

**How Durable is Sustainable Enterprise?
Ecological Sustainability Meets the Reality of Tough Economic Times**

by

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Abstract

Today's business leaders are pressed to achieve ecological (eco) sustainable enterprise, but must do so with fewer resources. Given a protracted global recession, our concern is that the motivation for eco-sustainability may not be as strong as hoped for, nor as swift or durable as expected. To create a more explicit discourse on eco-sustainability activities during a recession, we set forth a framework to help business leaders examine their strategic perspective based on their organization's identity. We describe how this may influence how leaders broach change within their organizations, taking a surface or deep approach to achieve eco-sustainability. The intent is to highlight the importance of honestly assessing the firm's purpose and to work toward a more relational orientation in the new economy. To establish eco-sustainability during this recessionary period, we believe a middle path is needed, adopting a blended perspective. We offer three practical steps to begin this effort that include reflection on the firm's values, development of relationships, and cultivation of different forms of change.

Key words: ecological sustainability, green business, organizational change, recession

For at least another hundred years we must pretend to ourselves and to everyone that fair is foul and foul is fair; for foul is useful and fair is not.

–John Maynard Keynes

HOW DURABLE IS SUSTAINABILITY?

In the early 1930s Keynes (1931; 1936) explained that it would take some time before the accumulation of wealth would no longer be viewed as the motive for enterprise. He went on to suggest that if we hoped to rid ourselves of the pseudo-moral principles that tend to guide business practices, a major transformation would have to occur. The recent focus on ecological (eco) sustainability looked to be a promising motivational force for the creation of such a deep change. But then the impacts of a major economic recession started to take hold. When asked if their firm's efforts to go "green" would be reduced by current economic conditions, forty percent of eight-hundred senior managers from around the globe said they would be, with the reduction particularly obvious within transportation and energy industries ("Survey: Recession", 2009). Given the potential for pulling back from eco-sustainability activities, the question "How sustainable is the sustainability movement?" becomes a relevant concern.

Scholars note that the academic literature is inconsistent about terms referring to corporate social responsibility (CSR) and how it is to be implemented (Carroll, 1999; Jones, 1983, 1995; Porter & Kramer, 2006; Windsor 2001). To add clarity to the existing literature and to address the question of the sustainability movement's durability, we take a more granular approach, targeting the environmental aspect of CSR in relationship to profit. This does not mitigate the relevance and importance of the social or human components; rather, it allows us to identify specific examples to help us establish our argument. While we target eco-sustainability, the elements of our framework will be useful to those who seek to apply CSR more broadly.

We view this recessionary period as a pivotal point in shaping the future of sustainable

enterprise. Leaders are currently strategizing and repositioning their firms and the nature of their organization's identity will command a major influence in how central eco-sustainability is featured within those plans. The contraction of markets has acted to reinforce or mitigate processes, practices, and products that are environmentally responsible. Drawing insight from change management we argue for a blended approach to sustainable enterprise, one that fosters and attends to relationships and can help create a weave between individual and collective interests. Such an effort can simultaneously employ incremental change to evaluate and adopt green practices that enhance long-term profitability while also engaging a deeper process of transformation to generate innovation for sustainability.

This blended relational orientation accomplishes multiple objectives that are not driven solely to achieve eco-oriented goodness. First, by voluntarily undertaking an effort to become a sustainable operation, internally driven directives may head-off governmental efforts and regulations that may or may not be in an organization's best interests. Second, to the extent the efforts can be marshaled at an industry level, they can serve to evenly spread the costs of eco-friendly processes among organizations. Third, by getting ahead of regulatory efforts, organizations can build goodwill among suppliers, consumers, and potential customers. Further, by undertaking an honest accounting of their sustainability activities, organizations can better defend themselves against greenwashing claims; that is, charges that they are merely masquerading as being eco-friendly. Beyond a surface approach to alter current practices, some organizations may engage in a deeper process of transformation during this financial downturn as well. These firms are likely to reap first-mover advantages in the area of innovation and culture change, which will help to ensure their future viability.

Why Sustainability? Why Now?

The global financial crisis has led many to ask deeper questions about finance and capitalism. In a review of capitalism and CSR, Bendell and his colleagues (2010) tapped insights from global leaders, with many calling for a new kind of capitalism, one that leverages the benefits of free-market coupled with a foundation of “sound ethics and a strong sense of morality” (p. 10). The notion of *creative capitalism*, coined by Bill Gates and Warren Buffett, supports this idea. Some leaders, like John Mackey, CEO of Whole Foods, prefer the term *conscious capitalism*, explaining that social purpose and profit are balanced through voluntary cooperation. Mackey claims that “self-interest and altruism can not only coexist, they can both thrive simultaneously without a lot of government meddling” (Sacks, 2009, np). Such models assume that leaders will adopt a shared sense of responsibility and commit to a balance—a weave between shareholder and stakeholder strategic perspectives.

By *shareholder perspective* we mean an organization with profit maximization as its only goal. In Friedman’s (1970) view, this strategy puts shareholders as the main constituency that leaders must satisfy, given their fiduciary responsibility to investors (Vogel, 2006). A shareholder perspective operates from a self-orientation, perceiving that owners and leaders of the firm should make decisions to protect the firm’s best interest. Alternatively, a triple bottom line (TBL) approach to business calls for firms to consider social, ecological, and economic concerns to achieve CSR as the foundation of business enterprise. Here, a *stakeholder perspective* typically drives organizations, where the goal of eco-sustainability is on par with profit. Organizations operating from this perspective hold a more inclusive other-orientation, meaning that all those who are associated with the firm (customers, suppliers, members, the environment, etc.). In reality, this distinction is not binary; rather, it is a continuum between the two perspectives, based on factors such as management goals, pressure from external

stakeholders, and governmental regulation among others. The recession highlights the attractiveness of a blended “both/and” relational orientation, drawing benefits from both views.

When considering how to enhance eco-sustainable activities, organizations tend to draw insights based on assumptions that are deeply rooted in their identity. Strategies emerge from and re-enforce existing beliefs about how to conduct business. To describe this point, a leader in environmental issues was asked how firms keep up their eco-sustainability efforts during a recession: “It depends upon where [companies] are on the sustainability journey and why they are embracing it.... If they see it as a ‘nice to have’ but not a necessity for the sustainability of their business, then it will not be a priority.... Often, the issue is the time frame within which returns are expected. Most sustainability initiatives are long-term commitments and, therefore, often do not fit within the quarterly profits model” (Marshall, 2009, p. 25). The recession has made it more obvious that leaders need to make a decision: have they “really concluded that sustainability is a core part of their strategy and can really affect the bottom line?” (p. 25-26).

Those with a shareholder perspective may be more predisposed to cut back on green initiatives that do not impose cost savings, arguing that belt-tightening must occur and non-essential activities must be curtailed. That may shortchange opportunities for innovation for sustainability that could improve long-term competitiveness. In contrast, those with a stakeholder perspective, in their fervor to be true to their green roots, may not adapt to the practical realities of the bottom line and accomplish no more than increasing the probability of going out of business. Therefore, to sustain the livelihood of enterprise and to do so in a way that is environmentally sound, a more cooperative stance will be needed, one that draws upon the strengths of both perspectives.

While the recession may spark the impetus to look at how the firm broaches

sustainability, it also complicates management's decision-making efforts. Perhaps rightly so, leaders in the United States have become more risk-averse (Shellock, 2009). As investment has fallen and credit becomes more stringent (Kohn, 2009), the uncertain business environment will guide leaders to choose what they perceive as less risky options (Keynes, 1936). For investment generally, Ghemawat (2009) argues there is a distinction between *financial risk*, the risk of a lower than expected return on investment, and *competitive risk*, the risk of losing future competitive advantage. In a recession, firms may place too much emphasis on financial risk at the expense of the strategic decision to take competitive risks (Ghemawat, 2009). That principle should apply not just to capital investments, but to eco-investments as well. In essence, the financial stress present in the system today can influence the perception of the tradeoffs of those two types of risk; therefore, those with a shareholder perspective are likely to view green activities as having a higher financial risk than those with a stakeholder perspective.

Curiously, firms with favorable sustainability reputations in the United States like General Electric, PG & E, and Procter & Gamble, included among the global leaders in managing environmental, social, and governance issues (<http://www.global100.org/>), are typically shareholder driven. GE Chairman and CEO, Jeff Immelt said, "There is a green lining among the current economic storm clouds and GE customers and investors are benefiting" (McGinn, 2009, np). Here, we see that GE's eco-focus does not stem from a deep sense of CSR; rather, it is a strategy for gaining a strong position in a range of high-growth and high-margin markets. These companies appear to have found a way to balance the tradeoffs between financial risks from the recession and longer-term competitive risks of forgoing green investments.

The recession has given many an opportunity to access their current stance toward sustainable enterprise. Many are asking why go green now? Some recoil from this question,

claiming that sustainable enterprise is always the right thing to do. Yet the reality is that investors have an expectation of a return; therefore, by implication they are not altruistic. Perhaps ironically, sustainable enterprise is what Vogel (2006) calls a *market for virtue*. A decreased willingness by some risk-averse managers to pursue a green path might increase the possible benefits for those willing to pursue a more aggressive one. This opens the possibility for first-mover advantages into untapped virtuous markets.

Being a green leader means adopting eco-sustainable practices to stay ahead of regulation, lead proactive stakeholder engagement, reduce risk, maintain a good corporate image, and finding areas of opportunities for eco-efficiencies. As a business leader, can you say that your values for humanity and the planet are being exercised in how you do business? Or are these values pseudo moral principles that are merely posted on mission statements but not actualized into strategy and practice? We argue that the question is not about if your firm should risk engagement in sustainable enterprise, but how you can do so today, helping your organization to be more productive and profitable in the years to come.

EXPLORING GREEN PATHS IN RECESSION

Evidence supports that there is ardent concern from leaders, working to be more aware of and address eco-sustainability, attending to pollution, energy efficiency, and their carbon footprint (Marshall & Brown, 2003). In fact, eighty percent of the world's largest corporations reported on their corporate social and eco-activities in 2008 (Edwards, 2008). We know that the firm's identity shapes the kinds of sustainability activities they choose to adopt, or their lack of willingness to do so. We argue that there is a middle ground, providing fertile soil for a durable sustainable enterprise. Figure 1 illustrates our overall framework and the overlapping concentric circles illustrate this blended perspective. Before describing the green paths within our

framework, it is important to note that we assume organizations comply with laws and regulations. The phrase *beyond compliance* describes actions taken that are not required by law, but assumed to be relevant, important, and adopted voluntarily. Green businesses realize the need to do more than what governments ask, especially when stakeholder forces are demanding more rigorously green product development.

--Insert Figure 1 about here--

As companies contract in response to the recession, trimming their strategies and ensuring a tight focus on the firm's core purpose, this is perhaps an ideal time to generatively establish revised standards, partnering with other industry leaders, to meet and exceed government program expectations. For example, Verizon has gone *beyond compliance* by setting energy performance standards for suppliers. Home Depot has imposed air pollution controls for their diesel trucks, informing suppliers and distribution companies that they would impose government regulations sooner than required. When industry moves ahead of regulatory stipulations, centralized government programs that often come laced with political priorities do not have to weigh down eco-activities with additional bureaucratic costs. While the demand for green products remains underdeveloped, it is an important responsibility on the part of industry to surmount real and/or perceived price/quality issues and to educate consumers. For example, Wal-Mart, has recently announced efforts to reduce emissions along its supply chain and aid suppliers in doing so ("Wal-Mart pledges", 2010). Seeing the demand for eco-education, Wal-Mart has also stepped up to the plate to help educate consumers with plans to create a Sustainability Index, providing tools to help consumers better understand how some products are greener than others. In a recession, the financial risks of moving beyond compliance are magnified and the competitive risks of not moving beyond compliance are obscured.

Organizations must respect both risks and thoroughly assess the tradeoffs from evidence rather than perception. Figure 1 offers a framework as a starting point for that assessment.

Incremental Investments for Eco-Sustainability

It remains a challenge to understand how organizations with a shareholder perspective view sustainability in the context of adhering to their fiduciary responsibilities. To unpack this issue we identify two types of eco-sustainable activities: direct and indirect investments. *Direct investments* in sustainability are efforts that directly relate to normal business operations. They are likely to involve increased costs in the short-term, but are considered as long-term investments because they offer potential benefits over time. Eco-activities along the value chain and research and development (R&D) are of this type. They have the potential to enhance profits, since there is uncertainty about whether actual monetary gain will be realized. *Indirect investments* in sustainability are efforts that do not directly relate to normal business operations and involve increased expense. Charitable-giving and other philanthropic efforts for ecological causes are examples of this type. Indirect eco-activities also have the potential to enhance profits by building reputation and goodwill (Schnietz & Epstein, 2005). While such benefits can be substantial, they are often intangible and hard to measure. Here, monetary gain may be realized through brand recognition and differentiation, but the connection is not clear. The direct effect is a reduction in profit by diverting resources to deploy investments in sustainability.

In a recession, the financial risk of indirect investments rises and thus they are likely to be curtailed. This is analogous to the observed reduction in charitable-giving among individuals and institutions in the United States during the current recession (Strom, 2009). Direct investment activities may or may not be reduced in the recession, but they depend on the perception of the tradeoff between financial and competitive risks. Organizations with a

shareholder perspective, may tend to cut back on them more than those with a stakeholder perspective. Only direct investments perceived as major cost saving strategies or investments in R&D will likely be widely upheld. One way to categorize direct investments is with a value chain analysis, which links operational activities of an organization and the support functions used to turn inputs into goods and services (Porter, 1985). Sustainability in this vein presupposes profit-maximization (Kleindorfer, Singhai, & Van Wassenhove, 2005) and is meant to advance competitive advantage. An initial step advocated is to engage in a life cycle assessment (Pennington et al., 2004; Rebitzer et al., 2004), which can minimize the environmental impact of a product throughout its usefulness and beyond. For example, firms like Pepsico and Hewlett-Packard recognize packaging must be dematerialized and energy and water efficiencies increased (Sarni, 2009).

In a recession, organizations with a shareholder perspective may magnify the short-term costs of these activities while discounting longer-term benefits. We assert that such determinations are shortsighted. Any activity whose incremental benefits outweigh the incremental costs should be pursued. For example, Apple recently prevented shareholder efforts to produce comprehensive sustainability reports while the company simultaneously touted its efforts to advance life cycle assessment (adding eco-activities within its supply chain), reducing environmental impact of its Macbook, and greening packaging materials (“Apple shoots down”, 2010). An organization with a stakeholder perspective, because they consider other factors beyond profit may not pursue all of these direct investment options either. For example, suppose an organization has the option to acquire organic produce from a farm that is twice the distance from the organization but half the cost from their current organic supplier. They may not pursue those cost-savings on the basis that the longer supply-chain increases pollution from transport of

the produce. In a recession, foregoing cost-savings in exchange for an environmental benefit is also shortsighted. What likely needs to occur is an honest accounting of the financial and competitive risks free of pre-formed judgment. Shareholder focused organizations should not automatically dismiss incremental investments due to perceived financial risks. Similarly, individuals that push for greater consideration of stakeholders should not unfairly question the motives of organizations for simply considering the financial costs of incremental investments.

Innovation for Eco-Sustainability

While externally imposed ecological regulations and self-directed incremental changes can stimulate innovation to offset the cost of compliance (Porter and van der Linder, 1995), they are limited because they force organizations to prevent, detect, and punish violations, rather than motivate sustainability through values, attitudes, and practices. Innovation for sustainability means valuing the environment at the heart of business enterprise. “An innovation is a new idea” (Van de Ven, 1986, p. 591). Thus, innovation represents “nonroutine, significant and discontinuous organizational change” (Mezias & Glynn, 1993, p. 78) and the generation of novel distinctive thoughts, different from existing concepts already present (Galbraith, 1982). Innovation for sustainability moves to replenish renewable resources, find alternatives for non-renewable resources and recycle or assimilate production waste.

Examples of firms that innovate for sustainability are the New Belgium Brewing Company (NBB) and Patagonia, Inc. As outlined by Sheb, Ferrell, and Ferrell (2006), NBB strives for cost-efficient, energy-saving alternatives to reduce its environmental impact. This firm’s focus on energy efficient brewing processes and eco-friendly technologies and practices are reflected in their mission statement: *To operate a profitable company which is socially, ethically, and environmentally responsible, that produces high quality beer true to Belgian styles*

(<http://www.newbelgium.com>). In alignment with the company's core values, practices and strategies, the employee-owners unanimously agreed to invest in a wind turbine, making NBB the first fully wind-powered brewery in the United States. Employees voted to forfeit their bonus pay to help the firm reduce its carbon dioxide emissions by 1,800 metric tons per year. The organization consistently monitors and detects its ecological costs and benefits by tracking the firm's carbon footprint. Like NBB, Patagonia, Inc. is another example of an organization with a focus on innovation for sustainability. Their mission, *Build the best product, cause no unnecessary harm, use business to inspire and implement solutions to the environmental crisis*, clearly exceeds a profit motive. Working to create innovative sports apparel, they reuse materials as standard practice. Employees give time in service and at least 1% of the company's sales go to hundreds of grassroots environmental groups globally. As a part of their business operations, Patagonia seeds and spreads innovations that reduce environmental harm locally and globally (Gonzalez-Padron, Hult, & Caltantone, 2008).

Innovation for sustainability requires the strength of free-thinking, unbound from having to prove how current standards can be met. Instead, employees are encouraged to generate fresh dynamic ideas, distancing themselves from self-affirming biases and assumptions that serve to reinvent what is already known (i.e., existing practices). In an attempt to stimulate a culture toward systems thinking, Procter & Gamble has expanded their *design thinking* staff (Wong, 2009). Despite the potential of systems and design thinking, until environmental and social issues become part of the purpose of the organization, new products and processes may not necessarily be more sustainable.

To cultivate this type of purpose, leaders need to develop a collective sensitivity to those outside the firm. Employees need to be encouraged to consider and evaluate the organization's

broader impact and to work collectively to identify opportunities where they can make a favorable influence on the planet as a part of their strategic operations. A climate of moral sensitivity encourages empathy, a feeling of deep concern for society and the environment (Baucus, Norton Jr., Baucus, & Human, 2008), which helps bind people to pursue novel, more ecologically efficient and effective processes and products. This can unleash innovative power, which drives innovation for sustainable enterprise (Senge, Smith, Schlev, Laur, & Kruschwitz, 2008). To be innovators for sustainability, employees need access to up-to-date information that aligns with the firm's sustainability strategies (Ambec & Lanoie, 2008).

Taking this information together, we suggest that during a recession it is vital for organizational leaders to balance the financial risks of innovation against the competitive risks of failing to innovate.

INSIGHTS FROM CHANGE MANAGEMENT

To understand the durability of sustainable enterprise, we draw upon the change management literature, arguing that firms who produce profits for shareholders will likely take a more surface approach to sustainability. Conversely, we believe those who produce profits in the context of stakeholder responsibility will take a deeper or transformational approach. This distinction becomes particularly relevant to the continuation or adoption of eco-activities during recessionary periods. To explicate this point, we describe how two general forms of change relate to the durability of sustainable enterprise.

First-order change incrementally focuses on resolving specific problems (Bartunek & Moch, 1987), but these modifications do not alter the system's core or its identity. Rather, they move to increase effectiveness or to improve capability by fixing, amending, or tailoring existing processes and practices. Second-order depicts change that goes to the very root of how people

think about and define their organization and work. While incremental changes are important for surface strategies, to alter the culture of the organization toward sustainable enterprise, transformational change is likely required. When the assumptions that guide, direct, or govern the organization are transformed, the structure of the organization goes through a palpable conversion (Ford & Backoff, 1988). In transformation, the identity of the firm becomes malleable, where form and function can be reshaped, and a deeper level of change can emerge (Quinn, 1996). This requires an overt shift in the attitudes, beliefs, and values of organizational members at every level (Bartunek, 1988). The success of transformation emerges when leaders, employees, and stakeholders form a shared desire to build capacity through new attitudes and ideas. Transcending complacency and generating interest and commitment toward sustainable enterprise are essential. The generation of positive emotions has been associated with innovation for sustainability, as appreciation, interest, and empathy are conducive for moral sensitivity toward the environment in business operations (Arnaud & Sekerka, *in press*).

To establish sustainable enterprise, leaders cannot simply impose changes to the existing organization; rather, a deeper level of understanding is co-created by people representing all areas of the system. Brown and Covey (1987) describe how an ecological perspective is appropriate for this sort of change, providing interconnectivity of organizations within networks of business partners, consumer groups, regulatory bodies, and community interest groups and competitors, with extended links to other organizational systems. Impetus for such organic movement can emerge from any part of the system. In this manner, transformation creates a ripple effect extending beneficial impacts through cooperative linkages.

Positive Change in a Recession

With change being the only constant in business, those who adapt and are willing to learn will

have a greater likelihood of success (Lockhead, 2008). Any change is difficult, but empirical research reflects a host of challenges, with transformation being particularly complex (Dunphy, Griffiths, & Benn, 2007). Competing demands of regulation, downsizing, and global competition in times of financial distress may dull the intensity of desire, in wanting to go green and staying committed to a path of sustainable enterprise. When asked about their future plans during the recession eighty-one percent of 2,000 large and medium-sized firms that planned major changes said they intended to realign their organization and processes, with fifty-three percent putting strategic repositioning as a priority (Stern, 2008).

Following the example set by strategists, managers can use economic slowdowns as a catalyst for self-examination. For example, Bain & Company emphasizes that a slowdown is a manageable risk. Downturns are used as a time for introspection to identify weaknesses (*Controller's Report*, 2008). During a recession in the 1990s, researchers found that when organizations framed downturns as a critical tool for survival, they were able to shift from a reactionary modality to a more proactive stance toward implementing effective change (Bohman & Johansson, 1998). As management looks at the reality of current practices, processes, and strategic investments, while weaknesses need to be attended to, strengths can also be leveraged, with a keen eye toward eco-sustainability. Such efforts can help determine where 1) new opportunities for green practices and processes reside, 2) alliances and partnerships can be formed, and 3) novel markets and product development ideas can be generated. With thirty-four percent of the market unaware of what green products are, and only half the market actually buying them, there are vast opportunities for innovation (Hopkins, 2009). Making incremental changes based on internal introspection can lead to prudent investments contributing to enlightened self-interest (Mintzberg, 1983).

If business leaders are serious about establishing enterprise that is responsible to the environment, it may mean reinventing their organizations. Genuine sustainability implies a new way of seeing who you are as an organization and creating a new path for implementing this vision (Epstein, 1987; Goss, Pascale, & Athos, 1993; Mintzberg, 1993, Pettigrew, 1990). Transformation can evoke innovation, helping employees imagine the future and the firm's role in that ideal. Processes to cultivate this type of change move people to identify strengths and leverage them to establish new underlying principles for a new way to conduct operations. But transformation is a continuous effort to help guide ongoing discovery, moving the organization to establish new markets and build additional capacity (e.g., Cooperrider, Whitney, & Stavros, 2008). Crisis, like what is experienced during a recession, is an important catalyst for transformation (Posner & Rothstein, 1994); however, it can also be an impediment if used as a sustainability ruse, simply getting employees to do more with less. Establishing commitment to an ongoing process for deep change can be hard to muster, especially in a recession where employee anxieties may be particularly high.

Some organizations work to maintain a kind of ongoing transformation as a part of their identity. Clothing manufacturer Timberland is an example of this type of ongoing transformative cooperation (Sekerka & Fredrickson, 2008), managing change from the inside out. They incorporate and account for the environment in both their processes and outputs as a function of daily work practices (Bouchard, 2009). But for efforts toward sustainability to be successful and durable, they must be tied to performance goals, as exemplified by another sustainability leader, Intel. They recently launched an initiative where every employee's annual bonus is tied, in part, to how well the company does in meeting its sustainability goals.

In Figure 1 the shaded circle to the left depicts the notion that organizations with a

shareholder perspective will take a surface or incremental approach. They will likely maintain direct investments in a recession as long as the financial risk is less than the competitive risk of inaction. The shaded circle on the right reflects the notion that organizations with a stakeholder perspective will tend to undertake transformation. By ingraining these values into their core they will tend to pursue more innovation, emphasizing the competitive risks over the financial risks. As firms use this period to reevaluate their operations, they need to examine the congruency between their investment choices and the firm's vision simultaneously (Montanari, Morgan, & Bracker, 1990).

We believe a blended perspective is optimal, having the capability for investment in eco-sustainable activities and innovation for sustainability; an orientation based upon the development of relationships to help support profitable sustainable enterprise (depicted by the overlapping circles). To ignite and maintain a more durable form of sustainability in a recessionary period, we must honor the strengths stemming from both perspectives (depicted by the all encompassing circle). In effect, this is more likely to produce a diversified strategy that balances the financial and competitive risks in the new economy.

If leaders are willing to consider this cooperative stance, we can perhaps conduct a more open and honest dialogue about green business, and more accurately assess the risks of eco-sustainable activities during recessionary periods. This negotiated stance will mean a more balanced coupling of profit-motives derived in concert with stakeholders, implementing changes to the existing system while also moving to generate deep change at the core of the organization, where assumptions and existing beliefs can be examined, challenged, and potentially altered. In a recession it is critical that decision-makers do not allow preconceived perspectives to cloud their current judgment.

Practical Next Steps

When choosing to sustain a green path forward, we offer some practical advice to business leaders and decision-makers. By implication, our framework suggests three key next steps for business leaders: 1) *reflection* on the realization of their firm's values, 2) development of *relationships* to act on these values, and the 3) cultivation of different forms of *change*. We now describe these steps.

First, leaders need to engage in *reflection*, contemplating how their mission and strategic plans directly address the environment. Decision makers need to ensure consistency between their firm's perspective and its orientation along side of eco-sustainable enterprise, and how this is manifest in organizational members' daily actions. This will aid in the balancing of long-term competitive risks with short-term financial ones. Second, a dedicated effort must be undertaken to share information, to be transparent to internal and external stakeholders regarding the organization's eco-sustainable processes and practices. This means a focus on *relationships*, seeking to build capacity by edifying current strengths and by co-creating next steps that focus on establishing shared value for the organization and others as well. Third, to pursue a relational approach that helps to generate profits in concert with care for the natural environment, leaders will also have to create *change*, both surface and deep. Incremental change can be put into effect quickly, signaling to shareholders and stakeholders the organization's intent, and provide the impetus to drive the implementation of new strategies. Transformational change requires a commitment to eco-sustainability from the inside out, maintaining the willingness to care about the environment at a deeper level; from within the core of the firm's identity. Regardless of how the organization ultimately chooses to engage, to ensure that their performance reflects sustainability, metrics for eco-sustainable enterprise must be employed throughout the business

process. Values to care for the environment must put into measurable action, as opposed to melting into pseudo moral principles.

To the extent these efforts can be marshaled at an industry or broader level, leaders can work together to share risks and ward off regulation. For example, B Corporation (www.bcorporation.net) is a fee-based certification and consulting non-profit organization. They certify social and environmental performance as well as provide best practices to member organizations. A similar organization, Corporation 20/20, is developing a model and best practices for transformational efforts (www.corporation2020.org). It remains to be seen whether these operations or other emerging alternatives will prove to be effective. But organizational leaders should seriously consider and investigate these novel types of relational eco-support alternatives.

From a public policy perspective, our framework suggests other areas of engagement. If policymakers desire more transformation from organizations then policies to mitigate the financial risk of innovation for sustainability, or increasing the competitive benefits of that type of activity would be fitting. Subsidies for developing innovations that meet a government specified “green” criteria would be an appropriate policy to accomplish this goal. Similarly, if policymakers desire more incremental changes and direct investment, they would similarly need to reduce the financial risk of those investments or increase their competitive benefits. An investment tax credit for green investments would be one example. However, the reality of the current state of government finances in the United States suggests that the appetite for deficit-increasing policies like subsidies and tax credits is extremely low. Therefore, if these eco-sustainable activities are truly valued, then the organizations themselves will need to assume a leadership role, and do so by committing some of their resources without extensive governmental

support.

CONCLUSION

Twenty-five years ago Kanter (1983) recognized that the emerging global economy would require more social and organizational innovations, ideas that were developed based upon interdependencies and network alignments. She saw that deep change to foster innovation would call for enterprise zones and the development of collective problem-solving task forces. Simultaneously, Mintzberg (1983) cautioned that sustainability would only emerge when it was in the firm's best interest. Recognizing that investment theory directs eco-sustainability decisions based upon risk and returns he ultimately concluded that, "The heart of the matter is all about management." His words were a call to leaders, not insisting that they "cure society's ills," but cooperate ethically to "tilt" the efforts of the corporation toward what is useful to society instead of what is useless or even destructive (p. 12-13).

The global market theory of today suggests the firms must be creative, innovative, and discover how to do *good* business. But doing good does not have to be for the sake of virtue in and of itself; good business comes with pragmatic incentives. Eco-sustainable enterprise means saving dollars internally and making dollars externally. If organizations provide customers with competitive value, leveraged sustainability can be a point of differentiation, shaping future industries. Such a stronghold will help firms establish market share, become preferred suppliers, and transform brands and organizational identity for the better. Companies will compete better if they continually strive to create sustainable products that are reliable, durable, and of good quality. The notion of deep change in the global marketplace is about developing green products that represent and respect the needs of others beyond self interest. Sustainable enterprise means connecting environmental issues to the goals of business in complementary ways.

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Figure 1. Paths toward Sustainable Enterprise Influenced by Identity, Perspectives, and Approaches to Change

