

Preface

Galileo illustrated the power and politics of changing our perspective on the world. His work, building on Copernicus's theories, ultimately enabled people to understand that the Earth orbits the Sun. No longer was the Earth seen as the center of the Universe. Instead, it became possible to see a broader system in a new way.

Similarly, we need a new vantage point on modern business. Such a shift would highlight interrelationships between specific companies and the broader economic, social, and ecological systems in which we all live.

The current view on businesses tightly circumscribes the "system" within which a firm operates. Often, customers and the supply chain are the immediate focus. Business decisions seldom consider that healthy ecological systems provide critical resources, which may be both limited and unable to absorb our industrial waste. Corporate decision-makers also tend to overlook the destabilizing effects of disparities in wealth and the inability of many people to access basic resources and address their fundamental needs.

However, a Galileo type of alternative perspective on businesses is emerging. It is informed by an understanding of the basic dynamics between ecological, social, and economic systems. The chapters in this book reveal early signs of efforts to operationalize this new perspective within enterprises. The cases show the enormous opportunities for innovation and demonstrate that change is already occurring.

Why ants, Galileo, and Gandhi?

The grouping of ants, Galileo, and Gandhi offers a metaphor for generating a new perspective on the dynamics of business. Ants symbolize the lessons to be learned from Nature and the dependence of individual beings on broader, complex systems.

Galileo embodies brilliance in perceiving and proving that the current paradigm is flawed. Gandhi exemplifies brilliant compassion and determination in fighting for fundamental change. All of these attributes are increasingly relevant in a world where, globally, we are experiencing both a steady decline in life-supporting resources and a rise in demands. Disparities between rich and poor are increasing, and essentials such as clean air, safe water, and productive topsoil are becoming rare. Poverty and inadequate access to water, food, healthcare, and education affect the context in which companies operate. Limited water quantity, air quality, and soil productivity also shape the opportunities available to businesses, and people, around the world.

Recognition of these challenges is sparking innovation within the private sector, where the first glimmers of change can be seen. What are emerging are 21st-century enterprises that recognize their reliance on broad social and ecological systems (“ants”), incorporate sparks of genius rooted in rigorous analyses (“Galileo”), and acknowledge the importance of compassion and determination within any endeavor (“Gandhi”). Today, many efforts at integrating sustainability into businesses are nascent and vary in scope and focus. Yet pioneering companies show that new opportunities emerge from recognizing the broader systems on which all businesses rely. Efforts to work *with* the ecological and social dynamics of vibrancy and resilience offer a new space for innovation. Companies are stepping into this space and exploring innovative approaches to developing sustainability-focused products, operations, and strategies.

These sustainability-inspired business efforts are considering new ways to address human needs and desires. The most promising approaches are based on systems thinking and recognition of the links between “upstream” and “downstream” effects of actions. That is, understanding the undesired “downstream” impacts of a firm’s practices draws attention “upstream” (to the sources of problems). This assessment highlights the most expedient approach—to design these impacts out of enterprises from the very start.

These efforts pivot on the broadened perspective. It is a perspective rooted in the understanding that all companies accrue an array of returns at all times—assessed in terms of financial, ecological, and social measures. All of these parameters will become increasingly relevant to companies, as they are held responsible for their full “footprint” resulting from the actions and practices both within firms as well as throughout their supply chains. In this changing context, the expanded perspective of sustainability thinking offers a powerful approach to creating far more responsive and aware business models.

Concurrent with these developments, however, a growing number of people—including activists, analysts, consumers, and members of the general public—are asking critical questions about both the responsibilities of businesses as well as the sincerity and results of corporate sustainability initiatives. Are current efforts reflective of fundamental change? Or are they merely superficial distractions from core problems? Can large, complex organizations be retrofitted and reinvented into new sustainability-focused models and enterprises? Are measurable environmental and social performance improvements under way? Are the theories and tools of sustainability-focused businesses actually being applied and having an impact?

Although sustainability efforts in business are still a work in progress, it is increasingly clear that key elements of this new generation of enterprises will be radically different from those of our contemporary modern industrial economy. The core distinctions between what currently exists and what is being created can best be communicated through a combination of the characteristics of ants, Galileo, and Gandhi.

Operate like ants

Ants are known for their hard work and seemingly chaotic colonies. Ant colonies, however, operate within a sophisticated system of what are effectively shared goals and overarching operating principles that inform their actions. Individual actions occur within the context of complicated dynamics throughout the colony. The impacts of one ant's work are most accurately understood within the context of the group's efforts and the systems (both "social" and ecological) in which the ants live.

Similarly, for businesses, it takes a common understanding of sustainability and overarching operating principles to begin moving in the direction of sustainability. The shift toward sustainability will be clear not merely from the actions of a few companies adopting new practices but within the broader context of sectors and economies adopting new models for addressing human needs and desires. For businesses, this shift will mean forging unusual partnerships and collaborations that reflect new understandings of linkages and "ripple effects" between businesses and across broader social, economic, and ecological systems.

Innovate like Galileo

Broad-based action is necessary for innovating and shifting society towards sustainability. It is, however, insufficient. Galileo-like brilliance will also be essential, grounded in examination of systems and generation of new ways of understanding system dynamics. Simply put, a new perspective on the economy and businesses must be based on intelligent questioning, theorizing, and testing. Only through such discovery will we create new business paradigms, principles, and practices that work with ecological dynamics and foster socially vibrant, resilient, and just systems.

These new principles will not only be rigorous and rooted in scientific methods of examination but will also help guide companies in the direction of sustainability. The principles will be no more constraining to businesspeople than is the law of gravity to engineers. Just as engineers must work *with* the system in which their designs are built, so too must businesspeople. It is therefore best to know about these systems and their operating principles when designing enterprises, so that trade and commerce can work *within* (rather than against) the full range of ecological, social, and economic dynamics at play in the world.

Lead like Gandhi

Yet collaboration and innovation alone are the ingredients of many contemporary businesses. Few are sustainable. The distinguishing element needed for businesses to shift towards sustainability is best expressed through the determination, focus and compassion of Mohandas K. Gandhi and other leaders who succeeded in bringing about fundamental shifts in society. Facing a formidable challenge, Gandhi maintained a bold vision and acted with deep compassion and concern for all life. He succeeded because of his uncompromising compassion and determination. The transformation of business and society towards sustainability will need these same attributes in the face of the seemingly impossible.

Sustainability-oriented business similarly offers an opportunity to lead positive change rather than to follow it. For companies, the opportunity lies in having a sustainability-inspired vision of the enterprise and rooting it in compassion and respect for all species of the present and future. This approach increasingly has the winds in its sails as the public demands responsible, honest, transparent companies.

Integrating the lessons of Nature, genius, and compassion

These initial elements of the sustainability story are like all good stories. They have an essence and defy efforts to take them apart. The individual components lose their magic when viewed alone. As the stories of new businesses continue to develop, they will increasingly show that it takes the integration of the characteristics of ants, Galileo, and Gandhi to move toward sustainability.

In the following pages you will read about a wide range of work on sustainability and business. The book has been divided into five parts to present a set of theories emerging about sustainability and its application: to business strategy and operations, to financial-sector practices, to accountability and reporting drivers, and to pathways towards organizational change. Together, these parts show the current range of sustainability theories and applications.

What this book contains

Introduction and Part 1: the transition to sustainability-oriented enterprises

Both the Introduction (Chapter 1) and Part 1 (Chapters 2–4) provide context and highlight some of the new ways of thinking about business and sustainability issues. In the Introduction, Ray Anderson describes his experience with leading Interface, Inc., a commercial carpet company, towards a sustainability-focused business model.

In Chapter 2, Gretchen Daily and Katherine Ellison draw attention to the role that ecological systems play in undergirding social and economic systems. They argue that we should value ecosystem services (such as clean air and water) as an integral part of our economy and society.

In Chapter 3, I provide an overview of the sustainability field and various approaches for integrating these concepts into businesses. I also offer a growing set of indications that changes are already under way in the private sector.

In Chapter 4, Karl-Henrik Robèrt discusses The Natural Step's sustainability framework used for integrating ecological and social issues into decision-making processes.

Part 2: case studies of evolving business initiatives

In Part 2 (Chapters 5–8), the “ant colony” begins to emerge through case studies that show how sustainability concepts are being applied to a range of businesses. In Chapter 5, David Hudson and Lynelle Preston examine Hewlett Packard's dematerialization efforts. Through a detailed analysis Hudson and Preston reveal that important ecological gains can be made, especially through a service model, but they caution that decreases in material use in one product may be undercut if total production continues to rise.

In Chapter 6, Derek Smith describes efforts to integrate sustainability practices throughout a medium-sized business, Norm Thompson Outfitters. He argues that the process has fundamentally been about change management, *not* environmental management.

In Chapter 7, Cecilia Danks, Martin Goebel, and Karen Steer explain innovative solutions to increasing the scale of small, place-based companies and accessing mainstream markets without compromising the ecological and social aspects of sustainability. By drawing on the examples from the wood products, beef, and agriculture sectors, Danks *et al.* show that small businesses in rural communities throughout the US Pacific Northwest are organizing in production and marketing alliances—mirroring their own “ant colonies”—that follow sustainability-oriented principles and practices in order to sell their products under specialized or joint labels.

In Chapter 8, the chief executive officer of sustainability-focused Verdant Power, Matt Klein, lays out a new set of financing mechanisms that leverage the integrated (social, ecological, and financial) focus at the core of the business.

Part 3: case studies from the financial services sector

In Part 3 (Chapters 9 and 10), another component of the emerging “ant colony” can be seen through changes in the financial sector. Alois Flatz, the director of research and development (R&D) for Sustainable Asset Management, writes about the Dow Jones Sustainability Index and the process of reflecting sustainability concerns within a financial index, in Chapter 9.

In Chapter 10, Jennifer Sokolove examines Shorebank Enterprise Pacific and explores the provision of finances and credit in relation to new sustainability-oriented companies in the Pacific Northwest region of the USA.

Part 4: reporting and accountability

Part 4 (Chapter 11) draws out the early, still-developing characteristics of Gandhi and the role they play in informing sustainability—in this case, through accountability and reporting. Allen White, of the Global Reporting Initiative, explains the factors that have led to the shift to greater accountability and sustainability reporting.

Part 5: pathways forward to organizational and societal change

The final part, Part 5 (Chapters 12–14), completes the story of how to begin changing a complex organization towards sustainability. In Chapter 12, Juli Torok and I summarize work on organizational change.

In Chapter 13, Hilary Bradbury describes the important role of personal engagement in the work of sustainability-oriented organizational and corporate change.

In the final chapter (Chapter 14), I draw the strands of the book together, arguing that we should see this set of stories as an integrated whole that begin to reveal the systems-based approach that this field of work requires.

The shift has begun

The sustainability initiatives described in this book are at various stages of development and integration. As a set, however, the chapters illustrate that a shift towards sustainability-informed practices is under way across sectors and business sizes. It can no longer be said that the only companies responsive to the issues are under pressure from regulators and activists. Rather, these chapters reveal that sustainability concepts and practices are now fully emerging and are beginning to permeate enterprises across the economic landscape. Sustainability-oriented change is slowly becoming a reality. These changes will redefine successful 21st-century companies not only in terms of financial performance but also in terms of social and ecological factors.

The story of our future lies ahead and is only now beginning to be written. The cases in this book show glimmers of the changes to come. It will be innovators with strokes of genius, a focus on interrelated ecological, social, and economic systems, and deep-seated compassion and determination who will continue writing the story.

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