GREAT TRANSITION INITIATIVE
TOWARD A TRANSFORMATIVE VISION AND PRAXIS

June 2014

Better is Not Good Enough: Toward True Corporate Sustainability

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The reality of planetary boundaries presents one of the most daunting challenges of the twenty-first century. Corporations, although not solely responsible for the unfolding social and environmental quagmire, have been a significant contributor and must now transform to become part of the solution. The corporate sustainability movement has yet to fully grasp the risk of looming social and ecological tipping points, instead settling for safe but woefully inadequate incrementalism. Sustainability requires systemic, not just marginal, improvements, within a wider acknowledgement of planetary boundaries. Companies need quantifiable, science-based benchmarks for key environmental, social, and governance indicators to evaluate their performance. Without such benchmarks, we will remain stuck in the trap of focusing solely on how to make companies less unsustainable, rather than truly fit for the future.

No Time for Incrementalism

We are overshooting the biophysical carrying capacity of the planet by degrading the ecosystems upon which all life depends. Rather than a distant possibility, this danger to life support systems is already a reality that will threaten human well-being for generations to come. Although corporations are not solely responsible for the unfolding environmental and social quagmire, they are among the most impactful actors on Earth. Thus, myriad civil society and governmental efforts over the last quarter century have sought to make corporations more responsible and sustainable.

But the movement to transform business practice has fallen far short of what is necessary to avoid dangerous tipping points in climate instability, biodiversity loss, and other threats to ecological and social systems. Instead of the deep changes needed, we have seen only incremental improvements that lull companies and their stakeholders into a mindset of complacency and denial. Absent is the sense of urgency needed to undergird a shift in strategy and practices commensurate with meeting the needs of nine billion people by mid-century for a healthy and prosperous future on a finite planet.

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Many stakeholders—investors, customers, employees, and communities—want to know how a company's performance and strategy stack up against the broad challenge of achieving a sustainable future. This evaluation is a complex task, and unsurprisingly, the business community itself suffers from much confusion about how a truly sustainable business would look. Sustainability experts are good at describing how a company would perform if it were more sustainable, that is, achieving incremental progress across a spectrum of environmental and social indicators. However, twenty-five years of incrementalism have fallen seriously short of transforming business in ways that align with twenty-first century imperatives.

Sustainability must be defined as an attribute of the system-as-a-whole, and the collective impacts of thousands of companies, all making incremental progress, cannot guarantee that the private sector will meet its collective responsibilities for remaining within global ecological and social thresholds. Meeting these global goals would require a systemic framework attuned to planetary boundary conditions, based on the best available science, and an effective policy environment for rationally allocating responsibilities across the entire business sector. In short, we need to redefine the meaning of a sustainable company to bridge the gap between individual corporate actions and collective outcomes, the only thing that matters ultimately to our fragile ecological-social system.

Nested Dependencies

The archetypal photo showing Earth from space vividly reminds us that water, air, and land are the foundation of human sustenance. Social systems are nested within

biophysical systems, with no umbilical cord to other fonts of biophysical essentials (Figure 1). Planetary capacities are finite, and we must live within them. At the same time, evolving social norms expressed through international covenants demand the provision of adequate food, water, livelihoods, and other dimensions of human well-being for creating just and resilient societies.[1] The interaction between biophysical and social systems, always a feature of human evolution, has grown in scale and consequence. Most notably, climate destabilization could lead to massive human dislocation, the disappearance of island states and coastal zones everywhere, and the disruption of food and water systems for most. In the perilous decades ahead, society in general—and companies, in particular—must operate within the boundaries set by biophysical thresholds, and still deliver on social goals for shared well-being on an increasingly crowded planet.

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The atomistic view of what makes a business sustainable contradicts the real world of nested interdependencies. Human society and its human-created economy are wholly owned subsidiaries of natural systems. If we bankrupt nature's ability to support human systems, then economic and, eventually, company bankruptcy will inevitably follow. Risks that companies long viewed as immaterial to their bottom-line planning are emerging as critical to their long-term business prospects.[2] Growing world populations and incomes will exert upward pressure on the demand and price of food and non-food commodities, while secure access to resources will continue to rise on the agenda of risk management. As environmental degradation dislocates people and disrupts economies, fossil fuels will face more costly and complicated extraction processes. Moreover, as stakeholders perceive a rising disregard for communities, workers, and the environment, many companies could end up in jeopardy of losing their social licenses to operate.

As a result of these developments, the moral duty of corporate leaders to steward the environment is evolving—albeit slowly—into a fiduciary duty to protect the interests of the corporation itself. To fulfill this fiduciary duty, companies need clear, quantifiable benchmarks for corporate sustainability that take full account of the broader, nested interdependencies in which the firm operates. The challenge now is to establish those benchmarks and the awareness and will for their implementation.

Reframing Corporate Sustainability

While a credible benchmark for a sustainable company must rest on the best available science, scientific understanding of social-ecological processes and constraints is, of course, always evolving. Nonetheless, science gives us the best basis for action—a way of circumventing the flawed incrementalism that dominates the current corporate sustainability discourse. We must shift from the timidity of gradual improvement in corporate performance to bold transformation in business operations.

It is useful to consider a three-step process for assessing sustainability performance.

First, define the social and environmental systems conditions for a resilient human society. Second, determine the design constraints for a sustainable business model that ensures the company respects the system conditions. Third, identify key performance indicators for judging a company's performance relative to the design constraints. The classic definition of sustainable development—a form of development that meets the needs of the present without compromising the ability of future generations to meet their needs—provides guidelines for setting systems conditions. What would be the corresponding design constraints and performance indicators for operating principles for a company seeking to align itself with this framework?

The Framework for Strategic Sustainable Development (FSSD), often referred to as The Natural Step (TNS) framework, offers a concrete illustration of the environmental dimension of sustainability. FSSD presents three ecological system conditions:

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- Avoid increasing the concentrations of substances extracted from the Earth's crust and of byproducts of their use, e.g., the accumulation of carbon in the atmosphere or the buildup of heavy metals in terrestrial ecosystems.
- Avoid increasing the concentrations of substances produced by society, e.g., toxic chemicals or manmade synthetics that compromise vital ecosystem services.
- Avoid the further degradation of nature through physical means, e.g., over-fishing, over-foresting, and degradation of fertile land.[3]

For example, the first principle, when applied to CO_2 emissions reductions, implies the need for companies to dramatically reduce their emissions in accordance with a multi-scale (e.g. global, national, enterprise) formula adjudicated by external authorities whose mission is protection and enhancement of the Earth as a whole. The second principle would lead to a schedule of dramatic reductions in, say, non-biodegradable plastic packaging worldwide. The third principle would be implemented through a process of impact reduction and restoration set by global biodiversity and forest protection conventions.

For illustration of the social dimension, consider five attributes for a resilient and desirable social system:

- Wellness: physical, mental, and emotional health; safety
- Influence: information, participation, democracy
- Competence: knowledge, learning, skill
- Equity: fairness, justice, diversity

- Meaning: purpose, caring, fulfillment

Business enterprise of any scale can contribute to strengthening these social attributes. Organizations that provide a healthy environment, opportunities for participation, and meaningful work for their employees will prosper in their own right and contribute to long-term societal well-being.

The expectation embodied in these design constraints—that a company should cause no harm to the environment and promote social goals—is, needless to say, demanding. In particular, operationalizing the "do no harm" mandate is replete with challenges, and establishing performance indicators is just the starting point.[4] Even once the appropriate indicators are in place, delineating "sustainable" performance levels for each is a formidable task that must draw from the latest scientific understanding and generally accepted norms to guide target-setting at the firm level. For example, would the firm's energy use need to reach 100 percent renewable-based? Would the firm need to raise worker compensation to, say, $25 per hour to satisfy social criteria, even when its competition pays only $15 per hour? Would the firm have to reduce CEO pay by, say, 50 percent or more to address income inequality goals?

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Though challenging, setting quantitative metrics is essential if firms, instead of being part of the problem, are to be part of the solution by creating net positive environmental and social value. Indicators and metrics used as a basis for enforceable targets should be set by independent bodies whose sole mission is systemic enhancement of the global ecological and social well-being. While consultation with companies is appropriate, governance structures for advancing true business sustainability must guard against undue influence or, worse, regulatory capture. Operationalization of rigorous and fair-share targets will require methodological innovation, experimentation, and refinement.

Turning the Page

Scientific uncertainties and methodological impediments do not invalidate the underlying premise of this paper, that the term "sustainable corporation" in its common usage is fundamentally misleading. Rigorously redefining what this term means requires a systems perspective that guides company performance toward compatibility with boundaries and goals set through an accountable and transparent governance process. Absent such contextualization, the illusion of sustainability will persist at the firm level while the reality of unsustainability will continue unabated in society.

The time has come for creating the needed reporting and rating frameworks and adopting a supportive policy and regulatory environment that aligns with the above systems framework. Most of all, it will require companies to publicly commit to this

new model of sustainability measurement and the behavioral and strategic changes it implies. The vast political influence and ecological footprint of world business demands a radical change of direction—nothing less than a Great Transition in the behavior of a twenty-first century enterprise.

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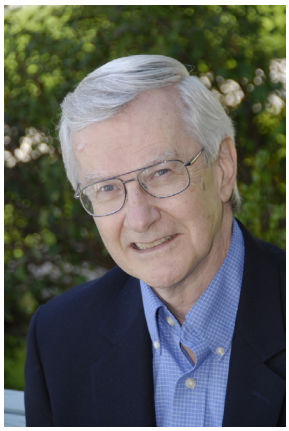
Endnotes

1. Michael Gerst, Paul Raskin, and Johan Rockstrom, "Contours of a Resilient Global Future," *Sustainability* 6, no. 1 (2014): 123-135, http://www.mdpi.com/2071-1050/6/1/123.
2. KPMG's 2012 *Expect the Unexpected* report shows how ten global sustainability megaforces will impact every business over the next twenty years. See KPMG International, *Expect the Unexpected: Building Business Value in a Changing World* (Amstelveen, Netherlands: KPMG International, 2012), https://home.kpmg.com/xx/en/home/insights/2012/02/building-business-value.html. More recently, the World Economic Forum's *Global Risks 2014* report identified 31 interconnected economic, environmental, geopolitical, societal, and technological risks that are global in nature and have the potential to cause significant negative impacts across entire countries and industries within the next ten years. See World Economic Forum, *Global Risks 2014* (Geneva: World Economic Forum, 2014), http://www.weforum.org/reports/global-risks-2014-report.
3. See "The Framework for Strategic Sustainable Development" for a description of the framework. These three environmental system conditions are the result of a scientific consensus process by Karl-Henrik Robèrt, founder of The Natural Step (TNS). See "The Four System Conditions of a Sustainable Society," The Natural Step, accessed March 1, 2014, http://www.naturalstep.org/the-system-conditions.
4. The Global Imitative for Sustainability Ratings, the Global Reporting Initiative, and the Sustainability Accounting Standards Board offer a good point of departure. See http://ratesustainability.org/, http://www.globalreporting.org/, and www.sasb.org.

About the Author



Bob Willard is a leading expert on quantifying and selling the business value of corporate sustainability strategies and has given hundreds of keynote presentations to corporate, government, university, and NGO audiences. He worked 34 years with IBM Canada, "retiring" in 2000. He serves on the advisory boards of The Natural Step (TNS) Canada and Forum for the Future US, and he is on ad hoc advisory committees for sustainable business certificate programs at three Ontario colleges and universities. He was inducted into the International Society of Sustainability Professionals' Hall of Fame in 2011. He has been named a "Best for the World Overall" B Corp the last three consecutive years, and has a Ph.D. in sustainability from the University of Toronto.

About the Publication

Published as a Viewpoint by the Great Transition Initiative.

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Cite as Bob Willard, "Better is not Good Enough: Toward True Corporate Sustainability," *Great Transition Initiative* (June 2014), https://greattransition.org/publication/better-is-not-good-enough.

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