Keeping good companies

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The competition of sustainability

By **Graham Lauren**, Founder, Accelerated Sustainability

New players are likely to be drawn in when a reporting regime undergoes the transition from being a cost whose benefits are unclear to one that not only costs far less but also grows the bottom line. The effect will be amplified when it also reduces risk and liberates new revenues by creating a platform for innovation and competitive advantage.

Welcome to sustainability reporting's new, highly visible, competitive, age and to the era of collaborative workplace sustainability management that delivers it.

Sustainability reporting has until now largely been an activity limited to big and well-resourced organisations that have reputations to protect and reasons to wish to.

But when you consider the old variety, packaged as dry, static documents parked as a PDF file on a website where no one will ever read them, there is probably little creative reward in sustainability reporting as an activity in its own right.

And when such documentation is not subject to mandatory independent audit, or likely to precipitate real process change in the host organisation, who are such companies reporting to?

Why should anyone treat such marketing spin seriously? This is the question posed by Stuart Wilson, Chief Executive of the Australian Shareholders' Association.

In the world of the web, where failure to disclose honestly is itself a more significant risk, it's time to embrace a better alternative.

This one triggers a motivated dialogue spanning the entire workplace to drive genuine progress, innovation, new revenue streams and new profits.

It is not locked to release with the annual accounts but geared to winning reputational advantage by encouraging more frequent updates on progress achieved. And it delivers real results way in advance of having to report on them.

It cuts costs, fosters innovation and cultivates workplace creativity and engagement.

What's not to prefer?

- *Collaborative sustainability increasingly becoming an economic imperative*

- *Sustainability reporting not necessarily timed to coincide with financial reporting but to win reputational advantage by detailing specific progress achieved*

- *Innovation, using web-driven reporting and management, is central to collaboration on sustainability across the organisation*

It's not who you expect

The irony, for the purposes of this story, is that the initiative to do something so different in its manner of confronting climate driven change lies not in the hands of an upstart but in a $500 million company with a 30-year history.

This is a company synonymous with the old industrial ways of doing things. To an outside observer, its obvious carbon liabilities come from distributing goods from many hubs around the country. It is a profitable business with uninterrupted growth over many years and management stability.

Readers may be familiar with the parable of the boiling frog, which suggests that if placed in boiling water, the frog will jump out. But if it is placed in cold water that is slowly heated, it will not perceive the danger and will be cooked to death. It is a metaphor for the inability of people to react to important changes that occur gradually.

But for its desperation to be seen to be doing something more than simply complying with the law in the face of the *National Greenhouse and Energy Reporting Act 2007*, this company might likewise have made little response to its changing
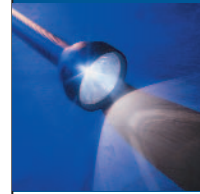
environment. It could easily have felt victimised by the climate initiatives bearing down on it.

Where even until just two years ago environmental considerations played no part in any of its commercial relationships, its carbon footprint is now to the fore in almost every negotiation.

But without demonstrating change, this company's 30 years of reliable growth would likely begin to go backwards.

If you imagine there was resistance to any initiative towards sustainability around its board table, you are right. Yet visible minimisation of environmental externalities is the new constant entering into every commercial relationship.

That there is currently being developed a sustainability profile of every company in Australia within a living community-compiled and monitored register will ensure this is so.

The social decade

Every new age augurs great change, and some of those underpinning the ways in which businesses will be managed in the second decade of the 21st century are already showing. What are currently known as social media will come to prominence in the operations of all organisations.

The concept may seem laughable when you see your daughter interacting with friends through her Facebook page, but the transfer of these tools into the workplace already has a name and a movement: Enterprise 2.0.[1]

The internet amplifies human capacity to achieve, and as teams always work more effectively than individuals, those tools will enable them to corral their intellectual capital to outperform anything that has gone before.

This new age of workplace collaboration will mark a material shift in the way goods and services are created, communicated, bought, sold and consumed and in the organisations that create them. These changes will pick up in coming years with a rapidity few can imagine and will profoundly change the work of management over the next few years.

Companies must behave as if there is no intellect to waste, as the core challenge — and primary opportunity for value creation — lies in engaging the tacit collective knowledge of workers. Fresh insights must be sought through the purposeful cross-pollination of thinking from those in different disciplines.

And the competitive legitimacy of being seen to act on environmental threats offers a clear commercial rationale for their implementation.

This is the background against which we've coined the principles underpinning accelerated sustainability.

Sustainability, quicker

Accelerated sustainability is the new web-driven collaborative form of sustainability reporting and management. It is underpinned by the belief that the only solution to our environmental crises is innovation, and that we will not solve them until we are able to collaborate more effectively. As managers able to pull this off will make for a highly appealing story for the media, those managing to achieve this will be handsomely rewarded in reputation.

Accelerated sustainability is not prescriptive, but reframes the concept of sustainability reporting as one driven first and foremost by the internal dialogue an organisation has with itself in benchmarking its progress on its environmental housekeeping.

Its momentum is 'accelerated' because the absence of such tools would make it much harder — impossible, even — for such ideas to be generated, shared and acted on collaboratively.

The common benchmark afforded by the Dunphy sustainability scale (see box) brings clarity for both participants and observers, making conceptual grasp of the purpose and need for new thinking easier. Its purpose is to make a company more innovative across the spectrum of its activities.

The positive feedback a company gets as a return for the declaration of its journey rightwards on the scale will deliver a heightened internal momentum to build on its advances. The better the visibility of engagement with workers' intrinsic motivations, the more attractive will

The Dunphy sustainability scale

Author of the influential *Organizational Change for Corporate Sustainability*, Dexter Dunphy coined a 'phase model' for sustainability management which we now characterise as the 'Dunphy scale'.[2]

It describes a path of evolution along which a business must proceed to become truly sustainable. Those moving along it are becoming progressively better at transforming organisational learning in new efficiencies and reduced environmental impacts.

Companies at its left-most extreme are those who wish to pay no heed to the environment in the practice of their business. Those at its right-most extreme are places in which workers are most engaged, most creative and most productive. These are factories of inventiveness. These are places in which talent wants to work.

To move into the industrial space awaiting us in a post-carbon, post-industrial economy, and above all to solve our environmental deficits, society need all companies to move rightwards on the Dunphy scale.

such organisations become as a place to work, and the better their reputation for doing so.

As innovation, the lifeblood of growth, becomes more efficient and cheaper, companies wanting to meet changing environment-related expectations of customers will not be reticent about using such methodologies to report on their success in doing so.

Investors, lenders and insurers tend to like this kind of story. And as Ross Wyatt of NetBalance Foundation has asserted in this journal:

> Once a company elects to engage in 'beyond compliance' reporting it begins to place greater emphasis on managing the issues on which it is reporting.[3]

Innovation at the organisation's core

But mention innovation and most executives immediately focus on product or process innovation. These tend to be event-driven — someone comes up with a great new idea, applies it and reaps the spoils.

At this point, however, we see the confluence of many influences driving a need for organisations to think differently, and a lifting of the lid on the potential of human capital.

The future requires new approaches in the application of innovation in the shape of organisations and management itself. By redefining roles and working relationships, this will accelerate and amplify learning — in those organisations that choose to go down this path.

Such thinking must also acknowledge that talent is often found deep within organisations in unexpected places; it's not always lying around on the surface or apparent on the organisation chart. This breaks with the way most work environments are structured, with those who have talents unrecognised formally and often being marginalised away from contribution.

The challenge is to trigger breakthrough innovation that cannot be traced to a seamless line of existing knowledge. Such innovations have 'missing links' in their evolution, sudden non sequiturs that pull together seemingly unrelated pools of knowledge. They may not be identified in a job description, yet they provide the greatest potential for sustainable competitive advantage.

As technology transforms innovation at its core, we need to discover how this vital capacity can be amplified within both individuals and organisations.

Back to reality

Yet, despite advances in the enabling technologies, the reality of implementing corporate action on sustainability is fraught with obstacles. Identifying and getting to work on removing the barriers is one of the great challenges and appeals of this work.

The ability of powerful, well-placed, organised individuals resistant to change to stymie new initiatives should not be underestimated.

If it is not a textbook case of resistance to change, our case study client's experience is not far off. To date, this project has been a stop-start affair: just as the client had warned me, in his elevation to the highly visible role of principal climate change warrior, there seem to be enough senior managers happy if not to derail his efforts at least to resist them.

Although this organisation's key power brokers all acknowledge that simply measuring CO_2 emissions is not going to eliminate them, each is also equally keen to ensure that the attempt to do so doesn't impede their own operations.

That sustainability can introduce new efficiencies and cut cost is an irrelevance to those who are measured by revenue generation. Here, as elsewhere, the principal barriers to change — and sustainability — are embedded in culture and the very formulas that have driven this organisation's success.

Processes built to sustain differentiation and advantage cause employees to assume that those they use are the right way to do their work. They become the culture. But when such factors become so ingrained as to define what a business cannot do and the challenges facing it change fundamentally, they also become disabilities which are all the more exaggerated.

For managers, responsible for hitting the same monthly and quarterly sales targets, but also required fundamentally to rethink the way they do it, this is profoundly discomfiting — and disabling.

Changing what needs to be done can create fear, uncertainty and resistance. This manifests as a primary blockage to creativity, and the barrier to innovation.

But as this organisation is finding, the age of climate change means we must all rethink quickly much of what we have previously taken for granted. And in addressing a warming atmosphere, frontline workers must help to drive this change and shape its vision.

In our case study organisation, as in most others of the industrial era, there remains a belief that those promoted to management should decide which ideas are best and should be pursued, and whose ideas are followed.

Yet, as United States management academic Gary Hamel says, on the internet, all ideas compete on an equal footing and contribution counts more than credentials.[4]

Effective Enterprise 2.0 collaboration breaks with industrial-era tradition. And it works for the same reasons that teams outperform individuals: collectively, they understand the customer better, they make better product decisions, they break down and manage complex programs better and they can move faster.

Also, it is tomorrow's workers who are digital natives, not those of the present.

New tools

Yet it's not just in thinking that we are discovering new barriers but, quite predictably, in adoption of those new tools. Email, for example, may be good for some purposes but it is poor and inefficient in collaboration.

In opposing the efficacy of collaboration, conservative managers also want proof it works other than good theory. Yet so far the workplaces in which internet-enabled collaboration is the order of the day tend to be those of the technology industry itself.

What we are doing is a highly progressive move for this industry. Yet successful accelerated sustainability ensures that ideas emanating from the coalface will be afforded the same authority and priority, if they are good enough, as those that come from higher up, and that deploying new technologies is the way to do so.

Nothing else will propel organisations rightwards consistently and reliably on the Dunphy scale.

Confronting the challenge

There are reasons why any project won't succeed, and it is an unusual technology solution in which there is virtually no technology risk. Yet here all the risk lies in removing the barriers to engaging people.

Yet the organisation's network yielded an effective executive champion, who declared himself willing not just to support our efforts but engage with the online community itself.

His personal popularity has also removed a critical point of failure as with the help of his team, we have been able to accelerate adoption by generating an array of problems that need a solution.

But to jump any perceived technology hurdles, we erased them through an early decision to use tools that can be bought as a service online and deployed via a web browser. This itself broke with tradition, but made the project a reality faster than would have other choices.

Our plan to counter the resistance also put on the agenda some simple outcomes, a mediated solution and the declaration that just like any worthwhile innovation initiative, this will be undertaken as a pilot exercise.

The principal goal is straightforward: to achieve ISO 14001 certification for one hub's local environmental management system.

Our starting review is an electronic brainstorming exercise. Typically, those detached from the workplace's coalface are also removed from the impacts of their executive decisions. It is the workers who see the company's environmental impacts, and who will make sure these are recorded and used as the basis for improvement.

The solution is mediated with seeded content and hand-picked early participants who will support others. This, coupled with other strategies to build critical mass, will ensure there is enough activity taking place and knowledge accumulating to draw in a self-sustaining user base. From this, policy can be shaped.

As its ways of working take shape and proponents emerge, the accelerated sustainability initiative can then be rolled out to additional hubs and its mission towards real, sustained work on innovation advanced.

Although its model won't be identical at every location, inputs and risks will be similar enough to cut the resistance when introducing the model across other branches.

Introducing new technologies, the need for new learning and new ways of doing things reliably introduces new anxieties into the workplace. The setbacks we are experiencing may be new and challenging but they are just part of this organisation's learning.

The wrap up

This article barely scratches the surface of sustainability management's challenges, but piloting with a low-cost initiative helps.

Any company that shows repeated success in introducing new products or services knows must begin by generating a reliable flow of ideas on which to draw. The same can be said for finding ways of driving the causes of climate change and environmental depletion out of a business's system at source.

Our work guarantees the early shifts the organisation's corporate culture needs are under

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The tools of accelerated sustainability

Accelerated sustainability prescribes no fixed set of tools, but in most workplaces will typically engage three core applications.

Wikis provide the means by which ideas can be shared and commented on in real time, and through which the documentation can be developed that drives a sustainability or reporting initiative.

Blogs: When workers are distributed across more than one campus, internal blogs can enable those with common interests to find each other.

Social bookmarking: References to relevant web resources can be shared by teams and tagged them with commonly understood terms.

way in a visible, initially modest but measurable fashion. We're marking the shift in how its people view innovation and how they understand the need to do so ahead of its competitors.

A respect for the environment will be a precursor to future market competition, and there will no doubt be many tools that facilitate management to this end. Accelerated sustainability-style collaboration will likely extend up and down every supply chain, one cog turning another.

Innovation to this end is now no soft-edged liberal idea, but increasingly an economic imperative. Companies explicitly managing for reputation on mitigating climate change are likely to receive a lot of attention until it becomes the norm. And at an individual level, as more companies scramble to get on board, those managers who prove their abilities at managing this challenge will have the pick of the work.

Whatever the field of endeavour, disruptive technologies enter at the bottom of the market and are ignored by established players until they eclipse the old systems.

No one ever got excited about sustainability reporting before. Maybe it's time to start. Those championing its old forms may squeal, but priesthoods always do when change disrupts their authority.
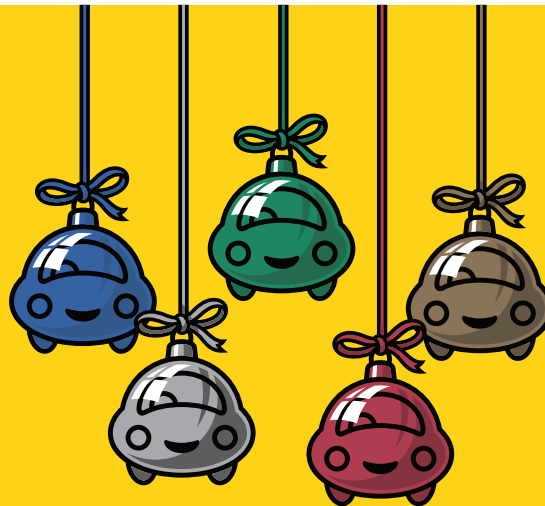
The new always displaces old ways of doing things, but enhanced collaboration creates a platform for credibility, new value and improved workplace efficiencies. Who will make it happen in your workplace?

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Notes

1 Andrew McAfee is now a professor at the Massachusetts Institute of Technology and coined the expression 'Enterprise 2.0' for the use of social media technologies within a business

2 Dunphy D, Griffiths A and Benn S, 2003, *Organizational Change for Corporate Sustainability*, Routledge, 2003. See also Dunphy D, 2008, 'Creating and maintaining high performance — building in the capability for ongoing corporate change', *Keeping good companies*, Vol 60 No 11, pp 695–698

3 Wyatt R, 2009, Corporate governance — creating value and reducing risk through high quality disclosure', *Keeping good companies*, Vol 61 No 7, pp 398–402

4 For some of the best thinking on the workplace of the future, Harvard Business School professor Gary Hamel's *The Future of Management*, (Harvard Business School Press, 2007), is an excellent place to start

For other relevant sources, visit www.acceleratedsustainability.com [28 September 2009] ●