

Case Closed: The Business Case for Sustainability is Over!

After a decade of dabbling – leading multinational companies and investors are just getting on with it. They are reinventing their companies and their investment portfolios. The business case is closed. The race is on. Very quietly!

History will tell of course. But the story is becoming clear, even if most business executives and investors do not see it – yet.

During the 1980s, 46 % of companies on the Fortune 500 disappeared from that list. And the average stay is shrinking. Less than 20% of today's Fortune 500 companies will likely survive the next decade.

Why? *The answer lies in seeing the environment around you more clearly than your competitors.*

It is All Becoming Clear

The Conference Board's 2006 Leadership Conference on Global Corporate Citizenship had one simple and compelling conclusion: *The 'Business Case for Sustainability' is over!*

We have emerged from a decade of stalled progress. While there have been notable accomplishments, most companies have simply been putting a pretty face (sustainability reports) on what Einstein defined as insanity: *doing the same old things in the same old way and expecting different results.*

Tomorrow's leaders will be those who see the changes in the world clearly and are willing to be bold and innovate to survive, redefining their businesses to be 21st century winners.

Messages from Thought Leaders

The message from three global thought leaders was stark and compelling: *Act now if you want to survive the decade.*

Peter Senge (Senior Lecturer at MIT and founding Chairperson, Society for Organizational Learning) said we must face the facts, including those nobody wants to face:

- We have to operate from a clear view of *the facts*, particularly related to climate change.
- We have arrived in a world where we have never been before. While many debate a 5% (Kyoto) CO₂ reduction from a 1990 baseline, the consensus of scientists is that we actually need reductions of 60-80% over 30-40 years to stabilize our climate.

Stuart Hart (Cornell University's S.C. Johnson Chair of Sustainable Global Enterprise) gave insights from his recent book, "Capitalism at the Crossroads," saying the very nature of a corporation is shifting to a new model:

- We are already ending the 20th century 'finance-driven corporation' and are well into the 21st century 'society-driven corporation.'
- The new model helps customers become carbon neutral (or positive), dramatically reducing their environmental footprint while also reaping vast growth opportunities in new (developing country) markets.
- Companies that continue with business as usual will simply not be around for long.

Tachi Kiuchi (CEO Emeritus of Mitsubishi Electric Americas) gave a view from the boardroom, looking to the future:

- Many companies today are 'driving off a cliff' by not seeing the global environmental and social consequences of their actions.
- Act now if you want to survive ... and especially get feedback from 'fringe' groups that you might have historically ignored.
- Remember that the greatest business leaders (Carnegie, Ford, Iwasaki of Mitsubishi, Hewlett, and Packard) saw business opportunity in serving the needs of the masses. Today, that means the world's poor.



Defining Citizenship

Senge posed the question, “*How can you be the company that society would wish to exist?*” Our answer brings clarity to the often confusing concept of corporate citizenship:

1. *Sustainability*. Developing and selling competitively priced products and services to *all* of the world’s people while dramatically reducing negative environmental and social impacts throughout the value chain – and turning them into positive ones.
2. *Responsibility*. Demonstrating by word and deed the values, ethics, culture and spirit of being the kind of company society wants to exist – showing responsibility not just to customers, employees and traditional stakeholders, but also to future generations.

Where the Leaders Are Heading

Leaders, with their finger on the pulse of a changing world, are transforming themselves:

- **General Electric** – re-engineered its board of directors and grounded corporate strategy on solving the world’s toughest problems.
- **Honda UK** –embarked on a carbon neutral strategy (with **The CarbonNeutral Company**) and has seen its business thrive.
- **Intel** – has placed citizenship as its ‘moral compass’ in its recent rebranding.
- **Mitsubishi Electric** – told suppliers to not buy from old growth clear cuts ... and 400 other companies followed their lead.
- **S.C. Johnson & Son** – launched a ‘Greenlist’ program to systematically create environmentally compatible products.
- **The Coca-Cola Company** – committed to be a global leader in water stewardship.
- **Unilever** – reaped 100% sales growth in emerging markets with 90% local managers.

Actions to Take Now

Our current work with global leaders who, as Senge noted, “*are able to allow signals of a radically changing world to penetrate their corporate immune system*” suggests three actions to take now:

1. *See the Changing World* – Keep a finger on the pulse of rapidly changing environmental, social and governance developments – seeing the world your company will compete in tomorrow. Use these insights to drive radical innovation in strategy and products, beating competitors to the punch.
2. *Get Environmental Governance Right* – completely rethink, reshape and redefine the structure, processes and conversation from the boardroom to the shop floor.
3. *Go Carbon Neutral* – Move aggressively to approach ‘carbon neutral’ in your own operations and create products and services that help your customers do the same.

Conclusion

We have just passed a turning point in history, with critical choices facing each of our organizations and each of us individually.

With knowledge – and with global reach – comes responsibility. And with responsibility comes a call to action.

Leading companies are quietly taking a long-term view – seeing huge growth opportunities in cleaner and greener products and services. These companies have embarked down a leaner, fitter path that *soon* will seem so obvious to all.

About the Author

Gib Hedstrom has 25 years of experience helping boards of directors, CEOs, and senior executives manage environmental, social and governance issues. He led Arthur D. Little’s environmental auditing, strategy, and governance work for many years and founded Hedstrom Associates in 2004.

As Program Director for the 2006 Leadership Conference on Global Corporate Citizenship, the author wishes to acknowledge the insight and collaboration of David Vidal and Chuck Bennett of The Conference Board in summarizing the results of this stimulating gathering.

For a copy of the complete conference summary (*Making a Business out of Solving the World’s Toughest Problems*), contact us at 978.371.9814 or email us at info@hedstromassociates.com.

