

IS YOUR BUSINESS READY TO MAKE SUSTAINABILITY TRANSFORMATIVE?

TOP 4 TIPS to Step-Up from CSR to the New Sustainable Economy

INTRODUCTION

Green Capital is pursuing the question ‘Can corporate social responsibility deliver sustainability?’ This Briefing Note looks at how to step-up to a higher level of business action to deliver the new sustainable economy.

IT’S TIME TO REFRAME THE CHALLENGE FOR 2011 AND BEYOND

Around the world sustainability advocates are looking to business to step-up to the massive scale and urgency of the planet’s environmental challenges – especially climate change, water and waste crises, and biodiversity loss. But are traditional *corporate social responsibility* and its more evolved form *corporate sustainability* delivering significant gains, or insufficient, mainly incremental improvements? Over two decades CSR and sustainability have put environmental and social factors on the agenda for business decision-makers. Yet steady gains through informal corporate self-regulation don’t seem to be enough to achieve a timely critical mass for mainstream change.

Green Capital’s focus for 2011 and beyond is on *transformative sustainability* for individual businesses, and for the market itself, helping to fast-track a clean economy that is low impact, ultra efficient and sustainable. Economic modelling shows the longer action is delayed, the more it will cost to make a timely transition to *the new sustainable economy*. Commonsense says business has to play a major role in delivering solutions.

HOW TO GET ‘BUSINESS READY’ FOR MORE OUTCOMES, LESS TALK

Check your business reality is up-to-date – Sustainability is now a pervasive theme in the business world - not yet dominant, but influential, accessible and still rising. There are many in-house business experts and external advisory services, universities and business schools pumping out more specialist graduates each year; the market has trading mechanisms for everything from carbon to biodiversity; measurement and reporting is developing financial-type authority and utility; technological and process innovation is proliferating; regulatory systems demand disclosure in key areas like energy use and CO₂ emissions; there are special indices and sustainability-aware analysts and investors; and much more. Many tools for *transformative sustainability* are in place - so use them to lead action from Board level down, and factory or shop floor up.

Communicate in real time, everywhere – Standalone CSR and sustainability reports published in hard-copy form, once a year, are a start, and (some would say) only good for recycling. But integrating important reporting on energy, carbon, water, waste and other factors into the main financial business reporting platforms and cycles, and updating constantly online and in stakeholder forums, is much better practice. Simultaneously, the once powerful clout of PR spin and big-spending advertising is in decline. From YouTube to LinkedIn, Twitter to Facebook, social media has arrived as a popular force in communications bypassing mainstream editorial and advertising platforms, and confirming early talk about the disruptive power of the Internet. This poses great risks for ‘bad faith’ businesses that are ignoring or faking sustainability commitments, yet offers great opportunities for businesses with real solutions.

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Change terminology to require hard outcomes – Expect soft-side CSR or *corporate citizenship* to fade as pressure on business to deliver game-changing solutions grows. Dating back at least to the 1970s, CSR has helped to tame some of the worst excesses of capitalism by fostering a ‘corporate conscience’ in many businesses. But incorporating environmental and social sustainability under the CSR banner positions them as an add-on to the ‘real’ business, a self-regulatory cost to shareholders to do, or at least be seen to be doing ‘the right thing’. By contrast, embracing sustainability for business transformation means the challenging issues are either:

- a) Part of contemporary compliance, which has now expanded to include meeting ‘social licence to operate’ expectations, and conditions imposed by value chain partners including customers, as well as formal regulatory requirements, or
- b) Core risks and opportunities that put business value at stake.

Either way, the real objective is not having businesses that look good in reports, or a CSR industry. It’s creating a sustainable economy populated by successful enterprises that are good for people and the environment - as a matter of business as usual! For sustainability, CSR is a transition phase, never the end game.

Know when to boast or hold back & when to compete or collaborate – Pursuit of sustainability leadership for competitive advantage helped early-movers to articulate their ‘internal business case’, often based on positively differentiating their brand. Corporate brand-level positioning, however, can quickly cross into mega-greenwashing territory unless businesses are genuinely transformed, with major oil and gas companies providing classic examples of what not to do. While competition is a powerful business driver, it should be used with great caution with much less focus on overt business competition in the PR stakes.

When most of the top players in a homogenous competitive sector are taking substantive action on *sustainability* - as is now the case with the property industry for example, and possibly banking in the near future - the brand competitive advantage is diluted. Action on *sustainability* will be seen through the prism of the benefits of working with rivals to multiply sector-wide activity and outcomes. It may be a scary thought for business rivals, but collaboration will deliver more progress than competition if whole sectors are transformed to provide major building blocks for *the new sustainable economy*.



EXPECTATIONS FOR BUSINESS LEADERSHIP ARE MIGRATING TO HIGHER GROUND

COMPLIANCE+	CSR	SUSTAINABILITY	TRANSFORMATION
What your business has to do to comply with the law on a range of social and environmental factors e.g. safety, pollution control. Now includes prevailing public and consumer expectations and market requirements e.g. supplier criteria.	What your business volunteers to do beyond compliance to address social and environmental factors, which may or may not be directly relevant to your business. Can include philanthropic giving, staff volunteering and community programs.	What your business does to manage the intersection of economic/financial, social and environmental factors that impact on it directly or indirectly and put value at stake i.e. addressing sustainability risks & opportunities affecting profitability & growth.	What your business has the potential to do to contribute to the transformation of the economy and society for real sustainability. Strong focus on innovation in products and processes & integrity in marketing and communication of business outcomes, NGO alliances etc.

THIS Briefing Note was written by Murray Hogarth, Green Capital’s Senior Adviser. It is the author’s synthesis of current CSR and corporate sustainability activity and trends based on extensive desk-top research, social media monitoring, observation of corporate and expert presentations, and numerous discussions with practitioners and commentators.



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