STARTING OUR JOURNEY TO SUSTAINABLE DEVELOPMENT

Introduction

Where does the path to sustainable development begin and where will it take us? There are several important clues to help you answer these questions that can be found in the previous chapter. First, the path always has its beginning at the local level – even when one is considering the global impacts of our civilization here on earth. Second, the destination does not need to be fully understood before the journey can begin. Third, the path is delineated by the sustainable development principles. As the proper principles for each journey are selected and adopted, the path will become clear. The selection of principles can also be accomplished at the local level for each organization that chooses to move down the path to sustainable development. Multi-national corporations and national governments often seek to prescribe the sustainable development journey. However, it is up to every local unit to take its own journey – hopefully one that is carefully aligned with the larger vision. Fourth, the organizing method is the “vehicle” within which the organization will move down the path on the journey. It may seem prudent to choose a sturdy vehicle (e.g., The Natural Step, SIGMA Project, Global Reporting Initiative or the Systems Approach). However, the path may be too ill-defined to accommodate this vehicle near the start of the journey. In all the organizing programs, it is possible to design your own vehicle with parts from many of the available models.

Just as in the case of the definitions and principles, there is no agreement on the path to sustainable development. Many sustainable development programs are driven by initiatives that are linked to what many call best practices. The focus is on programs and places, not on processes. A typical listing of programs that should be initiated is as follows:

- Renewable energy
- Procurement and stores
- High performance (green) buildings
- Landscaping and grounds
- Dining services
- Communication services – office equipment and printing
- Transportation, parking, and fleet maintenance
- Laboratories and research facilities
- Greenhouse gas inventory
- Green cleaning
- Administrative services
There are two major supporting operations to such an initiative-driven program. The first is changing behaviors of people so that they will participate effectively in the initiatives. A second operation is to keep track of best practices both from within the organization and by benchmarking with other similar operations. Most of these initiative-driven programs are implemented in a top-down fashion. The leaders endorse policy statements and principles and everyone is expected to follow them – hence the behavior change element. It is relatively easy to establish such programs. However, it is quite difficult to sustain them for any period of time. It is necessary to have a program structure, not a project structure, to enhance the sustainability of the sustainable development program. Just “doing stuff” is not a journey! It is not that these projects are not important – they are! There has to be a structure to hold them together and allow them to operate in a systems fashion. It is important to have a component that addresses true performance by getting leadership, employees, and all other stakeholders moving in the same direction and quantitatively monitoring the continuous improvement of the program. A true performance program also uses strategic planning; measurement, analysis and knowledge management; and process management.

Before Agenda 21 was written, sustainable development and environmental management were considered to be the same. Sustainable development was interpreted as the need to improve environmental performance and reduce material use and waste and to generally improve the “eco-efficiency” of the operation. Thinking progressed over the next ten years. It was felt that addressing environmental and natural resource issues is necessary, but not sufficient to assure a sustainable future. Economic and social imbalances caused in part by the poor distribution of economic growth must also be overcome if sustainability is to be achieved. During this period of time, we have witnessed the development of the field of corporate social responsibility (CSR) to specifically address business’ role in addressing these issues while not diminishing its focus on the environment. Yet, there are still those who have programs that emphasize only the reduction of the environmental footprint and improving resource efficiency. It is much more difficult to put in place a program that addresses the environment, social and economic responsibilities in a fully integrated manner. When an organization pursues eco-efficiency and not the other responsibilities, many feel that the organization is just interested in “greening” - not in sustainable development.

Planning for any journey usually entails a period of information gathering. Many sustainable development programs start by looking at the impacts (e.g., environmental, social and economic) of the organization. This examination is often conducted at a facility level or corporate level and can make a number of invalid assumptions about the individual processes and operations as they operate within a system at the local level. By focusing on the impacts, an organization may be precluding the opportunity to change its individual processes to completely avoid some of these impacts. This element of prevention at the source is at the crux of how to achieve sustainable development. Simply reacting to impacts or controlling the processes or operations to ameliorate the impacts will never deliver the same value to the organization – a key component of any sustainable development program. You will be introduced to a unique hierarchical
process mapping method that can be used to characterize processes for creating both products and services.

After preparing information on the processes, the organization can look at the myriad of impacts. However, instead of using “experts” to assist in this task, I will propose that the organization poll the stakeholders to determine their interests regarding the processes and operations controlled by the organization. If you have ever followed an election or other political event, you are well aware of polls. With a clear picture of your operations in the form of hierarchical process maps, you are in a position to readily share information with the stakeholders as they are polled.

Finally, the organization will begin to plan the journey. There are a number of methods that can be used to lay out the path for the journey that lies ahead.

Hierarchical Process Mapping
The first tool in the Systems Approach to Sustainable Development is known as hierarchical process mapping\(^1\). It is a tool that takes a systems view (i.e., everything is connected to everything else) of all the processes that are responsible for supporting the mission of the organization. All information involved in the proper management of the company can be linked to the process(es) using a variety of different accounting sheets that are linked to the hierarchical process maps.

A hierarchical process map is a visual representation of the work flow either within a process or an image of the work in the entire operation. This work flow can result from operational processes (i.e., resource flow ending in a product or service) or business processes (i.e., things people do). Process mapping is an organized way to record all the activities performed by an organization with a customer in mind.

Typically a preliminary top-level process map can be prepared from existing process information or with the assistance of a cross-functional group of people, each with their different perspectives on how a process works and determining the proper perspective for the map. Other diagrams and “maps” can be readily converted into hierarchical process maps. You must be careful to distinguish between a main process (i.e., a core process that supports the mission of the organization and creates a product or service for the customer) and a supporting process (i.e., one that supports the operation of the main process). Remember, the hierarchical process map itself is only a tool to help people understand the process and reach consensus and allows everyone to see how their roles and interests can be integrated into a single unifying vision of how the overall organization operates.

The hierarchical arrangement of the work steps is depicted in the following manner:

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At the lowest or most detailed-level in the hierarchical process maps, a series of *accounting sheets* can be linked to the work steps. These documents help with the following tasks:

- Tracing the *resources* used and lost with each work task
- Linking the main process to the supporting processes
- Describing “aspects” in an ISO 14001 program and “hazards” in an OHSAS 18001 program.

An example of a resource accounting sheet is as follows:
Each resource used and lost in the process may create an “interest” for one of the stakeholders. Remember that uses and losses of resources are not impacts. The process can be changed to require different uses and losses of resources. If such a resource is eliminated at the source, true pollution prevention has been accomplished. This is also referred to in some countries as **cleaner production**.
It takes a considerable amount of skill to learn how to prepare hierarchical process maps. You don’t need to be an accomplished creator of hierarchical process maps to begin to gain an appreciation on how this tool can be used to communicate information between leadership and employees and between those operating within the organization and the host of other stakeholders that the organization deals with on a day-to-day basis. Sustainable development projects are aimed at improving the processes – not just addressing specific initiatives and mimicking others best practices. The selection of the projects is determined by the stakeholders, not the sustainable development initiative’s leaders. The manner in which the program actually operates will be covered later in the course. For now, it is important for you to consider how a process focus is different than an initiative focus and how each of these help define the journey to sustainable development.

**Starting With Eco-Efficiency**

Early in the development of the field of sustainable development, business responded to the use and losses of resources by developing the concept of *eco-efficiency*. Their definition of eco-efficiency was as follows:

“Eco-efficiency is reached by the delivery of competitively priced goods and services that satisfy human needs and bring quality of life, while progressively reducing environmental impacts and resource intensity throughout the life cycle, to a level at least in line with the earth’s estimated carrying capacity.”

It is very important to note that this important concept does not dwell on external impact; rather it focuses on what is in the control of the organization. Somehow most other concepts for initiating sustainable development lost this process focus.

Eco-Efficiency has five core themes:

1. An emphasis on service, sometimes referred to as “servicizing.” By focusing on what services to provide and not just what products to supply, companies open up opportunities to deliver less eco-intensive and higher value applications.
2. A focus on needs and quality of life. The key to improved service is understanding the customer’s real and often unarticulated needs.
3. Consideration of the entire product life cycle. Companies have a responsibility to consider the upstream and downstream implications of their activities and take action to mitigate them.
4. A recognition of the limits to eco-capacity. The planet’s capacity to assimilate pollution and waste and maintain resource yields is limited.
5. A process view must be maintained. All the principles of eco-efficiency must be applied with a systems perspective in the process and involve both the main process and all of its supporting processes.

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There are seven key dimensions that business should take into account when developing products, introducing process changes, or taking other actions with environmental implications:

1. Reduce the resource intensity of goods and services
2. Reduce toxic dispersion
3. Enhance material recyclability and reuse
4. Maximize sustainable use of renewable resources
5. Extend product durability
6. Increase the service intensity of products
7. Strive for zero waste throughout the process.

The concept of eco-efficiency, although originally restricted to environmental sustainability, is still necessary in the development of a sustainable development program since it is a management philosophy that links with other business ideas such as quality management and strategic collaboration. It also helps contribute to the sense of purpose and shared values that are central to achieving business excellence.

These concepts remain important today. However, they are being more carefully integrated with the interests of the stakeholders and the social and economic responsibilities of the organization.

**Replacing Impacts with Stakeholder Interests**

It is very difficult to determine the environmental impacts of a process or service. It depends on where the process takes place. The same process can have entirely different impacts depending on the local surroundings. Furthermore, the impacts at a particular location vary by season of the year, by temperature, wind direction, barometric pressure and a host of other local condition variables. Social and economic impacts are even more difficult to determine even with expert assistance.

The SIGMA Project suggests that the organization identify “issues” through engagement with its stakeholders regarding its activities and performance across each of the three responsibilities of sustainable development. By replacing “impacts” with “issues,” it is possible to use social research methods (e.g., surveys, focus groups, and interviews) to determine how the stakeholders view the issues associated with any organization. A number of sustainable development issues are listed by the SIGMA Project. Remember that you are measuring the stakeholder interests not the specific impacts. This is quite different than most organizations determine their impacts.

One weakness with the application of this approach is that most stakeholders will not have a good understanding of the process(es) used by the organization. Hierarchical process mapping is often used with the stakeholder engagement to provide some

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familiarity with the process and the use and loss of resources in that process and its supporting processes. The stakeholders can respond to these hierarchical process maps and resource accounting sheets in focus groups and interviews. Additional information may be needed by the stakeholder in order to provide a detailed expression of their interest. Sometimes the key stakeholders are invited to use their hierarchical process maps and come over and view the process.

Now let’s see how we can take a process view of the operation and use it to focus the stakeholders on how the process can be improved to direct the operation to move down the path to sustainable development.

Every product and service is the result of a process. These processes have supporting processes. All suppliers are treated as supporting processes. Customer use of the product or service can also be treated as a supporting process. All resources, activities, and information from the supporting processes can be traced back to the work steps in the main process that are responsible for them.

The hierarchical process map is used to capture all the work steps in the main process responsible for the product or service. Resource, activity and information are tracked by work step using accounting sheets. All this information can be tracked using a process database. Management and design professionals can use the database to understand the true impacts on their decision-making on the entire system. The hierarchical process mapping approach creates a visualization of the systems thinking that is needed to improve the sustainability of the organization by helping it address the three responsibilities: environment, social, and economic. By having all three responsibilities related to the process, it is possible to integrate them to enhance sustainability and create lasting value for the organization.

The Systems Approach to process improvement and sustainability rests on a firm foundation of understanding the process. This understanding is critically important for all those involved in process improvement activities, including the designers. The focus will be on the process – not on problems and waste. Process improvement seeks to change the process to prevent the problem and waste whenever possible. The same is true with products – to prevent stewardship issues in the use and end-of-life of the product. However, the issues in the process of making that improved product must also be factored in. By creating a “book of maps” for the entire product life cycle, one can begin to “see” the 20% of the work steps that create 80% of the issues expressed by the stakeholders. It is possible to build a product life cycle database by placing a priority on collecting the information on the key process steps.

All the information on the process is tracked using accounting sheets that are linked to the process work steps in the database. Examples of these accounting sheets are provided below both for process management and for use in the sustainability program.
RESOURCES – A PROCESS VIEW

RESOURCES
USED
(Normal)
(Special)
(Emergency)

WORK STEP

RESOURCES
LOST
(Normal)
(Special)
(Emergency)

SUPPORTING PROCESSES WITHIN COMPANY
SUPPLIERS AS SUPPORTING PROCESSES
CUSTOMERS (USE) AS A SUPPORTING PROCESS

All resources used and lost in the supporting processes need to be attributed to the proper work step in the main process that is responsible for them with a notation of the contribution. All resources and losses can be tracked in a database for the product.

The DESIGN of the product and process needs to take into account the resource productivity of the process that will deliver that product and the use factors of the product.
RESOURCES – A SUSTAINABILITY VIEW

The organization can prevent resource use and loss. Control lies solely within resource productivity and eco-efficiency. EHS controls are supporting processes. They create additional requirements for resource use and loss and are subject to failure leading to economic risk.

It is difficult to measure environmental impacts and occupational health and safety risks accurately and assign costs to them. They vary significantly based on the location and the people/environment in that area. Stakeholder interests can be polled with greater statistical certainty and used by production and design to meet the product’s production environmental responsibility. Suppliers and customer use can be added in the determination of the interests.

The stakeholder interests can be measured, tracked and trended to quantify the environmental responsibility. A scorecard can be created. Prevention is used preferentially to address the stakeholder interest. This area is scored using the process management criterion in the Baldrige Model.
PEOPLE (ACTIVITIES) – A PROCESS VIEW

All functional activities that are required for the work step to function under different conditions are included here. These include: human resources, environmental compliance, health & safety compliance, loss management, maintenance, operations, management, accounting, purchasing, public relations, administrative support, etc.). According to the 80/20 Rule, 80% of the functional activities are focused on 20% of the work steps. This focus is what is searched for to improve the process so that it can function more efficiently and effectively.

Designers need to have this information to prevent the use of these activities. Resources that are lost also require functional activity. Internal supporting processes, suppliers and customer use need to be considered. All activities in the management systems (e.g., ISO 9000) need to be included.
Employees work on process and staff the functional activities. They provide information to management. Management oversees the employee activity. Employees are active in the community. Resource use and loss are transported through the neighborhood and the community. The facility considers its social “license to operate.” The product use and suppliers have their own sets of stakeholder interests that need to be allocated back to the process. The suppliers are provided with a “Code of Conduct” to manage these interests.

All process activities need to be aligned to the vision/mission/core values of the organization and measured with the Baldrige Model strategic planning category. The people activities can be scored with three of the Baldrige model criteria: leadership, employee involvement and customers and other interests.
Process information allows employees and management to operate the process to ensure an acceptable financial return. All information used by the functional activities as they interact with the work step to function under different conditions are included here. Employees learn to make a business case for process improvements. Designers also select process options using the process information that is available to them. Suppliers and customer use are factored into the process financial model as well as all of the supporting operations and activities in the facility. Accounting and finance can now “see” where the costs are more intense and authorize process improvement to address these cases to prevent the costs. All process and design improvements operated on a “profit/loss” basis with formal action plans. This is a major shift from measuring in unit counts, weight and volume! Everything is properly translated into dollars at all levels of the operation.
Management, stockholders, and the financial community are not the only stakeholders that worry about value creation in the organization. It affects all of the stakeholders to some extent. Information must be monitored and measured in financial terms. This has to be done in a way that is easy to communicate to all interested stakeholders what is included and what is not included and why. One cannot rely entirely on the traditional accounting system that was used to report just to the shareholders. Managerial accounting and real options can be used to supplement the understanding of the costs and benefits of process improvement. Sarbanes-Oxley encourages the use of systems to collect the information to make more reasoned accounting of the financial value of the organization. The Systems Approach and the process focus should be a great way to satisfy this requirement.

The information and knowledge management performance is measured with one of the criteria in the Baldrige Model.

As mentioned above, sustainability and Corporate Social Responsibility (CSR) have often been driven by initiatives and conformance to codes/principles/standards. These programs have not chosen to take a process view at this point in their evolution. While
stakeholder engagement is an important part of these programs, stakeholder management has been more difficult to grapple with. Environmental responsibility has focused on regulatory compliance and the environmental impacts of the organization. Organizations are using ISO 14001 and OHSAS 18001 (or OSHA VPP) to manage their environmental (and occupational health and safety) impacts and risks. Social responsibility has largely been focused on SA 8000 and the proliferation of CSR codes and best practices. Soon there will be a new ISO 26000 management standard for CSR. For the most part, economic responsibility was integrated into the other two responsibilities and was summed up at the end. The Sarbanes-Oxley Act has changed all of this. Now there is a very clear economic responsibility for all organizations.

Sustainability and CSR efforts have also struggled with inclusion of life cycle responsibilities. The various international standards allow an organization to draw a boundary around what will be managed. Suppliers and customers have traditionally been left outside this boundary. In many cases, internally-required supporting processes (e.g., pollution control and safety control equipment; transportation; energy use, waste use and loss; etc.) were also left outside the boundary.

Many companies have had difficulty integrating their own Sustainability and CSR efforts and then integrating them into the core business instead of allowing them to operate in a silo fashion – similar to most process improvement efforts, such as lean production and six sigma. If all these programs were to adopt a process view and use the very same quality management tools in their improvement efforts, then all the programs could cooperate and communicate with each other on a much more efficient and effective basis. A program could be created to have employee projects address at least three of the silo programs and have all of the silo managers on the management oversight committee.

It is possible to use the Systems Approach as the foundation for an organizational improvement program that includes all of these efforts without changing the efforts. They would all adopt a process focus and use the same quality management tools to create employee projects directed to address the three responsibilities and the methodologies of the other programs that sponsor the improvement project. Management oversight is provided. Each project is responsible for measuring the financial impact of their efforts. The overall program is driven using the Baldrige Performance Model. All results are scored. The true performance of the program is also scored and tracked by management and all of the stakeholders.

**Sustainable Development Programs**

There are a number of programs available to help an organization move beyond an initiative-driven effort and to start moving down the path to sustainable development. These programs will be presented below along with references to the programs so that you will be able to learn more about each should you have interest in them. The programs are as follows:

- Stakeholder engagement
- Systems Approach to sustainable development
Engaging Stakeholders

Finding a path to an integrated and complete sustainable development program will require the teamwork of diverse perspectives, knowledge and resources. No single individual, organization or government is likely to, by themselves, identify and implement a program that will guarantee the attainment of sustainable development. It is a journey that will involve the integration of efforts, continuous improvement and monitoring of progress.

We need not to act alone, but to be sure we listen to others before embarking on the journey and throughout the trip. We all share in this world and the consequences of many of our actions are not limited solely to our own community. Our actions affect others, whether it is directly or indirectly. This is one of the reasons to acknowledge those who have an interest in an organization’s activities and provide them the right to be heard.

Using effective stakeholder engagement is core to any effort to start down the path to sustainable development. A group known as AccountAbility has provided guidance on how organizations can increase their knowledge, their abilities and their license to operate by undertaking stakeholder engagement. Engaging stakeholders needs to be elevated from a risk management tool to an essential element of strategic planning as defined in the Baldrige performance model.

Because of differences in geography, culture and issues, stakeholder engagement needs to be an interactive process that builds on the input of the stakeholders themselves. The AccountAbility Stakeholder Engagement Standard provides a way to define the practice of stakeholder engagement for sustainable development. A publication entitled, “The Stakeholder Engagement Manual: Volume 1 – The Guide to Practitioners’ Perspectives on Stakeholder Engagement” provides a background for stakeholder engagement. We will be talking about the second volume of the “Stakeholder Engagement Manual” known as “The Practitioner’s Handbook on Stakeholder Engagement.”

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“The Practitioner’s Handbook on Stakeholder Engagement” presents the process of stakeholder engagement in **five stages**:

1. The first stage (Think Strategically) is an overall consideration of strategic business objectives, how these relate to stakeholders and specific interests, and how an organization can undertake an initial prioritization of stakeholder and interests for further analysis.

2. The second stage (Analyze and Plan) introduces different levels of engagement, and guides an organization in analyzing its existing relationships, available resources and organizational constraints. It also helps the organization to learn more about specific stakeholder’s representatives, and to decide on what kind of relationship the organization may want to develop with these stakeholders.

3. The third stage (Strengthen Capacities for Engagement) addresses questions of internal and external competencies and capacities to engage, and provides guidance on how the organization can ensure that all parties to an engagement are able to join and take part in it effectively.

4. The fourth stage (Design the Process and Engage with Stakeholders) outlines different engagement techniques, and – building on the previous stages – helps an organization to design an approach that suits the needs of its specific situation and helps it to reach its objectives.

5. Finally, in the fifth stage (Act, Review and Report), the handbook provides the organization with guidance on how to follow-up on the outputs of engagement, and how to ensure that the organization’s stakeholders feel assured regarding the quality of its efforts. This section will be covered later in the course.

The AccountAbility Guide can be printed out by section and has printable and modifiable copies of blank templates that can be used in each of these stages. The guide refers to issues – we are calling these issues, interests. However it is consistent in substituting interests for impacts!

Creating an effort to deal specifically with stakeholders should help the organization to shift from a philosophy of indifference, ignorance and, in some cases, fear of stakeholder processes, to a belief in the value of stakeholders and their differing perspectives and interests in the operations of the organization.

It is generally believed that to be effective communicators, people must learn to view situations from the perspective of others prior to making judgments or decisions.

Initiative-driven sustainability programs do not generally use stakeholder engagement as a tool for determining the interests. These are set by referring to other’s best practices. It is important to both seek stakeholder input and develop a willingness to act on this input.

The business implications of poor stakeholder relations are clear. An organization will sometimes go through more costly and adversarial mediations if they fail to recognize this. The result of thee dialogue is a consultation process that enhances the organization’s relationship with the local community and helps incorporate stakeholder ideas and concepts into their sustainable development planning process. The stakeholder
consultation process is very simple in concept, but usually challenging to implement. The best business decisions are made after full, fair consideration of the interests and ideas of all key stakeholders. The focus of the consultation is to build a long-term trusting relationship that will maintain and enhance the organization’s *license to operate* with both governmental and non-governmental groups. Disagreements with some of the stakeholders will occur. The consultative process does not commit the organization to agree with all stakeholders. Instead it seeks to avoid disagreements that are based on misunderstandings. The business value of the stakeholder process should become clear when it is considered that delay in permits and other regulated activities translate into thousands of dollars saved.

The next step is to work with the stakeholders to develop different consultation arrangements dependent on their needs. The level of participation is determined by factors such as resource availability, cultural issues, language barriers, historical interactions and existing relationships. It is prudent to agree on a set of principles to guide the consultation process and use a facilitated framework defined by the Systems Approach. This will provide a means for a collaborative process of evaluating and assessing differences and keeping the relationship moving in a common direction to prevent the interests with a clear focus on improving the processes. Some stakeholder principles of consultation are as follows:

- **Integrity of regulatory process is preserved.** The regulatory process fulfills a legitimate function that must be met at the end of the process.
- **Open and transparent process.** All information is made available to stakeholders in a format that is transparent and customized to their needs. All stakeholders receive the information within the same timeframe.
- **Information shared freely and early.** To facilitate early stakeholder feedback, information should be shared during the developmental stage of the engagement process. This information would usually be distributed in draft form in order to maximize input.
- **Stakeholders must be able to participate effectively.** Stakeholders must have adequate resources to review information and provide valuable input. They must also be allotted time to digest the information and understand the organization’s processes.
- **Sensitivity to all needs of stakeholders.** The stakeholder engagement process must respect the needs of all participants and their other relationships.

The AccountAbility guide helps to navigate through this difficult engagement. Only a few of the key ideas have been presented here. Now let’s look at some of the complementary methods that can be used with the stakeholder engagement process.

**Systems Approach to Sustainable Development**

This method focuses on understanding processes conducted by the organizations that use the stakeholder engagement process. These processes offer opportunities to move to sustainability through continuous improvement and breakthroughs. The organization should decide its *vision* and *core values* or *guiding principles*. By aligning the Systems
Approach with these core values enables the organization to both maximize its eco-efficiency as it attends to both its social and economic responsibilities. It is not so important to have a clear idea of what sustainability is using this method. The relationships between each of the three sustainable development responsibilities and the organization’s process were clearly articulated above. Emphasis is placed on moving down the path and creating a better concept of what sustainability will mean to the organization as it gets closer to this state. To some extent sustainable development will be reflected in modified core values or guiding principles as the organization becomes more and more sustainable.

The stakeholders will have to consider the vision, mission and core values in light of the Baldrige core values and the overall path to sustainable development. The focus on the process to define the three responsibilities will also be scrutinized. So far, we have only considered the hierarchical process mapping (i.e., understanding the process) tool in the Systems Approach. We will cover other tools used within the Systems Approach to help with the process improvement effort that will be used to integrate the three responsibilities into the process focus of the organization.

A graphic describing how it will work is shown below:

**The Systems Approach to Sustainable Development**

- **Philosophical vision of a sustainable society**
- **Defining social, economic and environmental impacts**
- **Principles/Objectives**
  - Conserve Resources
  - Eliminate Wastes
- **Context – Specific Strategies And Actions**

- **Local Vision of Sustainable Development and Core Values**
- **Process Focus**
  - Search for Opportunities for Sustainable Development
- **Select Opportunities that are Aligned with the Vision and Core Values**
- **Prepare Written Action Plans Using the Systems Approach**

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**SD Planner™**

This is a tool that was prepared and released by an industrial organization known as the Global Environmental Management Initiative\(^9\) (GEMI). They created a web site where you can actually learn about and download software\(^10\) that will help an organization start on its path to sustainable development. SD Planner™ is intended to help companies understand the context of sustainable development, provide a basis for developing a sustainable development strategy, highlight opportunities to create business value, and provide a general roadmap for taking action.

This tool provides some focus on issues that help organizations get started on the journey to sustainable development:

- Establish generic elements of sustainable business practices
- Enable company assessment of the current status
- Enable formulation of the sustainable development goals and gap analysis
- Clarify the potential business value of sustainable development
- Provide guidance and support development of an action plan.

The planner provides these capabilities in a generic manner – one that can be customized to meet anyone’s needs.

SD Planner™ is structured in five stages that organizations may take in moving towards their sustainable development goals.

- Prepare
- Commit
- Implement
- Integrate

\(^9\) Global Environmental Management Initiative; [http://www.gemi.org](http://www.gemi.org)
\(^10\) SD Planner™ software; [http://www.gemi.org/sd](http://www.gemi.org/sd)
• Be a Champion!

In this part of the course, we will focus on the first two stages. It is important to know that the planner is well-organized but focused on the organization itself. By using a process focus (i.e., the Systems Approach) within the SD Planner™ it is possible to take advantage of the integration of methods to improve the sustainable development journey. The stakeholder engagement process can also be used with this tool.

**SIGMA Project Management Framework**

The SIGMA Project developed the “management framework” to provide practical advice to organizations as they seek to move down the path to sustainable development. The framework is a cycle of four implementation phases:

1. Leadership and vision – Define the vision for sustainability and ensure leadership support
2. Planning – Decide what needs to be done to improve performance
3. Delivery – Improve performance

Organizations move through these phases at different speeds and give them different emphasis depending on the needs of their programs. This framework incorporates the stakeholder involvement process and can be readily integrated with other management systems and existing approaches. While the SIGMA Project does not specifically mention the Systems Approach, it is fully compatible with this methodology. The SIGMA Project recognizes the Baldrige Performance Model through its European counterpart – the European Foundation Quality Excellence Model (EFQM).

**Baldrige Performance Model**

The Criteria in the Baldrige Performance Model provide the basis for conducting organizational self-assessments. Of course, these criteria are also used for the different purpose of making Awards and for giving feedback to the applicants. However, the criteria do not need to be used in an award program to be useful to help an organization move down the path to sustainable development. The Criteria are designed to help organizations use an integrated approach to organizational performance management that results in:

- Delivery of ever-improving value to customers and all other interested stakeholders, contributing to organizational sustainability;
- Improvement of overall organizational effectiveness and capabilities; and
- Organizational and personal learning, both within the organization and within the stakeholder engagement effort.

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12 EFQM; [http://www.efqm.org/](http://www.efqm.org/)

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The Criteria are built on the following set of interrelated core values:

- Visionary leadership
- Customer-driven and Stakeholder-driven excellence
- Organizational, personal and stakeholder learning
- Valuing employees, partners, and stakeholders
- Agility
- Focus on the future
- Managing for innovation
- Management by fact
- Social responsibility
- Focus on results and creating value
- Systems perspective.

These values are described in the Criteria document. They are embedded beliefs and behaviors found in organizations seeking sustainable development. They are the foundation for integrating key performance and operational requirements within a results-oriented framework that creates a basis for action and feedback.

It is important not to read the Baldrige performance criteria as quality management principles. They can be adapted to improve the true performance and results of any program. The State of New Mexico applied them to the improvement of environmental excellence in a program known as the Green Zia Environmental Excellence Program.14 This was accomplished by simply changing the questions in the Baldrige performance excellence program to environmental excellence questions. The same model can be used for a sustainable development program with the three responsibilities instead of just focusing on the environmental responsibility. The SIGMA Project carefully integrated itself with the European counterpart of the program through the adoption of the AccountAbility stakeholder interest focus.

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14 New Mexico Green Zia Environmental Excellence Program; [http://www.nmenv.state.nm.us/Green_Zia_website/](http://www.nmenv.state.nm.us/Green_Zia_website/)

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There are some important concepts that you should know when you review the Baldrige model criteria. There are six performance criteria and one results criterion. The EFQM has a slightly different configuration. However, it is clearly divided into performance criteria and results criteria. The criteria descriptions begin on page 14 of the Criteria document. The results descriptions begin on page 29. As you read each of the performance criteria and the results criteria, you should refer to the descriptions of each criterion and sub-elements that begin on page 38. You should carefully note the degree to which social responsibility and environment, health and safety are already contained in the criteria document. Next you can change the wording of the questions to pertain more to a sustainable development program instead of a business excellence program.

It is important to point out that the Global Reporting Initiative (GRI) focuses on results, not true performance. Sustainability indicators are largely results. Results measure the outcomes of performance – not true performance per se. The true performance criteria provide the behaviors and systems that make the sustainable development program work well. You will also note that the GRI focuses on impacts, not interests!

To provide a better idea of how the Baldrige model deals with social responsibility, the criteria description, the criteria explanation and the results information have been cut and pasted into one document and provided as APPENDIX I to this chapter.
The reader should try to better understand how the Baldrige model (not the Baldrige Award Program) can be of use to organizations that seek to take the journey to sustainable development. A good document to review is entitled “Why Baldrige?” A second document is entitled, “Are we making progress?” It contains a set of questions that can be used as a self-assessment for an organization. Please note how these questions can help change the behaviors that influence an organization’s journey to sustainable development.

**Closing Thoughts on the Journey**

This chapter presents a rather unique way to define the journey that an organization will take to a destination known as sustainable development. It is by no means the only journey that can be taken. However, it is very flexible and built on proven methods. The process view is critical along with systems thinking – everything is connected to everything else. Interest in the process by the stakeholders can be met by changing the process so that the interest is eliminated from concern. This prevention at the source approach is the key to sustainable development since it addresses environmental and social issues while maximizing the economic value of the organization.

In the next section, we will take a closer look at the stakeholder community and how it influences the process and the overall journey that the organization seeks to continue down the path to sustainable development.

**SOCIAL RESPONSIBILITY THE BALDRIGE MODEL VIEW**

An organization’s leaders should stress responsibilities to the public, ethical behavior, and the need to practice good citizenship. Leaders should be role models for your organization in focusing on business ethics and protection of public health, safety, and the environment. Protection of health, safety, and the environment includes your organization’s operations, as well as the life cycles of your products and services. Also, organizations should emphasize resource conservation and waste reduction at the source. Planning should anticipate adverse impacts from production, distribution, transportation, use, and disposal of your products. Effective planning should prevent problems, provide for a forthright response if problems occur, and make available information and support needed to maintain public awareness, safety, and confidence.

For many organizations, the product design stage is critical from the point of view of public responsibility. Design decisions impact your production processes and often the content of municipal and industrial waste. Effective design strategies should anticipate growing environmental concerns and responsibilities.

Organizations should not only meet all local, state, and federal laws and regulatory requirements, but they should treat these and related requirements as opportunities for improvement “beyond mere compliance.” Organizations should stress ethical behavior in

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16 “Are We Making Progress?”; [http://www.baldrige.nist.gov/Progress.htm](http://www.baldrige.nist.gov/Progress.htm)

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all stakeholder transactions and interactions. Highly ethical conduct should be a requirement of and should be monitored by the organization’s governance body.

Practicing good citizenship refers to leadership and support—within the limits of an organization’s resources—of publicly important purposes. Such purposes might include improving education and health care in your community, pursuing environmental excellence, practicing resource conservation, performing community service, improving industry and business practices, and sharing nonproprietary information. Leadership as a corporate citizen also entails influencing other organizations, private and public, to partner for these purposes.

Managing social responsibility requires the use of appropriate measures and leadership responsibility for those measures.

1.2 Governance and Social Responsibilities (50 pts.)

Describe your organization’s governance system. Describe how your organization addresses its responsibilities to the public, ensures ethical behavior, and practices good citizenship.

Within your response, include answers to the following questions:

a. Organizational Governance

(1) How does your organization address the following key factors in your governance system:

• accountability for management’s actions
• fiscal accountability
• transparency in operations and selection and disclosure policies for governance board members, as appropriate
• independence in internal and external audits
• protection of stakeholder and stockholder interests, as appropriate

(2) How do you evaluate the performance of your senior leaders, including the chief executive? How do you evaluate the performance of members of the governance board, as appropriate? How do senior leaders and the governance board use these performance reviews to improve both their personal leadership effectiveness and that of your board and leadership system, as appropriate?

b. Legal and Ethical Behavior

(1) How do you address any adverse impacts on society of your products, services, and operations? How do you anticipate public concerns with current and future products, services, and operations? How do you prepare for these concerns in a proactive manner,
including using resource-sustaining PROCESSES, as appropriate? What are your KEY compliance PROCESSES, MEASURES, and GOALS for achieving and surpassing regulatory and legal requirements, as appropriate? What are your KEY PROCESSES, MEASURES, and GOALS for addressing risks associated with your products, services, and operations?

(2) HOW does your organization promote and ensure ETHICAL BEHAVIOR in all your interactions? What are your KEY PROCESSES and MEASURES or INDICATORS for enabling and monitoring ETHICAL BEHAVIOR in your GOVERNANCE structure, throughout your organization, and in interactions with CUSTOMERS and PARTNERS? HOW do you monitor and respond to breaches of ETHICAL BEHAVIOR?

c. Support of KEY Communities
HOW does your organization actively support and strengthen your KEY communities? HOW do you identify KEY communities and determine areas of emphasis for organizational involvement and support? What are your KEY communities? HOW do your SENIOR LEADERS and your employees contribute to improving these communities?

NOTES:

N1. Societal responsibilities in areas critical to your business also should be addressed in Strategy Development (Item 2.1) and in Process Management (Category 6). Key results, such as results of regulatory and legal compliance or environmental improvements through use of “green” technology or other means, should be reported as Leadership and Social Responsibility Results (Item 7.6).

N2. Transparency in operations (1.2a[1]) should include your internal controls on governance processes.

N3. Leadership performance evaluation (1.2a[2]) might be supported by peer reviews, formal performance management reviews (5.1b), and formal or informal employee and other stakeholder feedback and surveys.

N4. Measures or indicators of ethical behavior (1.2b[2]) might include the percentage of independent board members, measures of relationships with stockholder and nonstockholder constituencies, instances of ethical conduct breaches and responses, survey results on employee perceptions of organizational ethics, ethics hotline use, and results of ethics reviews and audits.

N5. Areas of community support appropriate for inclusion in 1.2c might include your efforts to strengthen local community services, education, and health; the environment; and practices of trade, business, or professional associations.

N6. The health and safety of employees are not addressed in Item 1.2; you should address these employee factors in Item 5.3.
1.2 Governance and Social Responsibilities

Purpose

This Item examines key aspects of your organization’s governance system. It also examines how your organization fulfills its public responsibilities, how your senior leaders ensure that you behave legally and ethically, and how your senior leaders and employees encourage and practice good citizenship.

Comments

_ The organizational governance requirement is intended to address the need for a responsible, informed, and accountable governance or advisory body that can protect the interests of key stakeholders, such as stockholders. It should have independence in review and audit functions. It also should have a performance evaluation function that monitors organizational and CEO performance.

_ An integral part of performance management and improvement is proactively addressing
(1) the need for ethical behavior,
(2) legal and regulatory requirements, and
(3) risk factors.

Addressing these areas requires establishing appropriate measures or indicators that senior leaders track in their performance reviews. Your organization should be sensitive to issues of public concern, whether or not these issues are currently embodied in law. Role model organizations look for opportunities to exceed requirements and to excel in areas of legal and ethical behavior.

_ This Item addresses the use of resource-sustaining processes. These processes might include “green” technologies, replacement of hazardous chemicals with water-based chemicals, energy conservation, use of cleaner energy sources, or the recycling of by-products or wastes.

_ Social responsibility implies going beyond a compliance orientation. Good citizenship opportunities are available to organizations of all sizes. These opportunities include encouraging and supporting your employees’ community service.

_ Examples of organizational community involvement include partnering with schools and school boards to improve education; partnering with health care providers to improve health in the local community by providing education and volunteer services to address public health issues; and partnering to influence trade, business, and professional associations to engage in beneficial, cooperative activities, such as sharing best practices to improve overall U.S. global competitiveness and the environment.

7.6 Leadership and Social Responsibility Results (70 pts.)
Summarize your organization’s KEY GOVERNANCE, SENIOR LEADERSHIP, and social responsibility RESULTS, including evidence of ETHICAL BEHAVIOR, fiscal accountability, legal compliance, and organizational citizenship. SEGMENT your RESULTS by business units, as appropriate. Include appropriate comparative data.

Provide data and information to answer the following questions:

a. Leadership and Social Responsibility RESULTS

(1) What are your RESULTS for KEY MEASURES or INDICATORS of accomplishment of your organizational strategy and ACTION PLANS?
(2) What are your RESULTS for KEY MEASURES or INDICATORS of ETHICAL BEHAVIOR and of STAKEHOLDER trust in the SENIOR LEADERS and GOVERNANCE of your organization? What are your RESULTS for KEY MEASURES or INDICATORS of breaches of ETHICAL BEHAVIOR?

(3) What are your KEY current findings and TRENDS in KEY MEASURES or INDICATORS of fiscal accountability, both internal and external, as appropriate?

(4) What are your RESULTS for KEY MEASURES or INDICATORS of regulatory and legal compliance?

(5) What are your RESULTS for KEY MEASURES or INDICATORS of organizational citizenship in support of your KEY communities?

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7.6 Leadership and Social Responsibility Results

Purpose
This Item examines your organization’s key results in the areas of leadership and societal responsibilities, with the aim of maintaining a fiscally sound, ethical organization that is a good citizen in its communities.

Comments
Because of a lack of appropriate measures, a key challenge for many organizations is measuring their progress in accomplishing their strategic objectives. Frequently, these progress measures can be discerned by first defining the results that would indicate end-goal success in achieving the strategic objective and then using that measure to define intermediate measures.

Independent of an increased national focus on issues of governance, ethics, and leadership accountability, it is important for organizations to practice and demonstrate high standards of overall conduct. Governance bodies and senior leaders should track relevant performance measures on a regular basis and emphasize this performance in stakeholder communications.

Measures should include environmental, legal, and regulatory compliance and noteworthy achievements in these areas, as appropriate. Results also should include indicators of support for key communities and other public purposes.

If your organization has received sanctions or adverse actions under law, regulation, or contract during the past three years, the incidents and their current status should be summarized.