champion” and “sustainability intrapreneur” interchangeably.

The sustainability challenge is a leadership challenge. Sustainability champions/intrapreneurs apply The Five Practices of Exemplary Leadership<sup>®</sup>, outlined in Figure I.1, to sustainability challenges in their organizations. This guidebook elaborates on how to do that, echoing the five leadership practices in its suggested steps, practices, paradoxes, and advice on how to avoid derailers.

## Kouzes and Posner: The Five Practices of Exemplary Leadership®

### 1. Model the Way

- Clarify values by finding your voice and affirming shared ideals.
- Set the example by aligning actions with shared values.

### 2. Inspire a Shared Vision

- Envision the future by imagining exciting and ennobling possibilities.
- Enlist others in a common vision by appealing to shared aspirations.

### 3. Challenge the Process

- Search for opportunities by seizing the initiative and by looking outward for innovative ways to improve.
- Experiment and take risks by constantly generating small wins and learning from experience.

### 4. Enable Others to Act

- Foster collaboration by building trust and facilitating relationships.
- Strengthen others by increasing self-determination and developing competence.

### 5. Encourage the Heart

- Recognize contributions by showing appreciation for individual excellence.
- Celebrate the values and victories by creating a spirit of community.

**Source:** James M. Kouzes and Barry Z. Posner, *The Leadership Challenge*, Jossey-Bass, p. 26. Copyright © 2007. Reproduced by permission of John Wiley and Sons, Inc. The Five Practices of Exemplary Leadership® is a registered trademark of James M. Kouzes and Barry Z. Posner.

How would you know an unsustainable enterprise if you saw one? Unfortunately, it would look like today's take-make-waste norm, as portrayed in Figure 1.2. That model is not working. That is, it violates all four of the Natural Step's systems conditions for a sustainable society.<sup>2</sup>

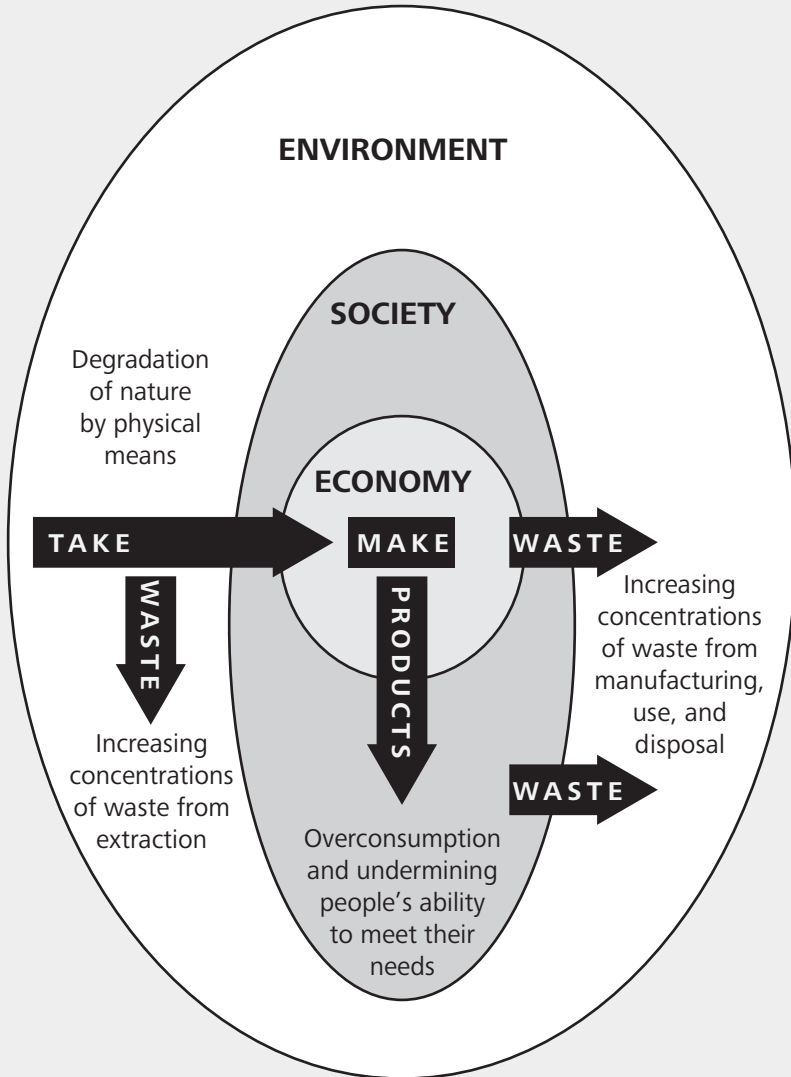
1. It contributes directly or indirectly to the systematic increase in the concentrations of *waste from substances extracted from the earth's crust*, such as heavy metals, fossil fuels, and byproducts from their use.
2. It contributes directly or indirectly to systematic increases in concentrations of hazardous and non-hazardous *waste from substances produced by society*, such as over 70,000 chemicals, dioxins, and PCBs.
3. It contributes directly or indirectly to systematic *overextraction and degradation of nature by physical means*, such as deforestation, over-harvesting of fisheries, and depletion of farm lands.
4. It contributes directly or indirectly to abuses of political or economic power in society so that *human needs are not met* for such things as clean air, potable water, nutritious food, adequate shelter, and quality of life.

The indirect contributions referenced above occur in the company's supply chain and its distribution system to end users. They include the company's ecological footprint from its indirect consumption of water, energy, and raw materials throughout its value chain. Corporate accountability for supply chain impacts is a recent sustainability demand from important stakeholders.

Unsustainable capitalism is a fun game for some, but it causes too much collateral damage in the environmental and social spheres. We need a more responsible game plan.

FIGURE 1.2

**Unsustainable, Linear, Take-Make-Waste Model**



Source: Based on ideas in Bob Doppelt, *The Power of Sustainable Thinking*, Earthscan, 2008, p. 18; Peter M. Senge et al., *The Necessary Revolution*, Doubleday, 2008, pp. 27 and 102 (Copyright © 2008 by Peter M. Senge and Bryan Smith, Nina Kruschwitz, Joe Laur and Sara Schley. Used by permission of Doubleday, a division of Random House Inc.); Ray Anderson, *Mid-Course Correction*, Peregrinzilla Press, 1998, p. 107; and the Natural Step's four systems conditions, [NaturalStep.org/en/the-system-conditions](http://NaturalStep.org/en/the-system-conditions).

A sustainable corporate model differs significantly from today's model. Figure 1.3 shows how it honors Natural Capitalism's four strategies for an authentically sustainable society.<sup>3</sup>

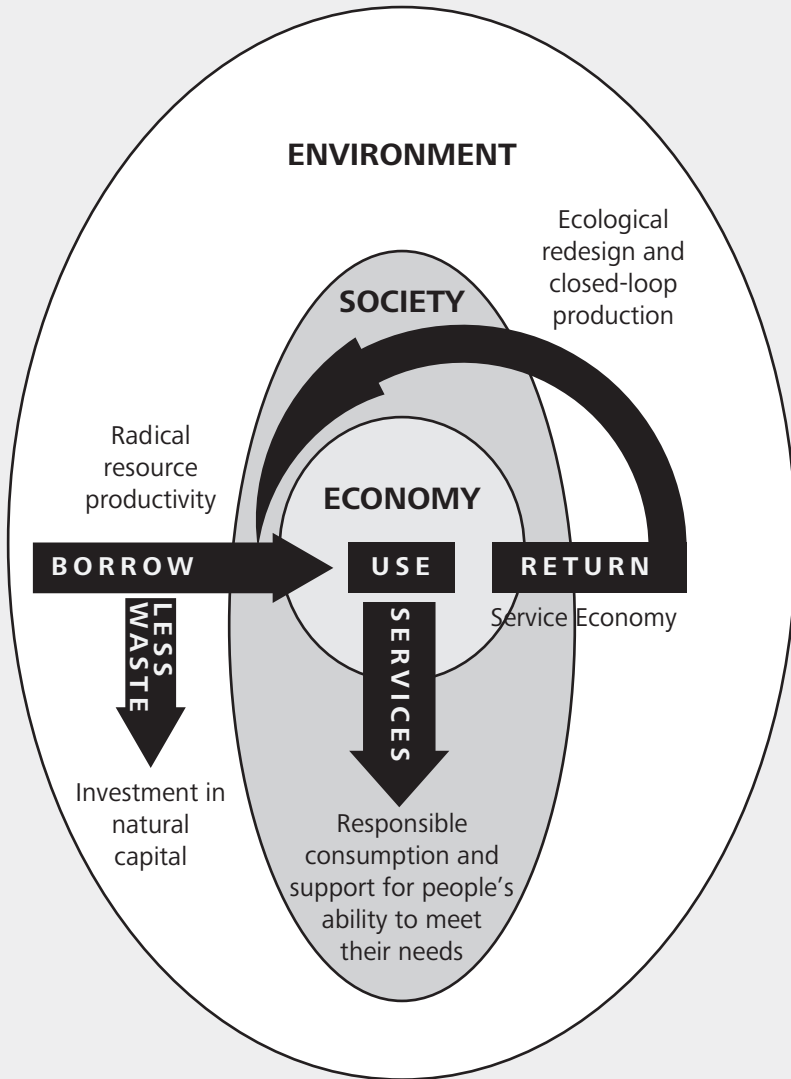
1. **Radical resource productivity:** Companies stretch natural resources by increasing productivity for a given amount of a resource by factors of 5, 10, or 100. This addresses issues of overharvesting and depletion.
2. **Ecological redesign:** Companies use closed-loop production systems so that any waste from production and end-of-life disposal is treated as a resource and reused. Companies acknowledge they can't throw things away because there is no "away."
3. **Service and flow economy:** Companies replace their goods with services. They lease products and their solutions instead of selling them. When the product becomes obsolete or is unable to produce its service, the company takes it back and recycles or remanufactures the returned product.
4. **Investment in natural capital:** Companies restore, maintain, and expand ecosystems to sustain society's needs and avoid social upheaval and costly regulations.

The new borrow-use-return business model is more responsible.<sup>4</sup> A sustainable enterprise aspires to a sustainable corporate blueprint not only in its own operations but also throughout its supply chain.



FIGURE 1.3

**Sustainable, Circular, Borrow-Use-Return Model**



Source: Based on ideas in Amory Lovins, Hunter Lovins and Paul Hawken, *Natural Capitalism*, Little, Brown and Company, 1999, pp. 10–11; Bob Doppelt, *Sustainable Thinking*, p. 34; Peter M. Senge et al., *Necessary Revolution*, pp. 26 and 102 (Copyright © 2008 by Peter M. Senge and Bryan Smith, Nina Kruschwitz, Joe Laur, and Sara Schley. Used by permission of Doubleday, a division of Random House, Inc.); and Ray Anderson, *Mid-Course Correction*, p. 127.

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## Transforming from a Stage 3 Company to a Stage 4 Company

Figure 1.4 depicts the sustainability journey for large, publicly traded companies. Corporate sustainability champions usually focus on leading their companies through the intermediate steps between Stages 3 and 4.

- **Stage 3.0:** Improve working conditions and capture eco-efficiencies within the company’s internal operations and processes, especially energy efficiencies and carbon footprint reductions.
- **Stage 3.1:** Work with suppliers to improve working conditions and capture eco-efficiencies within suppliers’ operations and processes.
- **Stage 3.2:** Work with stakeholders to create innovative sustainable products and services that creatively replace today’s unsustainable ones and strategically position the company to capture new markets.
- **Stage 3.3:** Revamp the company’s governance system to ensure it aligns with sustainability principles.
- **Stage 4:** Rebrand the company as a sustainable enterprise, with sustainability deeply integrated into its business strategies and culture.

This guidebook shows how to progress through those stages in a way that works for the company’s executives, employees, and important stakeholders. The change process transforms “resource-depleting, pollution-spewing,” unsustainable companies that are “pushing nature ever closer to collapse — and generating a gaping divide between rich and poor that increasingly defies all conceptions of fairness.”<sup>5</sup> Instead, these companies adopt an exciting, sustainable, winning, circular, cradle-to-cradle model of commerce. Sustainability marries philanthropic and ecological motivations with concern for the bottom line. It is smart business.

FIGURE 1.4

## The Corporate Sustainability Journey

### **Stage 4: Sustainable Enterprise**

Sustainability integrated into strategies and culture

Stage 3.3: Sustainable governance

Stage 3.2: New products and services, new markets

Stage 3.1: Improved supply chain working conditions and eco-efficiencies

### **Stage 3: Beyond Compliance**

Improved internal working conditions and eco-efficiencies

### **Stage 2: Compliance**

Regulatory compliance

### **Stage 1: Pre-Compliance**

Non-compliance with regulations

Source: Based on Bob Willard, *The Next Sustainability Wave*, New Society Publishers, 2005, pp. 26–31.

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## The Big Four Sustainability Challenges

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Sustainability is huge, complex, and inclusive. Numerous economic, social, and environmental issues urgently require attention, both within the company and throughout its supply chain. The challenge can be daunting for sustainability champions as they prepare to transform their companies from the unsustainable model in Figure 1.2 to the sustainable model in Figure 1.3. To get the most from their efforts, they need to focus their attention on a few high-leverage areas, the Big Four Sustainability Challenges illustrated in Figure 1.5.<sup>6</sup>

- Energy and Climate Change
- Food and Water
- Waste and Toxicity
- Poverty and Social Justice

Different colleagues and executives will be energized by different sustainability challenges. Go with their instincts. Let them use the challenge they feel is most relevant as a lens on high-leverage areas that provide the biggest payback. For example, if they choose Energy and Climate Change as their sustainability lens, they might set a goal of using breakthrough technologies to become a net supplier of energy back to the grid.

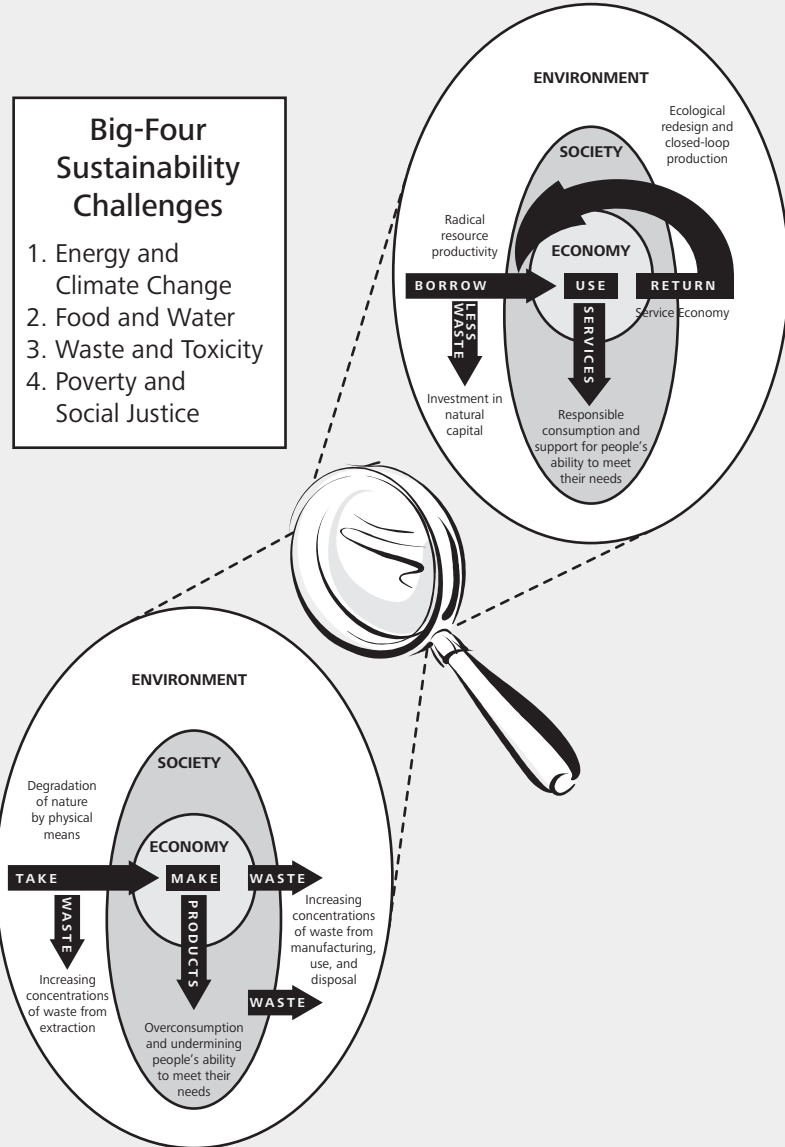
The Big Four Sustainability Challenges let sustainability champions apply the 80–20 rule to their efforts: if they address those issues throughout their value chain, their company will be 80 percent of the way to a culture of sustainability. That is a good start. The last 20 percent of the transformation will quickly follow.

FIGURE 1.5

## Big Four Sustainability Challenges Help Focus Effort

**Big-Four Sustainability Challenges**

1. Energy and Climate Change
2. Food and Water
3. Waste and Toxicity
4. Poverty and Social Justice



Source: Based on Peter M. Senge et al., *Necessary Revolution*, p. 221. Copyright © 2008 by Peter M. Senge and Bryan Smith, Nina Kruschwitz, Joe Laur, and Sara Schley. Used by permission of Doubleday, a division of Random House, Inc.

Why are we talking about a “transformation”?

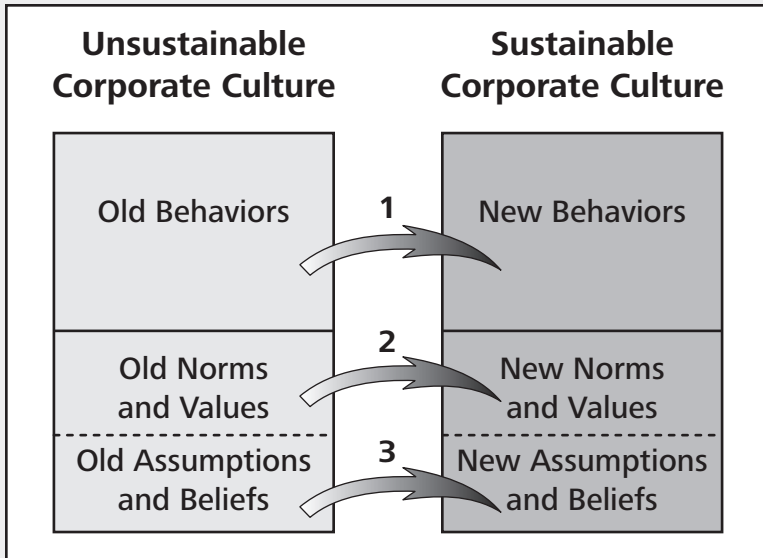
Organizations are social systems with well-established norms and values that govern employees’ behaviors. Worthy improvement strategies like Total Quality Management (TQM) and reengineering sometimes failed because they were rejected like a virus by the underlying mindsets, worldviews, and value systems of executives, managers, and staff. Unless sustainability is supported by a culture change, it will end up as another well-intentioned voyage dashed on the rocks of organizational status quo. That is why we have to mess with organizational culture to accomplish a lasting sustainability transformation.

Corporate culture and executives’ worldviews are closely linked. Executives will resist culture change for the same reasons you would resist having your worldview changed: it has worked for you until now, and change implies that you were wrong. Most of us are not prepared to admit our mistakes, especially if we are executives. We should not be surprised if skeptical executives do not welcome our offer to help them see the sustainability light.

The urgency of the sustainability situation requires that we clean up irresponsible, unsustainable corporate behavior quickly. Happily, the experience of effective change leaders (represented in Figure 1.6) suggests that changing behaviors first is the most expedient way to change the status quo culture before tackling entrenched norms, values, and fundamental assumptions. The seven-step change process, leadership practices, paradoxes, and derailers that are described in the rest of this guidebook focus on transforming unsustainable corporate behaviors. Cultural norms and assumptions will naturally follow suit.

FIGURE 1.6

## Behavioral Approach to Cultural Transformation



Source: Edgar H. Schein, *Organizational Culture and Leadership*, Jossey-Bass, 1985, p. 14.