MAKING SUSTAINABILITY WORK

Best Practices in
Managing and Measuring
Corporate Social, Environmental, and Economic Impacts

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An Excerpt From

Making Sustainability Work: Best Practices in Managing and Measuring Corporate Social, Environmental, and Economic Impacts

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INTRODUCTION

Improving social and financial performance in global corporations

Local air and water pollution in Europe, child labor in Asia, workers' rights in North America, global climate change, political upheaval in South America, and human rights in Africa. Just a few examples of the challenges that now face corporate executives on a daily basis. The issue of whether companies should consider their social responsibility or the impact of their activities on their stakeholders is no longer up for discussion. These issues, and many, many more like them, have become a central part of the creation of shareholder value and the management of both global and local enterprises. The challenge has moved from "whether" to "how" to integrate corporate social, environmental, and economic impacts—corporate sustainability—into day-to-day management decisions when managers at all levels have significant incentive pressures to increase short-term earnings. It is now about how to be more socially responsible or sustainable and engage corporate stakeholders more effectively. It is about the specific actions that managers can take to effectively deal with the paradox of trying to simultaneously improve corporate social and financial performance.

Developing sustainability strategies is often an important challenge for senior executives, but implementation is usually the larger challenge. In most of the successful implementations, CEOs are involved and are the drivers of corporate concern to implement sustainability. But these senior managers are often challenged as to how to manage the paradox of simultaneously improving social, environmental, and financial performance, the three elements that make up sustainable performance. Business unit and facility managers are pressured to deliver profits and their performance is typically measured primarily on how successfully they deliver. So, there is often difficulty obtaining an alignment of strategy, structure, systems, performance measures, and rewards to facilitate effective implementations. It is also often difficult to obtain the resources to effectively manage the various drivers of social and environmental performance.

Sustainability has been defined as economic development that meets the needs of the present generation without compromising the ability of future generations to meet their own needs.[1] For businesses, this includes issues of corporate social responsibility and citizenship along with improved management of corporate social and environmental impacts and improved stakeholder engagement.[2]

Leading companies have increasingly recognized the critical importance of managing and controlling corporate social and environmental performance. The impetus for implementing a corporate strategy to integrate social, environmental, and economic impacts may be driven by internal factors, such as a management commitment to sustainability as a core value or by management recognition that sustainability can create financial value for the corporation through enhanced revenues and lower costs. Often, however, the leading impetus for a sustainability strategy is from external pressures such as government regulation, marketplace demands, competitors' actions, or pressure from NGOs (non-governmental organizations).

Managers have now recognized the importance of stakeholder input and engagement and the potential impact on long-term corporate profitability. The consequences for businesses when they do not effectively consider the impacts of their activities on society are often substantial. Thus, effective management of stakeholder impacts and relationships is critical.

Some companies have not developed any coherent sustainability strategy or even any systematic way of thinking about or managing their social and environmental impacts. Negative social and environmental impacts have tarnished the reputation of many corporations. However, some have recognized the social and environmental effects of their actions, developed a corporate sustainability statement, and made progress toward defining a policy that confronts the problems. These companies have developed partial systems to deal with social and environmental problems and may have transferred technologies from other parts of the company to use in implementing sustainability. They may have set up systems for improved costing, capital budgeting, performance evaluations, or product design but have not developed an integrated program that includes sustainability in day-to-day decision-making. Some companies have developed effective reactive systems to address these issues and others have been more aggressively proactive.

It is unlikely that any company has fully integrated or achieved sustainability—this is a huge task—but numerous companies have taken important steps toward improving their sustainability performance and reducing their negative social and environmental impacts. Many of these companies are included in this book as exemplars of best practice. Rather than searching for one best company example to model, those companies and managers that want to improve their sustainability performance should instead look to adapt and adopt the various best practices of individual sustainability elements illustrated in this book. Through the detailed model, measures, and guidance to implementation presented here and the extensive best-practice company examples from around the world, companies can select those practices that can be used to better implement sustainability in their own organizations to simultaneously improve corporate social, environmental, *and* financial performance.

Leading companies are examining the impacts of their products, services, processes, and other activities more broadly. They are looking at a more comprehensive set of social, environmental, and economic impacts on a broader set of stakeholders. Managers recognize that stakeholders have numerous impacts on company profits—employees in their desire to work for the company, customers in their desire to buy from the company, the community in its desire to permit the company a license to operate. But they have faced difficulty in managing competing stakeholder interests and simultaneously improving both corporate social, environmental, and financial performance. Business leaders who want to respond sensibly to activist calls for corporate responsibility should think about the issue in the same way they would any other business problem.

But stakeholder management has to be more than identifying the squeakiest wheels and greasing them. Sustainability cannot be managed as just a public relations strategy to pacify stakeholder concerns. Doing so can be quite risky as stakeholders expect actions and results to be consistent with rhetoric. Furthermore, it is only through the identification, measurement, and management of sustainability impacts that social and environmental and financial performance can be improved and value created. For sustainability to be valuable to both the organization and its stakeholders, it must be integrated into the way a company does business.

The size of corporate social and environmental expenditures is increasing rapidly and the necessity of improved identification and management of these impacts has become critical. Business leaders need to make an independent assessment of their social, economic, and environmental impacts to see where pressure is most likely to come and also to see where the company is providing unpriced social, environmental, and economic benefits for which it is not receiving credit. Firms should not underestimate their ability to turn corporate social responsibility into a competitive advantage. Patrick Cescau, group chief executive of Unilever, recently said, "We have come to a point now where this agenda of sustainability and corporate responsibility is not only central to business strategy but will increasingly become a critical driver of business growth . . . how well and how quickly businesses respond to this agenda will determine which companies succeed and which will fail in the next few decades."[3]

Why it's important

Although this book focuses on *implementation*, here are the four main reasons why sustainability now demands our urgent attention:

1. **Regulations**. Government regulations and industry codes of conduct require that companies must increasingly address sustainability. Noncompliance with regulations was (and still is) costly, as regulatory noncompliance costs to companies include:

- Penalties and fines
- Legal costs
- Lost productivity due to additional inspections
- Potential closure of operations
- The related effects on corporate reputation

2. **Community relations**. The general public and activist NGOs are becoming increasingly aware of sustainability and the impacts that corporations have on society and the environment. Identifying the social and environmental issues that are important to key stakeholders and improving stakeholder relationships can foster loyalty and trust. Gaining a license to operate from governments, communities, and other stakeholders is of critical importance for corporations to be able to conduct business on an ongoing basis. Good performance on sustainability can garner a positive reputation with stakeholders and improve community relations and business performance. Alternatively, the consequences of mismanaging sustainability and stakeholder relationships can be significant and costly in terms of reputational damage and potential impacts on the bottom line.

3. **Cost and revenue imperatives**. Sustainability can also create financial value for the corporation through enhanced revenues and lower costs. In other words, managing sustainability is just a good business decision. Revenues can be increased through increased sales due to improved corporate reputation. Costs can be lowered due to process improvements and a decrease in regulatory fines. Identifying the areas where good for the society, good for the environment, and good for the company intersects is key.

4. **Societal and moral obligations**. Because of their impact on environment and society, companies have a responsibility to manage sustainability. A personal concern for social and environmental impacts and their social and moral obligations has led some executives and corporations to include sustainability in their strategies.

Leadership organizations recognize the relationship between business and society and are redefining their economic, environmental, and social responsibilities around the concept of sustainability. Some corporate leaders have adopted sustainability for each of the reasons listed above. Yvon Chouinard, founder of Patagonia, an outdoor clothing and equipment company, always wanted to put the environment first in his business. Patagonia was one of the first companies to reuse materials and it used its mail-order catalog as a platform to speak out on environmental issues such as genetically modified foods and overfishing.[4]

In contrast, it is clear that General Electric's focus on sustainability is driven by its focus on improving the bottom line. GE's CEO, Jeffrey Immelt, has publicly stated that his company must focus on innovation and the environment in order to increase revenues and stay competitive. However, he has made it clear that this is about business first. The social and environmental strategies developed at GE to reduce social and environmental impacts must also achieve financial goals.

Ecomagination, announced in 2005, is a major GE program to dramatically increase the company's business in environmental technologies. The company has pledged to increase investment in environmental technologies to $1.5 billion and sales of environmental technologies to $20 billion by 2010. It has also pledged to reduce greenhouse gas emissions by 1% and improve energy efficiency by 30% by 2012. Products included in the ecomagination initiative include a fluorescent light bulb that saves 70–80% of energy compared with ordinary light bulbs and a wire coating for cars and electronics that does not include any pollutants in its production. GE has already begun to see the benefits of this aggressive strategy. Annual revenues from ecomagination products are already well over $10 billion.[5]

Managing corporate sustainability

Corporations have become more sensitive to social issues and stakeholder concerns and are striving to become better corporate citizens. Whether the motivation is concern for society and the environment, government regulation, stakeholder pressures, or economic profit, the result is that managers must make significant changes to more effectively manage their social, economic, and environmental impacts. The best practices in corporate sustainability performance are no longer primarily focused on companies like Ben & Jerry's or The Body Shop, as they were ten or twenty years ago. It is now also some of the world's largest corporations such as GE and Wal-Mart (along with many others) that are leading the way with significant financial and organizational commitments to social and environmental issues.

As companies search for ways to improve their performance, determining the best ways to thoroughly integrate these improvements into all parts of the organization still presents challenges. These challenges are because implementing sustainability is fundamentally different than implementing other strategies in the organization. For operating goals, the direct link to profit is usually clear. For innovation, though long-term and often difficult to predict and measure, the intermediate goal is new products and the ultimate goal is increased profit. However, for sustainability, the goal is to simultaneously achieve excellence in both social and environmental *and* financial performance. Managing and measuring this paradox creates challenges.

It is difficult to implement the proper systems to pursue sustainability and to evaluate the impacts of sustainability on financial performance and the trade-offs that ultimately must be made. Often, it is unclear how trade-offs between financial and environmental or social performance should be made. There is considerable uncertainty about how shareholders will respond to these trade-offs. Moreover, the trade-offs keep changing—at certain times, shareholders may want the company to place substantial weight on social performance and the environment, whereas at other times they may want the company to place more weight on short-term profits.

The costs of implementing sustainability are also constantly changing. For example, potential technology improvements may make it far cheaper to implement pollution reduction later rather than earlier. Even when sustainability is thought to provide financial benefits, the benefits can, at best, only be measured over long time horizons, which makes it difficult to measure the impact of social and environmental performance and to quantify the resulting benefits. The constant uncertainty about how far to move toward sustainability, the constantly changing emphasis on and costs of implementing sustainability, and the long time horizons therefore make it difficult to implement sustainability in the same way that other strategic initiatives are implemented.

For these reasons, the standard implementation approaches often fail. In order to improve the integration of social and environmental impacts into day-to-day management decisions, companies must tie the measurement and reporting of these impacts into decision-making processes. Further, these impacts must be measured and reported in financial terms and then integrated into the traditional investment models. So how can companies integrate sustainability into day-to-day decision-making? Through the combination of a clear and well-articulated and -communicated sustainability strategy, senior management commitment to a broader set of objectives than profit alone, and utilizing appropriate structures and systems to drive sustainability through the organization.

The importance of vision and communicated core values are well accepted. But these commitments to social and environmental concerns must be consistently communicated both in words and actions. Companies must exercise leadership to decide how much integration of social and environmental concerns they want and how they want to do it, align the organization, articulate the trade-offs to managers, and continually reinforce these objectives throughout the organization. They must also choose a strategy that is consistent with mission, culture, and aligned with geography, customer, product, community, and other stakeholder requirements. Strategy and leadership are minimum enablers to successful sustainability implementation.

Just as the formulation of sustainability strategy is critical, so is the execution. Management must also make choices about how to implement the sustainability strategy and integrate economic, social, and environmental impacts into their organizations. These impacts are sometimes managed using "soft" leadership elements such as people and culture along with a variety of informal systems. In their recruitment and development practices, companies may seek to create in their employees a passion and commitment to sustainability. They in effect create a culture to support sustainability decisions. This culture is firmly embedded in the beliefs, values, and mission and vision statements of companies that serve to inspire and motivate employees to take sustainability obligations seriously.

Sustainability impacts can also be managed through "hard" or formal implementation systems like compensation, incentives, and performance evaluations. Many companies have created performance measurement and management systems that include social and environmental indicators in addition to financial performance measures. Some are also including rewards and incentives that are based on social and environmental performance. Companies can also change their organizational design or structure to signal a commitment to sustainability. The right mix of soft and hard systems depends on the nature of the impacts: the potential magnitude, the degree of uncertainty, and the time horizons involved. It also depends on customer, product, geographic, and other characteristics.

Wal-Mart: the paradox of managing sustainability

Wal-Mart has been under much scrutiny from social activists. The company faces an enormous challenge in balancing low prices with various social concerns. The essence of the Wal-Mart business strategy is to offer products to the consumer at the lowest price possible. But critics say that Wal-Mart achieves this by paying its employees lower than a living wage, not providing an adequate employee healthcare plan, and forcing local businesses to decrease their wages. It is also challenged by activists regarding the sourcing of its products and the impact on employees in foreign factories that manufacture its products. For these reasons, some communities have stopped Wal-Mart from entering their neighborhood.

Additionally, Wal-Mart's environmental footprint is huge. It is the largest private user of electricity in the United States and has the country's second largest fleet of trucks. It also has the potential to have a substantial impact on sustainability through its supply chain with over 60,000 suppliers.

Wal-Mart is making an effort to become more sustainable. CEO Lee Scott has articulated several goals: reducing solid waste by 25% over three years, eliminating 30% of energy used in stores, doubling the efficiency of the vehicle fleet over ten years. It is also offering products to appeal to a larger customer group including organic foods. Consequently, it has become the biggest seller of organic milk and the biggest buyer of organic cotton in the world.[6] Wal-Mart is also addressing its stakeholders. Scott has said, "We're trying not to look at critics as annoyances . . . We've changed as a company. We're getting past the idea that everyone who criticizes you has an ulterior motive and wants you to fail."[7]

However, critics continue to question whether Wal-Mart will succeed in its plans and whether its intentions are credible. Some have called its efforts publicity stunts and empty promises.[8] But others see this as the world's largest retailer making a new and important commitment to sustainability. And, when companies as large as Wal-Mart make changes in their worker and environmental practices, they can move throughout their global supply chain. But trying to simultaneously improve sustainability performance while maintaining the low pricing that is critical to its strategy and its consumers is a considerable challenge. This is at the center of achieving excellence in social and financial performance and making sustainability work.

The Corporate Sustainability Model

So what can companies do to improve their sustainability performance? More specifically, how can executives identify, manage, and measure the drivers of improved sustainability performance and create systems and structures that improve corporate social performance? How does social performance impact overall long-term corporate profitability, and how should executives communicate these impacts to general managers, financial managers, and employees throughout their companies?

For organizations, a sustainability framework or model of social, environmental, and economic performance creates a powerful opportunity to create enduring value for multiple stakeholders. At the same time, it challenges managers to understand the complex interrelationships between economic, environmental, and social performance. This book presents a model or framework to aid companies in identifying, measuring, and integrating social and environmental impacts into corporate strategy and into management decisions to reduce those impacts and increase profitability. It explains how various inputs and processes affect sustainability performance and stakeholder reactions and drive long-term corporate financial performance.

The **Corporate Sustainability Model** describes the inputs, processes, outputs, and outcomes necessary to implement a successful sustainability strategy. The inputs include:

- The external context
- The internal context
- The business context
- Human and financial resources

Though the inputs sometimes act as constraints to improved corporate sustainability, managers have significant ability through leadership and the formulation and implementation of various processes including sustainability strategy, structure, actions, and systems to effect corporate sustainability performance. The output of these processes is the sustainability performance—that is, the effect of corporate activity on the social, environmental, and economic fabric of society. In addition to having an effect on society, these activities often affect corporate financial performance.

This typically occurs through various positive and negative stakeholder (such as customers, employees, regulators, and consumer activists) reactions such as additional purchases, consumer protests, employee loyalty or resistance, and government regulations. These stakeholder reactions affect corporate profits and are a part of the business case for sustainability that has been widely discussed in both academic and managerial circles.[9] The model of the drivers, actions, and measures that managers can use to implement corporate sustainability can provide guidance for future research and managerial practice. It can help executives better manage the pressure to simultaneously achieve excellence in social, environmental, and financial performance and create sustainability programs that maximize social, environmental, and financial outcomes.

Background to this book

In 1996, I wrote *Measuring Corporate Environmental Performance: Best Practices for Costing and Managing an Effective Environmental Strategy*. The book has been used extensively by managers in business and government, researchers, and students. It was widely used by corporate executives in both small and large companies and in general management functions at the senior and middle levels of organizations. It was also widely used by functional managers in the social and environmental management functions and the finance function. *Making Sustainability Work* builds on this earlier work and numerous other articles and books and develops an entirely new framework for the measurement and management of corporate social and environmental impacts. It is written to be accessible to corporate managers but is built on a solid academic research foundation.

Relying on the best practices of major corporations and the latest academic research, this book covers the broad dimensions of sustainability along with the specificity of how to execute it within companies. The academic research relies on:

- My own extensive field studies with dozens of companies
- An extensive review of the many academic and managerial articles and books on various aspects of implementing sustainability

- A large body of empirical work including surveys of company practices
- Archival data from various sources
- Other academic and company research, analysis, and discussions

It also includes best-practice examples and models from dozens of global companies that are listed in the box below. The examples include companies that have primary activities across the globe: in Europe, Asia, North America, South America, Australia, and Africa. Companies in different industries with different challenges are used to examine how to formulate and execute a sustainability strategy.

Companies cited in this book

- ABN AMRO
- adidas-Salomon
- Alcatel-Lucent
- Alcoa
- Allied Waste
- Allstate Insurance
- Amanco
- AMP Ltd
- Anglo-American
- Avon Products
- Barclays
- Baxter International
- Ben & Jerry's
- BHP Billiton
- BP
- Bristol-Myers Squibb
- British American Tobacco
- Browning-Ferris Industries
- Cadbury Schweppes
- Canon
- CEMEX
- Chiquita Brands International
- Citigroup
- Coca-Cola
- Colgate
- Compañía de Minas Buenaventura
- The Co-operative Bank
- Coors Brewing
- Danone
- DeBeers
- Dell
- Diageo
- Dow Chemical
- DuPont
- Eastman Kodak
- Federal Express
- FleetBoston Financial
- Ford Motor Company
- Fortis
- Fresenius Medical Care
- Fujitsu
- General Electric
- General Mills
- General Motors
- Georgia-Pacific
- GlaxoSmithKline
- Grameen Telecom
- Grupo Nuevo
- Henkel International
- Hennes & Mauritz
- Herman Miller
- Hewlett-Packard
- The Home Depot
- Honda
- ICI Polyurethanes
- ICICI
- Imperial Chemical Industries
- Interface
- Johnson & Johnson
- Kingfisher
- L'Oréal
- Lucent Technologies
- Marsh & McLennan Companies
- Mattel
- McDonald's
- Mitsubishi
- National Grid
- Nestlé
- Newmont Mining
- Niagara Mohawk Power
- Nike
- Nitto Denko
- Norcal Waste Systems
- Novartis
- Novo Nordisk
- Ontario Hydro
- Patagonia
- Perrier
- Procter & Gamble
- Royal Dutch Shell
- Sani-Terre Inc
- Santander
- Scandic Hotels
- ScottishPower
- Seiko
- Sony
- Starbucks
- Star-Kist
- Stonyfield Farms
- Timberland
- Toyota Motor Corporation
- Unilever

- Union Carbide
- United Technologies Corporation
- UPS
- Verizon Communications
- Wachovia Corporation
- Wal-Mart
- Warner Brothers
- Waste Management

The academic research and the examination of best-practice companies have all been integrated into a model (the Corporate Sustainability Model, described in Chapter 1) and guide to best practice. The subsequent chapters offer guidance to help translate sustainability strategies into specific policies, programs, systems, and measures that will provide direction and boundaries for decision-making and move the entire company toward its sustainability and financial performance goals.

Sustainability at CEMEX

CEMEX, a leading global cement company headquartered in Mexico, has been recognized for its commitment to sustainability. Since launching its Ecoefficiency Program in 1994, CEMEX believes it has saved over $60 million. This achievement was primarily due to the following:

- Developing and implementing new technology
- New plant design
- Recycling and reusing materials
- Reusing wastes as alternative fuels
- Using alternative raw materials
- Selective mining techniques[10]

Patrimonio Hoy (PH) is a program that CEMEX developed to promote social and economic development in Mexican communities. PH allows low-income families to obtain services, cement, and other building materials on credit. CEMEX organizes the customers into groups of three families, which collectively pay off the debt. The program has served more than 100,000 families since 1998 and its net profits exceed $1.3 million.[11]

Identifying the impacts created by an industry can aid in the development and implementation of a sustainability strategy. The cement industry embarked on a collaborative research project to identify the challenges and opportunities in achieving sustainability. The environmental issues include:

- Depletion of nonrenewable resources (i.e. fossil fuels)
- Impacts of resource extraction on landscape and environmental quality
- Dust emissions
- Other emissions including nitrogen oxides, sulfur dioxide, and carbon monoxide

The industry has positive and negative social impacts. Communities are concerned about health effects, worker safety, noise, and dust. On the other hand, in many developing countries, cement companies are contributing to improved roads and sewers and training workers. The economic issues include job creation and economic growth due to the development of cement facilities and financial prosperity for the company.[12]

The cement industry will continue to face challenges. To succeed, companies in this industry must monitor changes in the industry, be proactive in responding to challenges, and realize the opportunities that effective management of these challenges can have for the company and for society.

Making sustainability work

I look at the important role of leadership and strategy in achieving success in corporate sustainability in Chapter 2, examining the role of senior managers and corporate boards in leading and governing the sustainability activities and developing the sustainability strategy, along with the importance of senior management commitment and the various choices of strategy.

I also show how organizational design impacts the success of organizational sustainability, looking at the choices of organizational structures and the applicability to different organizational types. This includes centralized and decentralized sustainability functions, outsourced activities, and approaches to integration. One of the major challenges to successful sustainability implementation is to fit this new strategy into existing organizational structures to simultaneously improve social, environmental, and financial performance. Chapter 3 discusses various organizational design issues that can improve sustainability.

The various management systems that can be used to execute a sustainability strategy are critical elements in any successful implementation. This includes the variety of information that is needed to improve both operational and capital investment decisions. It includes improving the financial analysis needed for better management decision-making throughout the organization along with a more formal integration of social risk into the analysis. These systems provide the levers that managers can use to increase social, environmental, and financial performance. Chapter 4 looks at capital investment, costing, and risk management systems.

I take an in-depth look at specific ways to measure and reward sustainability performance. In this book, the emphasis is on measuring the performance of the *process* of sustainability along with measuring sustainability performance *results* as an ultimate goal and also as an intermediate goal to achieving financial success. I discuss each of these along with the role of incentives and rewards in improving sustainability performance, which are the focus of Chapter 5. Just as effective leadership and strategy are minimum enablers for sustainability success, some of the various formal and informal organizational systems must be used to effectively implement sustainability.

The measurement of social, environmental, and economic impacts of products, services, processes, and other corporate activities is critical. Chapter 6 gives an overview of the approaches that can be used to effectively measure these impacts, along with more detailed and applied examples of how to do this for inputs, processes, outputs, and outcomes.

Chapter 7 gives specific guidance on how to identify and measure social, environmental, and economic impacts, including an extensive list of useful measures that can be used or adapted to measure the inputs, processes, outputs, and outcomes of sustainability investments. One of the biggest challenges for managers is to determine how to measure progress in sustainability. This requires process measures (which typically do not exist) in addition to results measures. Guidance is provided on the development of high-performance sustainability metrics to measure sustainability success and improve performance, as well as a framework and set of measures that can be used to measure performance and payoffs of sustainability investments. The extensive discussion of the foundations of sustainability measurement along with the list of sample measures is one of the unique features of this book.

Feedback and internal reporting are also needed to improve sustainability. This includes the design, content, audience, distribution, and communication of sustainability information. Chapter 8 describes how organizations can use this information to improve organizational learning and change products, processes, services, and other activities to be more sensitive to sustainability issues. It also includes a discussion of the feedback loops in the sustainability model and the importance for both learning and organizational performance.

External reporting is also important for communicating sustainability performance to stakeholders. Chapter 9 provides an overview of the existing regulations and guidance for social and environmental reporting and describes best practices. This includes a discussion of the reporting related to the Global Reporting Initiative, the choices for reporting in corporate annual reports, sustainability reports, and the web, and the choices for verification of the sustainability reports.

Chapter 10 summarizes the book's main points and provides guidance for managers with additional examples of best practices. It describes the opportunities available for innovation when companies proactively manage sustainability. And it focuses on the significant benefits that can accrue to both corporations and society by making sustainability work.

The development and implementation of a sustainability strategy is important for companies with either high or low social and environmental impact, companies small and large, manufacturers and service companies, with large community affairs or environmental, health, and safety (EH&S) staffs, and with no full-time EH&S staff at all. The numerous examples and approaches suggested in this book are at this very moment being introduced and used successfully in a variety of companies and can be readily adapted to companies of different sizes and complexities, in different industries, and with different environmental and social sensitivities.

The concepts discussed in this book are especially relevant to corporate general managers, sustainability managers, and financial managers who take a proactive role in creating systems to measure and manage corporate performance. It is also imperative that financial executives understand the relationships between economic, environmental, and social performance, as these complexities are increasingly key components of corporate valuations, analyses, and reporting. Most organizations now have sustainability managers, who need to have the knowledge and tools to help create a strategic social and environmental management system that links to corporate value.

The approach presented here also provides an opportunity to make better resource allocation decisions throughout the organization. It also provides an opportunity for sustainability managers to more effectively measure and report the value created through more effective management of stakeholder impacts and improvement of sustainability performance. Through more careful analysis and measure of the payoff of sustainability investments, general managers, financial managers, and sustainability managers can more effectively justify investments. In this way, sustainability investments can be integrated into the same capital investment process as other investments and the value of these investments to improving shareholder and other stakeholder value can be seen more clearly.

Operational managers, who are on the front line of managing operations, need an understanding of the potential synergies and conflicts between operational, environmental, and social performance, so that they can make informed decisions that create value for the organization. Many of the concepts and practices discussed in this book also have relevance for marketing managers, distribution managers, and legal managers, for the complexities involved in managing the impacts of an organization's products, services, processes, and other activities touch on all aspects of an organization and its constituents. R&D leaders and product and process design engineers will be interested in how analysis and management of social and environmental impacts present opportunities for innovation.

As well as senior and middle managers, academics and others interested in the field will benefit from reading this book. It is also likely that nonprofit and governmental organizations will continue to be very interested in this topic as they also have become increasingly sensitive to their social and environmental impacts and the evaluation of the costs and benefits of their activities.

Sustainability at Chiquita Brands International

Developing and initiating a sustainability strategy involves many steps. Chiquita Brands International, a leading producer and distributor of bananas, began its sustainability program by creating a Corporate Responsibility Steering Committee consisting of senior and middle managers. The goal of the committee was to determine a way Chiquita could introduce values management into the organization. The result was Chiquita's "Code of Conduct . . . Living by Our Core Values," which established standards including social responsibility. The Code includes the requirements of Social Accountability 8000 (SA8000) and a goal to have third-party certification to SA8000 of all facilities located in Latin America. It also details its reporting guidelines, which includes an identification of measures and indicators. These reports are distributed to employees and disclosed publicly. Chiquita also established the position of Corporate Responsibility Officer. The officer reports directly to the CEO and Board of Directors. Prior to the creation of this position, sustainability was the responsibility of operating managers who did not receive much oversight.[13]

Despite these developments, Chiquita continues to face the difficulties that plague many multinational corporations. In many countries, government security of employees is not effective. Chiquita was recently fined for financially supporting a terrorist organization to protect its employees in Colombia. Additional lawsuits were filed against Chiquita seeking compensation for the deaths of people allegedly killed by the terrorist group.[14]

Many companies are globalizing into countries where current social and environmental regulations are lax. These companies are faced with severe competitive pressures that question whether global standards are too costly or unsafe for the operations in many countries. Deciding whether to follow a global standard or to follow common country practices or locally adapted standards is just one of the many challenges that multinational corporations encounter when trying to set a sustainability strategy.

And finally . . .

So companies know that it is critical to formulate a sustainability strategy, but how to formulate and execute it remains a challenge. This book provides a framework and model for implementing sustainability in large, complex, global organizations. But, for this to happen:

- Sustainability must be an integral component of corporate strategy
- Leadership must be committed to sustainability and build additional organizational capacity
- Sustainability strategies should be supported with management control, performance measurement, and reward systems as appropriate
- Sustainability strategies should be supported with mission, culture, and people as appropriate
- Managers must integrate sustainability into all strategic and operational decisions. Then, additional systems and rewards can be introduced to formalize and support
- Managing sustainability performance should be viewed not only as risk avoidance and compliance but also as an opportunity for innovation and competitive advantage

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