

# Beyond the Bottom Line

## Practicing Leadership for Sustainability

An increasing number of companies are embracing a business philosophy that pays attention not only to financial results but also to environmental and social issues. Such an agenda offers obvious benefits for the world but sizable challenges for leaders—although evidence suggests that their organizations will benefit as well. Here's a primer for leaders on how to approach sustainability.

**W**hen Ray Anderson, CEO of Interface, an Atlanta-based manufacturer of commercial carpet, first read *The Ecology of Commerce*, by Paul Hawken, its impact was dramatic. “It changed my life,” he says. “It hit me right between the eyes. It was an epiphany.”

The concept that so affected Anderson was *sustainability*. This increasingly popular perspective, introduced in the United States in the mid-1990s, encourages organizations to be more mindful of their long-term roles in the world's ecology and communities, with an emphasis on conserving and protecting natural resources. Many companies are embracing the idea of a *triple bottom*

*line*, which mandates that managers pay attention not only to financial results but also to environmental and social issues.

John Elkington, the author of *Cannibals with Forks: The Triple Bottom Line of 21st Century Business*, writes that “the triple bottom line focuses organizations on the economic value they add, but also on the environmental and social value they add or destroy, demanding a whole set of values, systems, and processes that take into consideration the needs of all the organization's stakeholders—shareholders, customers, employees, business partners, governments, local communities, and the public.”



by Laura Quinn and Jane Norton

The reasoning is that because businesses and industries have such great impact as employers, users of resources, and designers and suppliers of products, they are in a unique position to influence the use of the world's resources for the better. A succinct summary of a working philosophy of sustainability can be found in Hawken's book: "Leave the world better than you found it, take no more than you need, try not to harm life or the environment, make amends if you do."

But embracing an agenda of sustainability can present a sizable leadership challenge. The concept, its proponents believe, should be applied as broadly as possible across every facet of an enterprise—defining general corporate goals; minimizing waste and energy use; curbing the use of toxins and other pollutants; designing durable, energy-efficient products; scrutinizing suppliers' environmental practices; and crafting socially conscious marketing and advertising. Accomplishing such an

ambitious agenda requires enormous management commitment and powerful motivational and communication skills. Quite simply, the role of leadership in advancing sustainability in organizations can't be overstated.

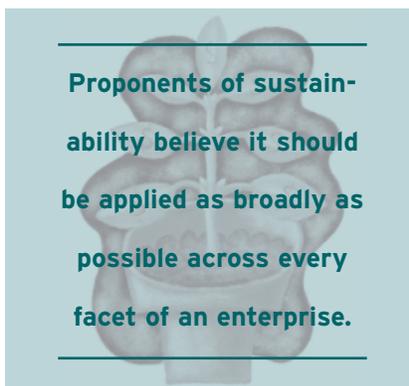
## SIGNING ON

In Ray Anderson's case he instituted a reordering of Interface's operations

tion in the world economy of most of the world's population." If business leaders fail to accept responsibility for the impact of their businesses on the world, many believe, the results could be dire.

As Hawken writes: "Companies are coming to realize that they may succeed according to conventional standards and still be violating profoundly important biological and natural systems. To create an enduring society, we will need a system of commerce and production where each and every act is inherently sustainable and restorative."

Corporate leaders who adopt this new industrial paradigm often find that their companies are benefiting financially—that they are doing well by doing good. Gil Friend, president and CEO of Natural Logic, an environmental management consulting firm based in Berkeley, California, says: "This is not only noble and a wonderful idea. It is practical. It works. It makes sense."



along sustainability principles and wrote a book, *Mid-Course Correction: Toward a Sustainable Enterprise*, that details his experiences. Many other companies, large and small, are adopting the concept, or at least aspects of it. Among them are Hewlett-Packard, Nike, Collins Pine Company, Fetzer Vineyards, Neil Kelly Company, Norm Thompson Outfitters, and the U.S. Army.

Many see the stakes as high and the potential impact as far-reaching. Carly Fiorina, chairman and CEO of Hewlett-Packard, stated recently: "If technology firms simply follow strategies of maximizing short-term shareowner value by encouraging maximum consumption of products by customers, we exacerbate two of the most significant issues facing the planet today: damage to the natural ecosystem that sustains life for all of us, and the exclusion from participa-

## REAPING REWARDS

In a recent study of twelve organizations that have incorporated sustainability principles, researchers from CCL and Eartheal, a nonprofit environmental organization based in Durham, North Carolina, found that most had experienced a range of benefits as a result. Notably, each company studied agreed that sustainability had contributed substantially to its competitive advantage.

The study, supported by the Catamount Institute, an environmental research and education organization in Colorado Springs, Colorado, found that commonly reported benefits among these companies included decreased energy consumption, improved use of materials, and innovations in products and services. One company reported a 30 percent decline in the energy used to manufacture products, with a commensu-

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# The Natural Step's Sustainability Principles

The Natural Step, an international environmental advisory and research organization founded in Sweden in 1989, came to the United States in 1995 and has worked with major companies including Bank of America, Home Depot, Starbucks, McDonald's, and IKEA. The Natural Step defines the practice of sustainability as "creating new ways to live and prosper while ensuring an equitable, healthy future for all people and the planet." The firm describes current conditions as a metaphorical funnel, in which life-

supporting resources, such as clean air and water and productive topsoil, are declining. Meanwhile demand for resources is increasing. As the trend lines near intersection, there is diminishing room to maneuver. The Natural Step maintains that through innovation, creativity, and potential for change, the sides of the funnel can be opened, to the benefit of all.

The Natural Step outlines four *principles of sustainability*, based on scientific research, that define a sustainable society:

1. A sustainable society does not systematically increase its extractions of substances from the Earth's crust (oil and metals, for example).
2. A sustainable society does not systematically increase its production of man-made substances.
3. A sustainable society does not degrade the environment by physical means (strip mining and deforestation, for example).
4. In a sustainable society, human needs are met worldwide.

rate cost savings. Another company created a model for measuring and reducing its carbon dioxide emissions, which subsequently dropped by 29 percent. One firm reported that it no longer needed an on-site landfill, because materials that would have been deposited there in the past were now recycled or had been eliminated. Yet another company developed a sustainability scorecard and toolkit for evaluating vendors, raw materials, and packaging, and it used these data to reshape its supply chain.

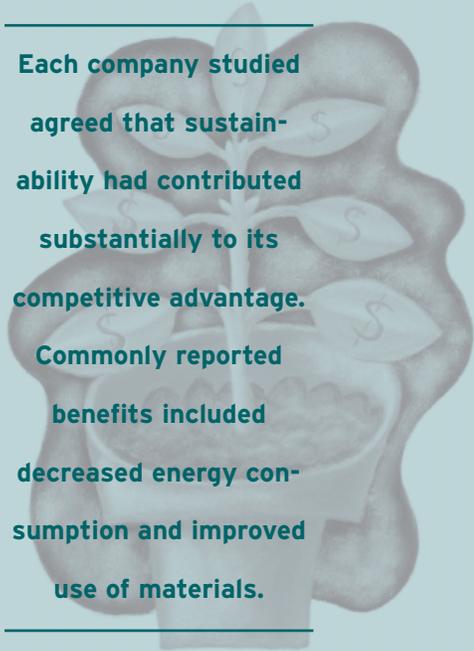
Other benefits may have been unanticipated but are no less real, according to managers. Many said the initiatives have brought employees together with a common purpose, improving morale and communication across business lines and galvanizing people as they embrace the challenge together. One company reduced the frequency of employee injuries by 50 percent. Another was named as one of the nation's top 100 companies to work for after it undertook a sustainability initiative.

Imaginative efforts to promote good corporate citizenship and reach out to the community have also been effective. One company developed a program to recycle used shoes to make resilient sports surfaces; it

donated these surfaces for playgrounds, running tracks, and tennis courts around the world. Another company created an environmental education program through which 6,000 teachers have taught more than 450,000 students about conservation, reuse, and recycling. Another company formed an alliance to ship fabric scraps to a nonprofit organization that makes and sells goods from recycled materials. Yet another firm sponsored gardens on the roofs of urban commercial and government buildings, greatly reducing cooling costs and creating spaces to grow flowers and food. Such initiatives are not only valuable ecological contributions but have also burnished companies' reputations in local communities.

An example of a small company that has embraced sustainability is Neil Kelly Company, based in Portland, Oregon. According to CEO Tom Kelly, the home remodeling and repair company has trained every employee throughout the organization in principles promulgated by The Natural Step, an international environmental advisory and research organization (see the sidebar above). Each project and decision is regarded through the lens created by those sustainability principles. With that per-

spective the company has created a new line of cabinets manufactured from sustainably harvested wood, with formaldehyde-free case material



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and low-VOC (volatile organic compound) finishes. The designs have not only won the firm numerous industry awards but have also led to the creation of two new international mar-

# Resources on Sustainability

The number of books on the topic of sustainability is growing, reflecting the increasing interest in the subject. Here are a few to get you started:

Anderson, R. *Mid-Course Correction: Toward a Sustainable Enterprise: The Interface Model*. White River Junction, Vt.: Chelsea Green, 1999.

Elkington, J. *Cannibals with Forks: The Triple Bottom Line of 21st*

*Century Business*. Gabriola Island, B.C.: New Society, 1998.

Hawken, P. *The Ecology of Commerce: A Declaration of Sustainability*. New York: HarperBusiness, 1994.

McDonough, W., and Braungart, M. *Cradle to Cradle: Remaking the Way We Make Things*. New York: North Point Press, 2002.

Willard, B. *The Sustainability Advantage: Seven Business Case*

*Benefits of a Triple Bottom Line*. Gabriola Island, B.C.: New Society, 2002.

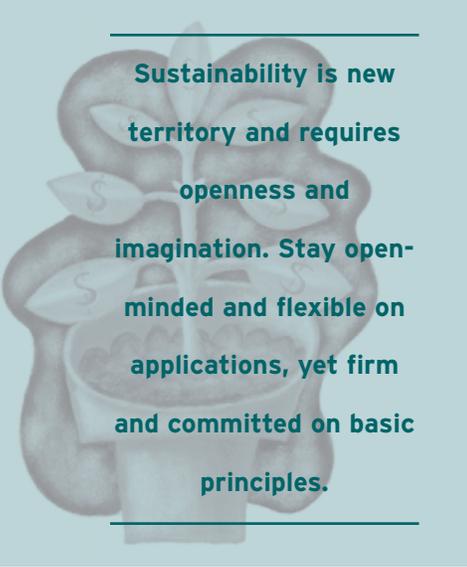
In addition, the Web sites of the following organizations are good sources of information on sustainability:

The Natural Step:

[www.naturalstep.org](http://www.naturalstep.org)

Natural Capitalism: [www.natcap.org](http://www.natcap.org)

kets for the company's products: one among the growing population of



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people sensitive to chemicals and another among parents eager to create safe, healthy homes for their children.

## DRAWING A MAP

Experience shows that there is no easy sustainability blueprint applicable to all companies. Each must develop its own vision, explore opportunities and potential changes within its own operations and mar-

kets, and come up with its own action plan. Therefore extraordinarily creative, confident leadership is required.

"It's like Lewis and Clark," says architect and designer Bill McDonough of McDonough-Braungart Design Chemistry, a Charlottesville, Virginia-based firm specializing in "eco-effective" product and process design. He explains that the early world explorers didn't know at first where they were going. "But they had to lead. It's a state of mind and not a map. That's the point. We have to go draw a map."

Darcy Winslow, general manager of sustainable business strategies at Nike, notes that "you absolutely have to be willing to step out there on the edge."

According to those who have been there, when communicating the message of sustainability it's crucial to stay positive. After researching the background environmental science, it's easy to become overwhelmed, negative, or alarmist about current trends in resource usage. "We struggled with this in the beginning, a kind of doom-and-gloom scenario," says Winslow. But pursuing that scenario didn't suggest opportunities or challenges, she says. "That was a hole we had to dig ourselves out of and say, no, this is a design chal-

lenge, a research challenge, a problem-solving challenge."

Sustainability should eventually become thoroughly integrated into a company's decision-making process. John Emrick, CEO of Norm Thompson Outfitters, a catalog retailer in Hillsboro, Oregon, says: "There is a constant campaign here. There are references [to sustainability] in the action plan meetings. It's now built in and integrated into our business process. Otherwise it would only be an event."

The ideas behind the triple bottom line are so basic to architect and designer McDonough's practice that he says he asks himself as he makes every design or operating decision, "Am I loving the children of all species for all time?" This reflects the inclusive, multigenerational, long-term view that characterizes the sustainability approach.

## GETTING STARTED

Although the leaders of all these companies acknowledge that there is still much to be done, they have all made substantial starts. Successful transitions to a sustainability agenda require many basic traditional management tools, such as employee empowerment and the creation of a compelling vision. For the company

leaders who wish to adopt sustainability principles, here is some experience-based advice from executives at companies that have already started down this road:

- *Make a focused commitment to long-term strategic thinking and action.* Sustainability does not occur through happenstance. It must be carefully thought out.

- *Ground your approach in basic science.* Do your research and think through your approach as you view your business in its larger social and environmental context. There are books and Web sites (see the sidebar on page 6) that can help you get started.

- *Incorporate sustainability principles into every facet of your business.* Imbed them in your corporate strategy and decision-making processes. Make them central to your long-term planning, not just to short-term projects.

- *Frame your sustainability concepts positively.* Stay optimistic and hopeful. Communicate your own passion and commitment. Doom-and-gloom scenarios seldom inspire enthusiasm or good ideas.

- *Make sure top management is fully committed to sustainability.* These executives must be willing to support it with their actions.

- *Communicate tirelessly to all employees.* Meet them where they are. Make sure everyone feels included. Everyone in the organization must be enrolled in understanding the vision of sustainability and its connection to the company's strategy.

- *Actively elicit input and ideas for turning principles into actions.* Encourage buy-in from all levels of employees. Allow them to take ownership of their ideas.

- *Be persistent.* Follow up and demand consistency.

- *Be nonproprietary.* Share information, strategies, and successes not only throughout the company but also

externally—with suppliers, customers, and even competitors.

- *Learn by doing.* This is new territory and will require openness and imagination. Stay open-minded and flexible on applications, yet firm and committed on basic principles.

- *Start with the low-hanging fruit.* Have a big vision, but go first for the projects that take the least amount of effort and yield the greatest results.

- *Track your results.* Make what's happening visible for all to see.

- *Expect setbacks.* They are inevitable and should be viewed as learning opportunities.

- *Celebrate successes.* Give rewards and recognize progress as publicly as possible.

## OVERCOMING SNAGS

Implementing a sustainability agenda can offer leadership challenges at many levels.

Sometimes, for example, even relatively small corporate decisions suddenly become more complex. Fetzer Vineyards, based in Hopland, California, and owned by Brown-Forman Corporation, recently encountered such a case. The company wanted to celebrate its fiftieth anniversary with a special wine, including a special label. The marketing department suggested a label with real gold incorporated in the design. But after studying the environmental implications of that choice, the members of the senior management team decided to pass on it, even though they knew the proposed design would have great marketing appeal and would be likely to increase sales. They asked the marketing team to go back to the drawing board to design a label that would meet all three elements of the triple bottom line.

Leaders of the companies surveyed by CCL and Earthel offered several suggestions for what to do when sustainability initiatives hit snags:

- *Keep the momentum going.* Don't get bogged down in details.

Maintain a proactive, committed approach.

- *Avoid the adversarial.* It's not us versus them, it's us *with* them—whether they are vendors, customers, employees, or even competitors.

- *Forget about late adopters and resisters.* Work with the people and organizations that are open and ready for this.

- *Have faith in the power of one person to make a difference, and of one company to profoundly affect its industry and the world.*



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- *Remember to make it fun.* This is a philosophy of hope and sharing abundance, not of doing without.

For companies and their leaders, the journey toward sustainability can be long but also worthwhile and potentially far-reaching, according to those already on the road. Ray Anderson says Interface is calling on “our people, our customers, our suppliers, our communities and our owners . . . to learn and believe in a new and better way to be more profitable, and to reach for significance beyond success—a higher purpose for us all.”