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THIS CHAPTER
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Embedded Sustainability: The Next Big
Competitive Advantage



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The wasp and the frog

An introduction

George Orwell, reflecting on the terrible things that humanity did in the 1930s, muller over . . .

. . . a rather cruel trick I once played on a wasp. He was sucking jam on my plate, and I cut him in half. He paid no attention, merely went on with his meal . . . Only when he tried to fly away did he grasp the dreadful thing that had happened to him. It is the same with modern man. The thing that has been cut away is his soul, and there was a period – 20 years perhaps – during which he did not notice it.⁵

This metaphor has been used to describe the business approach to environmental issues in the 1990s. An overly strong focus on regulatory compliance and liability containment on the one hand, and on profits on the other, led to a total separation of environmental matters from the very heartbeat of business.

To this analogy we add another: the story of the frog placed in cold water that is heated so gradually it fails to notice and eventually dies. Companies that have succeeded in marrying environmental, health, and social issues with business strategy have done so using increasingly outdated strategy concepts and management processes. The gradual entry of sustainability into mainstream markets has led business leaders and scholars alike to adapt existing strategy frameworks in a way reminiscent of Ptolemaic efforts to keep the Earth at the center of the universe by adding epicycles. Competitive advantage today is described in the same essential terms it was 30 years ago, simply bolting on new factors of competition such as energy savings, green product features, and socially responsible branding. Sustainability ends up

being an afterthought, despite good intentions and even though the external market is not just a little more ecologically and socially mindful, it is now an entirely different ball game. Companies that fail to notice are, like the frog in the story, putting their future at risk. Our premise is that declining resources, radical transparency, and rising expectations have reached a critical point where the rules of the game have changed. Embedded sustainability is not just a better environmentalist strategy; it is a response to a radically different market reality, one that unifies the profit, ecological, and social spheres into a single integrated value creation space.

Emerging values and aspirations for a sustainable world are creating a convergence of interests between business and society. Efforts to raise public awareness about global issues such as climate change and water scarcity are leading to rising expectations which, in turn, increase the demand for products that are low-cost, high-quality, and good for this world. Consumers, investors, and employees have both the desire and the technological means to verify that their expectations are being met. Global industry leaders are embracing sustainability, not as a way to serve green consumers, but as a way to achieve mainstream industry leadership. They are putting sustainability at the core of their business strategy. Those that create value for society and the environment *without trade-offs* have an opportunity to create even more value for their customers and shareholders than they otherwise would.

By contrast, other sustainability efforts are calling for the purpose of business to be redefined, such as Corporation 20/20, which seeks to impose new design principles urging all corporations to serve better the public interest while distributing wealth equitably and acting more responsibly. Such attempts often propose to limit profits or constrain competition through moral persuasion and regulation. However, we believe that it will be difficult to change the essential purpose of business as a profit-making institution. So long as capitalist markets exist, companies will pursue profits as a primary goal, even though they may have a larger societal mission.

A business strategy approach to global challenges automatically creates a more effective platform for corporate responsibility. *A theory of strategy that enables a company to pursue profit with sustainability embedded at its very core* supports greater responsibility by harnessing the profit motive in service of market-based solutions to global problems.

Our book is organized around the central themes of business strategy and change management, with two bookends. The strategy chapters (3–5) place sustainability in frameworks that have become accepted tools of the trade, offering a complete, systematic, and rigorous explanation of how embedded sustainability creates business value. The change management chapters (6–8) give the methods, competencies, and processes for embedding sustainability

in the organization and its larger business system. The opening bookend provides the reason for it all: the mega-trends that are driving the new business environment. The closing bookend spells out a future vision of business as it seizes profit opportunities by addressing the many global challenges entering phases of critical instability. It concludes with an inquiry into the changing context of business, raising big questions about topics such as the desirability of growth, government regulation, and spiritual transformation.

While the metaphors of the wasp and the frog are a somewhat dark commentary on human behavior, the story of embedded sustainability is largely a positive and inspiring one. It is about the business opportunity to be more profitable and more responsible. As Patrick Cescau, the former CEO of Unilever, said, it is not only about doing well by doing good, it is about doing even better.

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