

# SUSTAINABILITY

## *The Triple Bottom Line*

**Sustainability.** It seems to be the latest “buzz”. What’s it all about?

The first thing to clarify is that when politicians talk about **Sustainability**, they generally are focusing on environmental or ecological sustainability such as the *Environmental Footprint* and *Climate Change*. Although these are very important considerations, **Sustainability**, when applied to Corporations, takes on a much larger and even more challenging context.

**Sustainability** is so far reaching that it will change the fundamental way business is conducted. This well could be the very *soul* that capitalism has lacked since the days of Adam Smith!

### **What is Sustainability?**

**Sustainability** is an *approach* or *framework* for managing an organization that measures and balances **Economic**, **Environmental** and **Social** impacts on stakeholders and society. Organizations will produce plans and reports against each of these areas. In the sense that an organization works to optimize this balance, it has been called the **Triple Bottom Line**.

### **What Are The Origins?**

Initially, **Sustainability** emanated from environmental concerns for Sustainable Development. Sustainable Development is defined as:

*“Development that meets the needs of current generations without compromising the ability of future generations to meet their needs.”*

The Brundtland Commission (UN)

Think about Bhopal, the Exxon Valdez, smog, the oil sands, trucking garbage to Michigan, the depletion of fish stocks, work-related accidents, and unethical or illegal behaviour of corporate executives and politicians. These flashpoints have changed our attitudes, galvanizing NGOs, citizens and shareholders to force change. Sustainable Development, essentially, is driven by the grass-roots, because once we understand that it affects us all, we will demand certain conduct and outcomes.

Concurrently, there has been a significant increase in consumers and shareholders, particularly pension funds, demanding that organizations take responsibility for their behaviour and demonstrate a commitment to sustainable development through Corporate Social Responsibility. This is described as:



*“Continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families, as well as the local community and society at large.”*

The World Business Council on Sustainable Development

Consumers are concerned about the origins of products and the conditions in which they were made. Child workers, unsafe working conditions and abysmal labour practices capture consumers’ consciences. In response, astute corporations are working to ensure that specified standards are maintained throughout their sphere of influence, including their supply chains.

Every organization exists within, and is comprised of, its community. Communities, in turn, are evolving higher expectations for their organizations, as are employees and shareholders. Thus, organizations must establish *balanced scorecards* that will account for a variety of dimensions.

Taken together:

*“Corporate Social Responsibility is the overall relationship of the corporation with all of its stakeholders: Customers, employees, communities, owners/investors, government, suppliers, and competitors. Corporate Social Responsibility includes investments in community outreach, employee relations, creation and maintenance of employment, environmental stewardship, and financial performance.”*

The Conference Board of Canada

A different perspective might suggest that current developments are the multi-national corporations’ response to the fear that independent jurisdictions will develop a myriad of fragmented reporting requirements, thereby creating onerous administrative burdens.

Whatever the motivation, the International Organization for Standardization (ISO) is coordinating the development of a voluntary guidance standard (ISO 26000 Social Responsibility) on how to implement and maintain a process for Corporate Social Responsibility that contributes to **Sustainable Economic, Environmental and Social Development**. The standard will be released in 2009.

**Sustainability** will be the new corporate mantra as it becomes globally embraced by all types of organizations.

## How Does It Work?

There are systems and protocols that will guide and support an organization in implementing and maintaining a **Sustainability** regime. These are identified in the **Tool Kit**, below. Organizations will identify and engage their stakeholders in considering the impacts they have or could have on them, and measure and report on their performance in meeting the expectations of their stakeholders.



At its very core, however, is one straightforward and extremely powerful element. Organizations are required to establish a robust and transparent process for engaging their stakeholders. Stakeholders are defined as:

*“An individual or group of individuals impacted by, or who can impact on, the organization.”*

In inclusive stakeholder engagement, all voices will need to be heard and considered. The outcome will be greater transparency and accountability.

## **THIS IS PROFOUND AND ENCOMPASSING**

***Simply stated, once an organization starts consulting with its stakeholders (consumers, employees, shareholders, government, suppliers, competitors, and the community-at-large), it must listen to, be influenced by, and measure and report performance back to them.***

This open and dynamic interaction ultimately will have a more pervasive and lasting influence on an organization than would any legislated requirement. It will create a healthy tension and balance – a vibrancy leading to a fully articulated and accountable ***Triple Bottom Line***.

Organizations considering implementing ***Sustainability*** must ensure that it becomes embedded as *the* core value and that it serves as a consistent filter for all its decisions and activities. As such, it will become the new methodology for calibrating corporations and their performance. The Dow Jones Sustainability Index and the London Times Sustainability Index already provide a ***Sustainability*** assessment of corporations.

## **The Elements**

***Sustainability*** encompasses:

- ◆ The Environment
- ◆ Human Rights
- ◆ Labour Practices
- ◆ Organizational Governance
- ◆ Fair Business Practices
- ◆ Community Involvement
- ◆ Consumer Issues
- ◆ Financial Performance



## The Tool Kit

To manage **Sustainability**, organizations need to establish an integrated framework, so that it is not perceived as extra reporting, but is understood to be the constituent foundation of the business. This includes creating an integrated management system that accommodates the protocols and reporting requirements found in ISO 26000 Guidance Social Responsibility. Such a management system will encompass:

- ◆ ISO 9001 Quality Management System
- ◆ ISO 14001 Environmental Management System
- ◆ OHSAS 18001 Health and Safety Management System
- ◆ SA 8000 Social Accountability Management System
- ◆ AA 1000
- ◆ Global Reporting Initiative
- ◆ Financial Reporting and Disclosure Requirements

## The Benefits

It is said that “*what gets measured is important*”. By focusing attention on the Elements identified above, organizations will acknowledge their importance and dedicate appropriate resources. The ongoing stakeholder engagement will keep the process honest and accountable to ever-higher standards.

As organizations deepen their commitment to **Sustainability**, they will satisfy a broader constituency, fulfil a larger mandate and contribute to the generation of wealth in new and better ways. **Sustainability** heralds a new equilibrium.

*Diamond Management Institute* assists organization with implementing and maintaining **Sustainability** in partnership with *BRI International Inc.*

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