



SUSTAINABILITY
An Evolving Business
Paradigm

SUSTAINABILITY

An Evolving Business Paradigm



Your Host:
Peter Clayton
TotalPicture.com



Today's Speakers

Edward T. Reilly

President and CEO
American Management Association



Jeana Wirtenberg, Ph.D.

Director, External Relations & Services
Institute for Sustainable Enterprise
Fairleigh Dickinson University



Jay Jamrog

Executive Director
Human Resource Institute



plus interviews with...

Ray Anderson

Chairman & Founder
Interface, Inc.



Govi Rao

President & CEO
LED Holdings, LLC





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American Management
Association*

Edward T. Reilly
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What is Sustainability?

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“Meeting the needs of the present without compromising the ability of future generations to meet their own needs.”

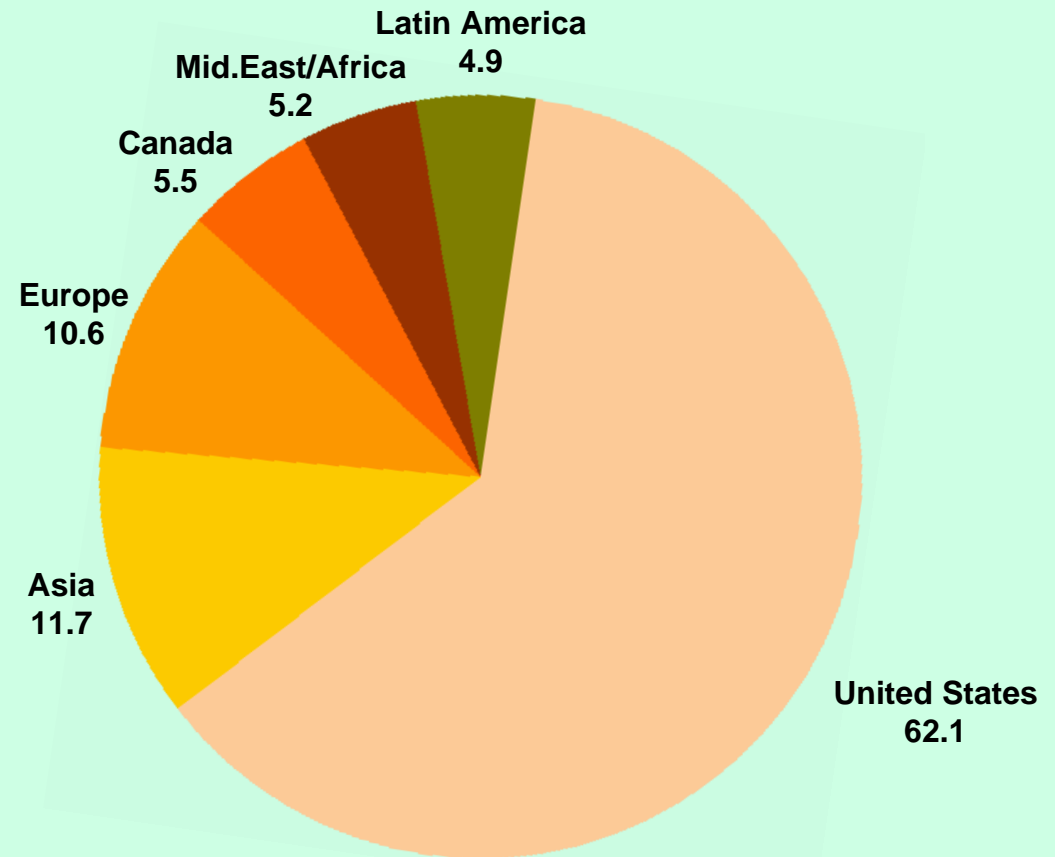
Our Common Future, UN Brundtland Report, 1987

Key aspects:

Focus **simultaneously** on the People, the Planet, **and** Profits
Balancing social, environmental, and economic factors for short and long-term performance



- Project team of 8 acknowledged experts
- 1,365 survey respondents from around the world
- 9 interviews with companies known for their excellence in sustainability





Importance of Sustainability Issues

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Rank		You Personally	Your Company
1	Business ethics and integrity	4.8	4.5
2	Safe and healthy work environment	4.7	4.3
3	Affordable quality health care	4.7	4.0
4	Well-being of employees	4.6	3.9
5	Clean water	4.4	3.7
13	Climate change	3.9	3.1
14	Epidemics	3.8	3.4
15	Diverse ecosystem	3.8	3.1
16	Open immigration	3.4	3.1
17	World population growth	2.4	2.9

Mean response on a 5-point scale



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Extent that Organizations Have Practices in Place to Do the Following:

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Rank		Higher Performers	Lower Performers
1	Ensure health and safety of employees	4.3	3.9
2	Ensure accountability for ethics at all levels	4.2	3.7
3	Engage collaboratively with community	3.6	3.3
4	Support employees balancing work and life	3.6	3.4
5	Encourage employee volunteerism	3.5	3.1
13	Use sustainability in recruiting and selection	3.2	2.5
14	Establish indicators to meet sustainability goals	3.1	2.4
15	Use sustainability to determine promotions	3.1	2.4
16	Reduce greenhouse gas emissions	2.8	2.4
17	Link sustainability to compensation	2.9	2.3

Mean response on a 5-point scale





Factors Driving Sustainability

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	<u>Today</u>	<u>In 10 Years</u>
Ensuring workers' health and safety	1	4
Increasing workforce productivity	2	5
Improving image with shareholders and public	3	1
Effectively addressing regulatory restrictions	4	6
Enhancing innovation	5	2
Meeting expectations of investors and lenders	6	7
Attracting and retaining diverse top talent	7	3
Improving employee morale and engagement	8	8
Addressing challenges of the healthcare system	9	9
Providing goods / services that are good for the world	10	11

Rank out of 25 factors



Factors Hindering Your Company from Moving toward Sustainability

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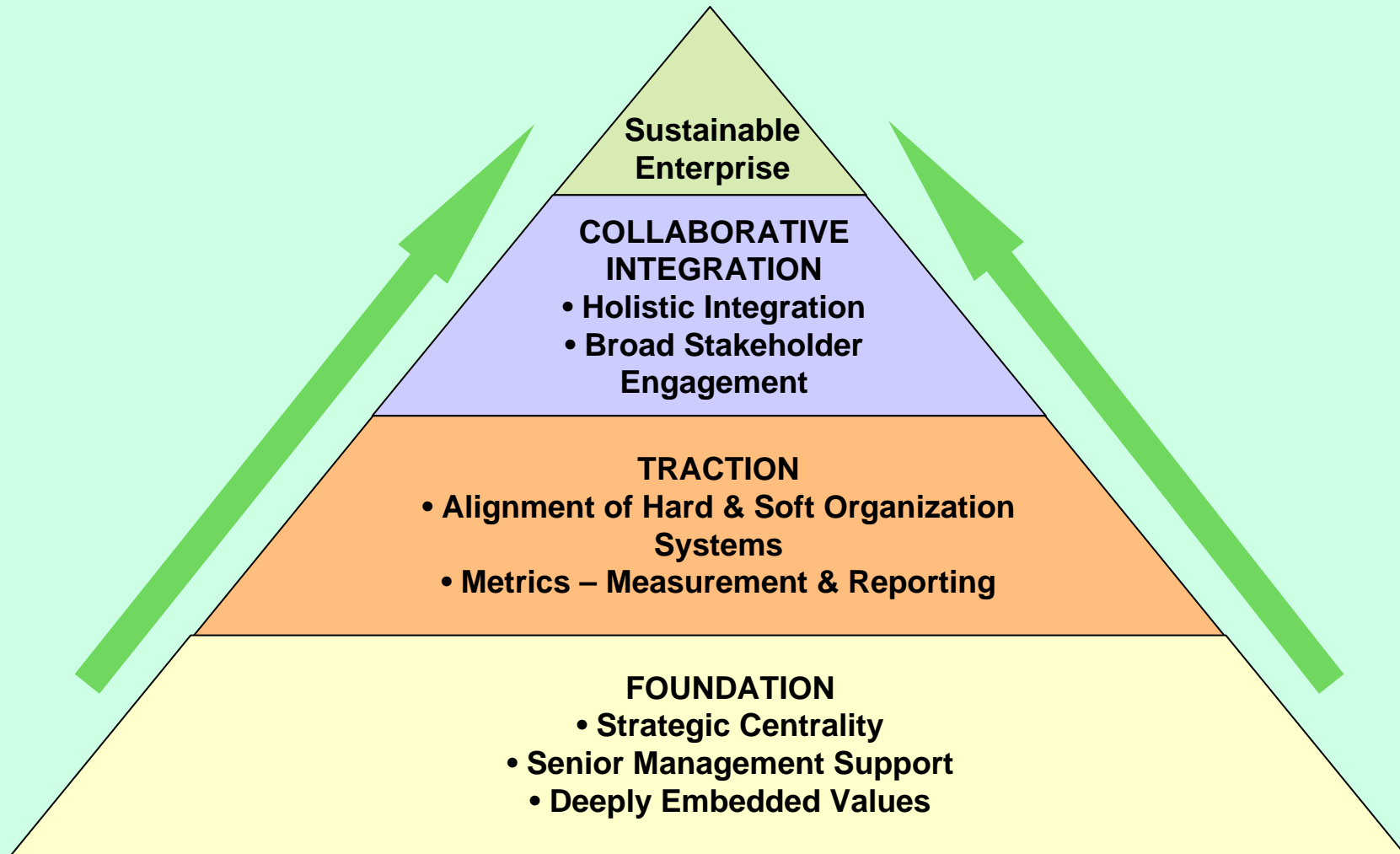
	<u>Rank</u>	<u>Mean</u>
Lack of demand from consumers and customers	1	3.13
Lack of demand from managers and employees	2	3.13
Lack of awareness and understanding	3	3.11
Lack of standardized metrics or benchmarks	4	3.10
Lack of specific ideas on what to do	5	3.08
Lack of demand from shareholders and investors	6	3.04
Lack of demand from suppliers	7	2.99
Unclear or weak business case	8	2.97
Lack of demand from community	9	2.93
Lack of support from senior leaders	10	2.92

Mean response on a 5-point scale



Qualities of Sustainable Companies

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Source: Wirtenberg, J., Harmon, J., Russell, W. & Fairfield, K. HR's Role in Building a Sustainable Enterprise: Insights From Some of the World's Best Companies," *Human Resource Planning*, 30(1), 2007. ©Institute for Sustainable Enterprise, 2006



Degree to Which Companies Value and Have the Qualities of Sustainable Enterprises

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Qualities of a Sustainable Enterprise

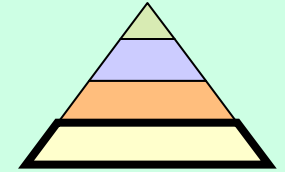
	Importance to Building a Sustainable Enterprise*	Extent Company Has These Qualities*
Top management support	4.4	3.3
Centrality to business strategy	4.1	3.2
Values	4.2	3.1
Metrics	3.9	2.9
Stakeholder engagement	3.9	2.9
Systems alignment	4.0	2.9
Organizational integration	3.9	2.8

*Mean responses on a 5-point scale, where 1 = not at all and 5 = to a very great extent.
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Level 1: Laying the Foundation

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Senior Management Support for Sustainability

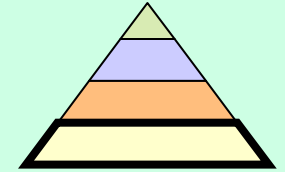
The CEO, the chairman of the board and senior management teams show public and unwavering support for sustainability.

This is the most highly rated element in both importance (4.4) and extent (3.3) with a gap of 1.03.



Level 1: Laying the Foundation

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Valuing Sustainability

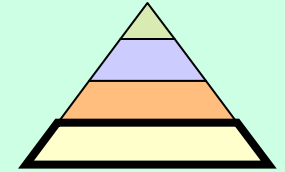
Key values related to sustainability are deeply ingrained in the company.

While sustainable values are seen as the second most important element to Sustainable Enterprise (4.2); companies have these values only to a moderate extent (3.1) with a gap of 1.05.



Level 1: Laying the Foundation

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Valuing Sustainability

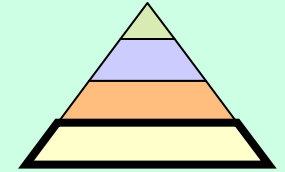
Among the “world’s most sustainable companies,” values related to sustainability were deeply ingrained in their “DNA” and were especially evident among all European-based companies in the sample.

Source: *Wirtenberg, J., Harmon, J., Russell, W. & Fairfield, K. HR’s Role in Building a Sustainable Enterprise: Insights From Some of the World’s Best Companies,” *Human Resource Planning*, 30(1), 2007.



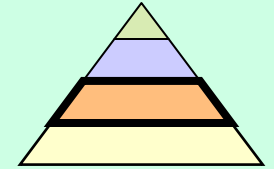
Level 1: Laying the Foundation

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Sustainability is Central to Business Strategy

Viewed as a highly important element to Sustainable Enterprise (4.1), and the second highest in extent (3.2) with a gap of .84.



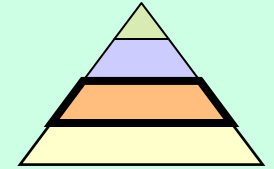
Systems Alignment

The company's structure, systems, processes and culture are aligned around sustainability.

While systems alignment around sustainability was seen as important (4.0), there was a significant gap in the extent to which companies were actually doing this (2.9) with a gap of 1.10.



Systems Alignment



All elements of the organization need to be aligned around sustainability strategies and actions.

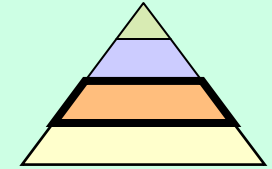
Managers can help infuse a sustainability focus into all human capital and other business systems:

- Recruitment and selection
- Training and Development
- Performance Management
- Compensation and Advancement
- Communications
- Employee Engagement
- Supply Chain
- Operations
- Manufacturing



Level 2: Gaining Traction

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Sustainability-Related Metrics

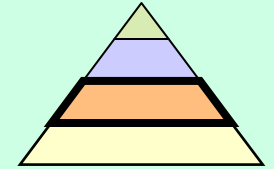
The company deploys an array of rigorous sustainability measures.

While sustainability-related metrics were seen as important (3.9), there was a significant gap (.98) in the extent to which companies were actually doing this (2.9).



Level 2: Gaining Traction

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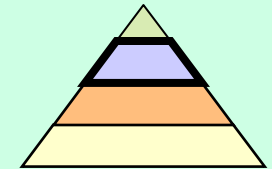


Sustainability-related Metrics

Exemplar companies design, implement and monitor key Sustainability performance indicators.

Examples:

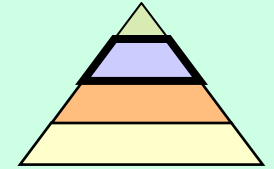
- Energy Audits
- Carbon Footprint Analysis
- Global Reporting Initiative (GRI)



Stakeholder Engagement

The company reaches out to and involves a broad array of external and internal stakeholders around sustainability issues, including customers, suppliers, governmental and non-governmental organizations (NGOs).

While broad stakeholder engagement was seen as important (3.9), there was a significant gap (.97) in the extent to which companies were actually doing this (2.9).



Organization Integration

Various aspects of sustainability are viewed holistically and integrated across the functions that have responsibility for them.

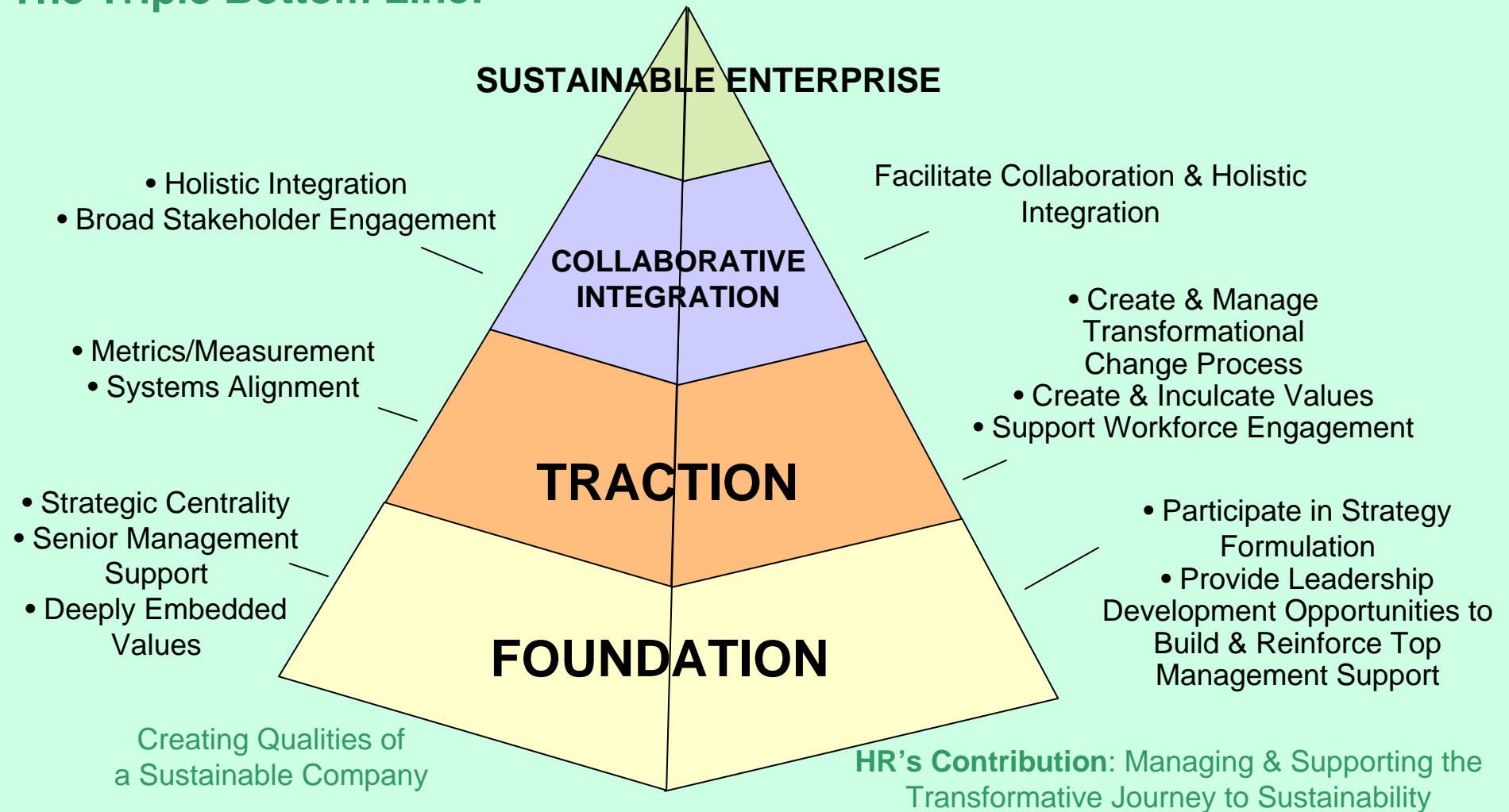
While organization integration was seen as important (3.9), there was a significant gap (1.06) in the extent to which companies were actually doing this (2.8).



When It All Comes Together

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The Triple Bottom Line:



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Implementing Sustainability Strategies and Seeing Measurable Benefits

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To what extent...	Lowest Performers	Highest Performers	All
...do you believe that your organization is implementing a sustainability strategy?	2.65	3.33	2.99
... is your organization seeing measurable benefits from sustainability initiatives?	2.56	3.19	2.88



Top 12 Most Commonly Used Sustainability-Related Practices

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To what extent does your company have practices in place to do the following?

	Mean Responses
Ensure the health and safety of employees	4.02
Ensure accountability for ethics at all levels	3.95
Engage collaboratively with community and non-governmental groups	3.47
Support employees in balancing work and life activities	3.35
Encourage employee volunteerism	3.29
Involve employees in decisions that affect them	3.28
Provide employee training and development related to sustainability	3.26
Reduce waste materials	3.14
Highlight our commitment to sustainability in our brand	3.12
Improve energy efficiency	3.06
Work with suppliers to strengthen sustainability practices	2.95
Get groups across organization that are working on sustainability-related initiatives to work more closely together	2.85

*On a 5-point scale, where 1 = not at all and 5 = to a very great extent.

2007 AMA/HRI Sustainability Survey



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In collaboration with the Institute for Sustainable Enterprise, AMA will introduce two workshops:

- One day workshop for Senior Managers/Executives on developing a sustainability strategy
- Two day action learning workshop for Managers on managing sustainably, supporting and implementing sustainability strategies



The future remains uncertain....

Much depends on whether business leaders and managers in general, and **high performing companies and industry leaders** in particular, continue to **gain greater awareness** of sustainability and **choose to adopt** sustainability-related values, strategies, principles and practices.



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Q & A