Sustainability, decision making and culture in organisations

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Abstract

This paper conducts a review of recent literature in sustainability and identifies three levels of sustainability: non-sustainability, weak sustainability and strong sustainability. An analysis was conducted on the responses of top CEOs to questions in a survey conducted by a leading Australian newspaper to gain an insight into the areas of concern forefront in their minds. Evidence was sought for CEO attention to financial, growth, sustainability, environmental and social issues.

The responses of 56 CEOs from leading Australian companies as per market capitalisation were analysed for key words, derivatives of, including sustainability, environmental concern, resource concern, innovation, growth, long-term, social concern, employee/recruitment, global concern, financial, technology, government policy/regulation, competition, managerial/ cost control, image/marketing. The number of times these keys areas were mentioned was collated as indicative of being forefront in the decision makers' mind.

As hypothesised, financial considerations received the most mentioned responses. The findings also confirmed the importance of including a long-term focus in any definition of sustainability

Key to the direction an organisation takes and its position on sustainability, are the decisions made by senior management and influential chief executive officers in particular. It is argued

an excessive fixation on the accumulation of company profits by management can lead to an unsustainable course for organisations and the broader community. The challenge for companies is to meet two strategic objectives: maintaining a sustainable future for the entity, and maintaining a responsible approach to sustainable development in areas impacted by the firm.

Keywords: sustainability, strong sustainability, decision making, accounting, chief executive officer, values journey, organisational culture

Introduction

Corporate collapses, global market failures and disenfranchised collective movements are calling into question the financial and economic systems of a global world. These events, and a deeper introspection into human purpose and impact on the Earth, challenge the roles played by organisations in leading profit driven enterprise. With symptoms of unsustainability growing and encompassing the environmental, social and financial dimensions, embracing organisational cultures that support and encourage sustainability has become a strategic and moral imperative.

Defining sustainability

The notion of sustainability- and the range of terminologies used including “sustainable development”, “being sustainable” and “acting sustainably”- are complex to define, leading to possible difficulties for individuals and organisations being able to embrace the concept (Kates, Parris & Leiserowitz 2005) and at the very least engendering a certain creative ambiguity or malleability (Collins & Kearins 2010).

As a derivative of the adjective *sustainable*, the Oxford English dictionary defines *sustainability* in two ways, firstly as: “...able to be maintained at a certain rate or level or conserving an ecological balance by avoiding depletion of natural resources*…*” And secondly, as “...able to be upheld or defended*”(Oxford English 2010)*. These definitions don’t include the word “development”, and lean towards “conserving” and “maintaining” a balance. The dictionary definition also omits words such as “harmony”, “connection” or “prosperity” which might also be used when describing ecological balance and environmental sustainability.

“Sustainable development” is a term often used but may hold an inherent paradox. In some instances, development can imply a progressive and proactive change whereas accepting and preserving a current balance may suffice. Not-withstanding conflicts within the term, *sustainable development* has been defined broadly by the UN World Commission on Environment and Development as ‘development that meets the needs of the present without compromising the ability of future generations to meet their own needs’ (UNWCED 1987, 3-27).

However, this definition may not go far enough: simply meeting the needs of each generation could be strengthened with additional scope for *rejuvenation* and *longer term strategic thinking*. However the commission does address the concept of “harmony” stating: “sustainable development is not a *fixed* state of harmony, but rather a process of change in which the exploitation of resources, the direction of investments, the orientation of technological development, and institutional change are made consistent with future as well as present needs” (UNWCED 1987, 3-30).

Another, more comprehensive definition, Australia's National Strategy for Ecologically Sustainable Development (1992), defines *ecologically sustainable development* as: “using, conserving and enhancing the community's resources so that ecological processes, on which life depends, are maintained, and the total quality of life, now and in the future, can be increased” (ESDSC 1992, p.1). Important here is the inclusion of the word “enhancing” and the emphasis on increasing the “quality of life”.

In an action sense, “think globally, act locally”, is a common anecdote of sustainability that highlights the broad nature of thought needed and the hard, rolling-up-of-sleeves work that is required at a local level. The phrase was first thought to have been coined by Scottish town planner, systems thinker and author, Patrick Geddes in 1915 (Collins & Kearins 2010), and can now be taken to include recycling, conserving water and reducing electricity consumption at a domestic home level.

The difficulty for companies and other organisations under traditional modes of thinking is that the very notion of sustainability may first and foremost involve the sustainability of the entity *itself* before external considerations can be given. Mitchell, Curtis and Davidson (2007) explain the difficulties in adopting sustainable practices for companies: “For an organisation to account for a global concept like sustainability would require a detailed and complex analysis of the organisation’s interactions with ecological systems, resources, habitats and societies, and an interpretation of this in the light of all other organisation’s past and present impacts on those same systems” (Mitchell, Curtis & Davidson 2007, p.272).

As complex as the concept is, this paper argues sustainability be understood to comprise: vision and long term strategic planning that has at its core the sanctity and nourishment of the earth, the ecosystem, plants and animals, while still allowing for human nourishment, evolution and advancement. Existentially, visions of sustainability are integrated and complex webs of foresight joined together with simple solutions, minimalism, common sense and care of thought.

Symptoms of unsustainability

The numerous and growing signs, or symptoms, of unsustainability can provide insights into what needs to sustained. They reach into the economic, societal and environmental realms. These three dimensions of sustainability are interconnected, and while there can be tradeoffs between the dimensions, they can also be regarded as complementary to each other. For example, positive environmental principles in a company may be attractive to potential investors, thus encouraging economic investment (Gould 2011).

Symptoms of unsustainability can be seen across all three dimensions. Many may be cross border problems (Kolk & Margineantu 2009), knowing no strict geographical boundaries. Indeed it may not be possible for one country to be fully sustainable if the rest of the world is not (SANZ 2009).

1. Economic evidence of unsustainability includes: ever-increasing costs of living, widening gap between the rich and poor (Daly 2011), the collapse of global financial markets and companies, fragility of the Euro zone, general market uncertainty, and debt-dependent economies.

2. Societal evidence of unsustainability includes: ever-increasing wealth disparity, poverty, marginalisation and disenfranchisement of large portions of society (in

particular youth in Western countries), unemployment, epidemics of depression and suicide, and separated families. A recent example of profits superseding social considerations is the defence by Westpac CEO, Gail Kelly of a possible 560 employee layoffs to cut costs on the back of a $6B profit year (Ryan 2012), raising the question of when is enough, enough?, and highlighting the importance perpetual growth plays in influencing company behaviour.

3. Environmental evidence of unsustainability includes: increasing greenhouse gas emissions, destruction of delicate ecosystems, deforestation, top soil degradation, pollution and degradation of lakes, oceans, rivers, the air and atmosphere, and the decimation and extinction of numerous species, animals, and plants. Mass agriculture as the primary means of producing food is a significant area where sustainable measures are lacking. A third of all food produce is wasted through transport and refrigeration insufficiencies, in India this is over 50% (Clark 2011). Environmental impacts include those on other species: a minke whale recently stranded itself on the French coast with its stomach clogged with 800kg of plastic, including British supermarket bags (Hoare 2012).

Such compelling evidence draws into question the balance between economic, social and environmental priorities. A growing consensus among researchers is that economic considerations are too often prioritised over social and environment considerations (Hill 2011; Hoare 2012; Jackson 2009; Porritt 2003; SANZ 2009).

Three levels of sustainability

Supported by contemporary research by Jackson (2010) and SANZ (2009) three levels of sustainability have been identified (Robinson & Boulle 2012). These are summarised as follows:

1. Non-sustainability - characterised by behaviours that directly and negatively affect all three dimensions of sustainability. An organisation with no regard for the environment and society aside from its own self-serving interests. Management focus is on short term profit and cost cutting strategies, behaviour ultimately to the detriment of the organization itself.
2. Weak sustainability - where considerations regarding social and environmental sustainability are subordinated to economic considerations. This type of sustainability represents the current norm among businesses. There may be cursory or greenwashing efforts towards green or environmentally friendly practices; but overall sustainability is not incorporated significantly in strategic direction.
3. Strong sustainability - an ultimate level of sustainability where strategic decisions are made with due regard to the environment first, then society and finally economy. With the underlying logic that the environment must be maintained and rejuvenated on account of the finite nature of the resources available in the ecosphere.

The table below depicts the three levels of sustainability management in organisations:

Level	1	2	3
Referred to as:	Non-sustainability	Weak-sustainability	Strong sustainability
Firm's regard for economic sustainability	Short-term view	Medium-term view	Long-term view
Firm's regard for environmental sustainability	Complete disregard/disconnection	Cursory regard/greenwashing	Highest priority

Firm’s regard for social sustainability	Complete disregard/disconnection	Self-serving	High priority

Table 1: Three levels of sustainability (Robinson & Boulle 2012)

The three levels are part of a broader continuum of action and connection to sustainability. While sustainable development has been a consideration in some companies for more than two decades, many of the actions taken by firms may be seen as little more than green-washing (MacLean 2010), representing, at best, weak sustainability (SANZ 2009). Company statements have tended to be broad and sweeping and more indicative of political correctness, focusing on public and staff expectations rather than actual company strategy and objectives (MacLean 2010; Mitchell, Curtis & Davidson 2007).

A report produced by *Sustainable Aotearoa New Zealand (SANZ),* outlines a “strong sustainability” (SS) model whereby all human life and actions are contained within the biosphere- which is the Earth- a self-contained system except for sunlight received, heat reflected into space and external gravitational effects. Within the biosphere is the socio-sphere where societies function, and within the socio-sphere a subset of human actions, known as economy- the econo-sphere.

SANZ puts forward the strong sustainability model as an improvement of the Triple Bottom Line (TBL) model (Mitchell, Curtis & Davidson 2007) which it says in practice: ‘at its worst, translates as the “Mickey Mouse” model whereby economy is the largest circle with social and environmental fringe ears.’ Although there have been instances of conceptualising TBL similar in fashion to the strong sustainability model as a series of concentric circles with economy in the middle surrounded first by social and then environment (Mitchell, Curtis & Davidson 2007).

While the traditional TBL model may give large priority to the economy over the eco and socio-spheres, intensifying global non-sustainability and leading to failures of ecosystems, climate change, societies and economies themselves (Jackson 2009; SANZ 2009), it can also be seen more simply as a step forward: a means to categorise different issues relating to sustainability and of monitoring those issues (Hill 2011).

Like the SANZ model, other arguments are being put forward challenge the fundamental belief in perpetual economic growth (Haugh & Talwar 2010). In his article entitled "Sustainable growth is the new incarnation of capitalism", Financial Times writer Andrew Hill underscores that: "It does not require deep analysis to realise that an unthinking quest for growth will usually end badly" (2011, p.2).

Hill (2011) identifies two forces that are challenging traditional growth based and short term profit forms of business: Firstly, the rise of companies from emerging markets which assess investments and opportunities with a different eye and different longer term timescale; and secondly, a rising sentiment that capitalism is changing and that unsustainable growth is not only damaging to society and the environment but also to companies themselves. Indeed an excessive and narrow fixation in some organisations on the accumulation of organisational profits (Ferrell & Ferrell 2011), may lead to unsustainable paths for individuals and organisations (Robinson 2010), and ultimately local and global societies.

Though it is not surprising that achieving sustainability in the organisation is a real and constantly evolving challenge (Borkowski, Welsh & Wentzel 2010; Fraser 2011), it is one that companies can no longer afford to ignore. The debate has now moved from *whether or not* firms should invest in sustainability to *how* this is best done (Galpin 1988).

Sustainability in the organisation

While accounting and financial information have been the predominant bases for many of the decisions made by governments and business, there is a growing trend toward the reporting of non-financial information which might include a company's activities around social, environmental and governance issues (Ioannou & Serafeim 2011). The main challenge with corporate sustainability and reporting lies in going beyond the restrictions of the entity concept to focus on ecosystems outside the company and the finite resources these external sources provide (Burritt & Schaltegger 2010).

There are attempts to broaden the scope of accounting to include sustainability reporting and the introduction of mechanisms to measure a triple bottom line (Fraser 2011; Galpin 1988). However, the business section of today's newspapers is rife with stories on business decisions, strategies, profit results, outsourcing, downsizing, cost cuttings, mergers and acquisitions, and other decision making based primarily on financial or managerial accounting information. Is the fixation with profit and cost cutting a distraction and detraction from true sustainability reporting?

For an insight into the mindset of the key decision makers in influential Australian companies, an analysis was undertaken of an end of year 2011 survey conducted by John Durie of the Weekend Australian newspaper. Among other questions the survey asked CEO's the following (Durie 2011):

1. What will be the three key themes from your sector next year?
2. What are your top three priorities?

3. If you had the ability to make one change to the nation what would it be?

Methodology

The appendix holds the list of all companies surveyed and is comprised of the top 56 Australian companies as per market capitalisation. It includes the responses of CEO's from large resource companies Rio Tinto, Fortescue and BlueScope, as well as the CEO's of the nation's top four banks CBA, NAB, ANZ and Westpac.

The analytical methodology involved searching CEO responses, as summarised in the published newspaper, for the following key words, derivatives of, or areas- sustainability, environmental concern, resource concern, innovation, growth, long-term, social concern, employee/recruitment, global concern, financial, technology, government policy/regulation, competition, managerial/ cost control, image/marketing- with the aim of collating the number of times these keys areas were mentioned as important or indicative of being forefront in the decision makers mind. While related, these key areas can also be further classified into those having a broad focus such as sustainability, environment, resources and global concerns; and those with a narrower, company focus including competition, managerial/cost control and image/marketing concerns.

While respondents were from various industries, in this analysis no distinction has been made between companies based on their different industries. The authors take the view that companies across all industries- banking, finance, mining, resources, retail and service- have social and environmental responsibilities. It could be argued that the top 56 companies in Australia as per market capitalisation should be playing *leading* roles in taking action on sustainability, environmental and social responsibility.

In order to give some indication of decision making priorities for the CEOs, several hypotheses are put forward in regards to the responses: 1. financial considerations will be most frequent, 2. social considerations will receive minimal mentions, 3. environmental considerations receive minimal mentions and 4. growth consideration will receive consistent mentions.

The following data is compiled from all 56 CEO answers to these three questions. It should also be noted responses were not limited to one theme per questions, so aggregate responses will not necessarily equal 100%.

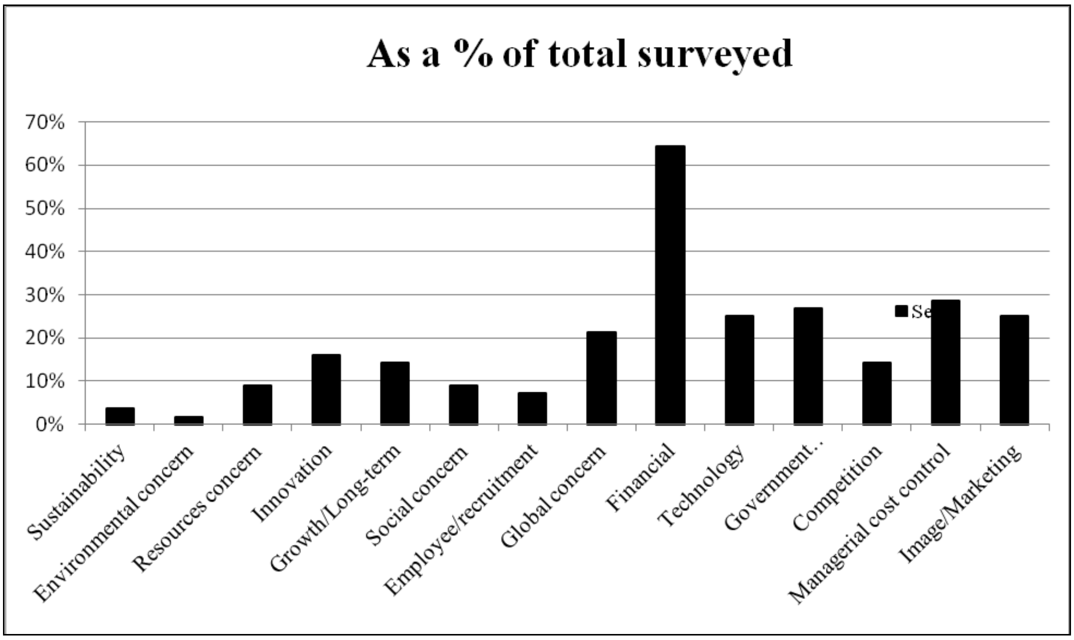

Figure 1: What will be the three key themes from your sector next year?

The data shows 66% of CEO's mentioned financial concerns as key themes for 2012, ranging from NAB's "achieved improvement in return on equity... (and) total shareholder return" to UBS's "capital, funding and liquidity". Second were managerial and cost control concerns

(29%), followed by government/regulation (27%), image and marketing (25%), technology (25%), global concerns (21%), innovation (16%), growth (14%) and 9% resource concern. 7% of CEOs mentioned themes of social concern and how aligned two of these mentions are with true societal concern is arguable: Santos': "stable labour relations" and CBA's: "communicating openly and clearly with customers" could be simply cost minimising or profit growing incentives. Property group GPT's social concern was more clear stating "social investment". Just 4%, or two companies, mentioned "sustainability": Treasury Wine Estate- "ensuring sustainable production" and Brambles – "environmentally sustainable efficiencies". Aside from Brambles only one other company made mention of an environment related theme and this was the agriculture enterprise Elders with concern for the "Murray Darling Basin Plan". Alarmingly, of the nine mining and resource companies included none mentioned sustainability or environmental concerns supporting hypothesis 3- that environmental considerations will be least mentioned.

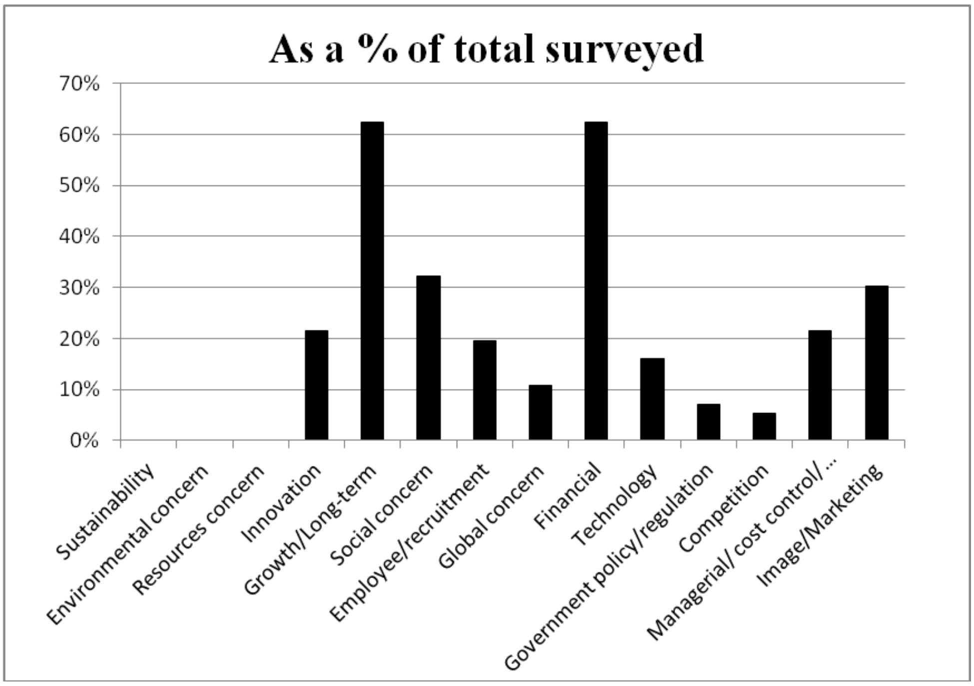

Figure 2: What are your top three priorities?

Responses to the very broad question “what are your top three priorities” yielded some encouraging answers. The data shows a marked increased from the previous question in social concern responses to 32% or 18 CEOs. This may be due to the broad license the question offers. Included in these responses were some relatively benign responses like Myer’s “improve customer service” and Bendigo Bank’s “customer relations”. However there were also some more detailed and insightful answers including Atlas Iron CEO’s: “eat less food, more family time”; UBS’s “long-term client interests, invest in our teams, family”; the ASX CEO’s: “participate in public debate”; and Challenger’s: “take time off with my family”. Santos CEO’s response is border-line and, considering the questionable nature of coal seam gas, may have more insidious anti-social undertones: “work closely with local communities in the development of Australia’s coal seam gas resources”.

There was also a large focus on growth issues 63% or 35 responses and financial concerns 63%. Image/marketing 30% and managerial/cost control 21% again featured predominantly among responses. In response to this question there were no answers that mentioned social or environmental issues. These results appear to support hypotheses 1, 2, 3 and 4.

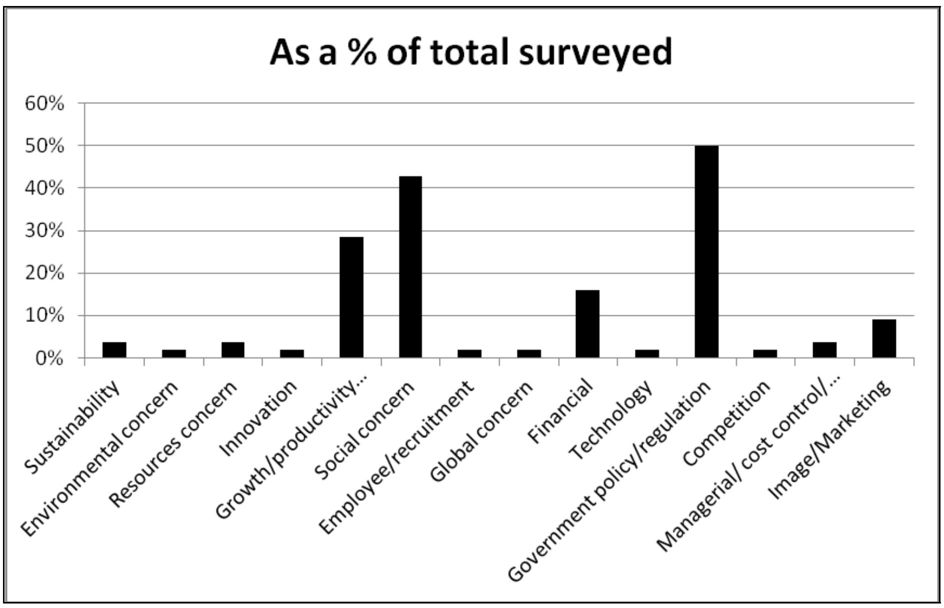

Figure 3: If you had the ability to make one change to the nation what would it be?

This question yielded great insight into social and government/policy concerns and perhaps yielded the most encouraging results for long term planning. 50% of responses touched on governmental/policy themes. This is not surprising considering the nature of the question as governments hold the power to make significant policy and national changes. Social concerns were the second largest area of mention at 43%, followed by growth/long term at 29%. Of note is the fact that numerous responses overlapped these three key areas, some highlighting the necessity for long term policy vision at a bipartisan level (Durie 2011):

- Atlas Iron CEO: “voters and politicians take long term approach to policy”
- NAB CEO: “a fixed four year federal term may alleviate some of the short term focus”
- Suncorp Metway: “longer terms for governments”
- Stockland: “bipartisan support for planning reform”
- Challenger: “policy debate triumphs politics and personalities”
- NBN- “for public debate to be grounded in reality rather than scaremongering”
- Lion Nathan: “a genuine debate on population, infrastructure, taxation and the model by which we govern ourselves”

Other responses highlighted the importance of investment in education (Durie 2011):

- JP Morgan: “increased innovation and education investment”
- Brambles: “increased focus on education and training”
- Deutsche Bank: “recognise the value of education”
- News Ltd: “have national direction united by education renewal”
- Foxtel: “making our education system even better”

- Optus: “every school aged child has a tablet”

Other pertinent responses included (Durie 2011) :

- Pacific Brands: “build a national program to reduce the obesity trend”
- Wesfarmers: “real progress in reconciliation with Aboriginal and Torres Strait Islanders”

These responses are encouraging for visions of sustainability and reaffirm the importance of including a long-term focus in any definition of sustainability as well as highlighting the importance of long-term *government policy* in leading direction when short term appointments may lead to politicking at the expense of serious strategic planning. This growth focus supports hypothesis 3. In this case the responses don’t support hypothesis 1 with financial issues taking a back seat to growth, government/policy and social issues. The responses also do not support hypothesis 2 that social considerations will be mentioned minimally as they featured strongly at 43%. Once again however, environment considerations received minimal mentions supporting hypothesis 3.

Findings

With reference to question 1 and 2, it can be seen that financial considerations may be of most importance for the majority of CEOs surveyed when contemplating key themes for their industry or broader still their top three priorities. This is supportive of hypothesis 1 that financial considerations will be most frequent; and is consistent with the current economic model where shareholders are a company’s number one consideration.

For Q1 image/marketing (30%) and managerial/cost control (21%) also featured strongly among responses. 7% of CEOs mentioned themes of social concern; how aligned two of these mentions are with true societal concern is arguable: Santos': "stable labour relations" and CBA's: "communicating openly and clearly with customers" could have simple cost minimising or profit growing incentives underlying them respectively. Property group GPT's social concern was more clear stating "social investment". Just 4%, or two companies, mentioned "sustainability": Treasury Wine Estate- "ensuring sustainable production" and Brambles– "environmentally sustainable efficiencies".

Aside from Brambles only one other company made mention of an environment related theme and this was the agriculture enterprise Elders with concern for the "Murray Darling Basin Plan". Of the nine mining and resource companies included none mentioned sustainability or environmental concerns. Q2 saw an increase in growth and long-term mentions as well as social mentions (32%). Q3 saw social concern mentions of 43% and gave perhaps the most insightful answers in a qualitative sense in this area: identifying common themes of long-term planning, bipartisan policy, education investment and reform, Aboriginal reconciliation and reducing the obesity epidemic.

It was hypothesised that 1. Financial considerations will be most frequent 2. Social considerations will be mentioned minimally, 3. Environmental considerations will be mentioned minimally. 4. Growth consideration will receive consistent mentions. Overall the results are largely supportive of hypotheses 1 and 4, with CEO responses mentioning financial and growth considerations most frequently. Across all three questions sustainability and environmental concerns received the least mentions supporting hypothesis 3.

Encouragingly, social considerations however did receive frequent mentions for questions 2 (32%) and 3 (43%) thus not in favour of hypothesis 2.

To understand the significance of CEO decision making and characteristics on the culture of an organisation and its ability to develop sustainable practices, a discussion on culture and CEOs follows:

Culture and CEOs

An empirical study (Giberson et al. 2009) establishing a link between specific CEO characteristics and the cultural values of their organisations found “evidence that CEO characteristics are felt throughout the organisation, impacting the norms that sanction or discourage member behaviour and decision making, and the patterns of behaviour and interaction among members” (Giberson et al. 2009, p.123). Similiarly, Manner (2010, p.68) indicates “the decision to engage in proactive and exemplary social performance is more strongly related to the characteristics of the CEO than the decision to avoid poor social performance”. This reinforces the possibility of positive links between CEO characteristics and sustainable behaviours. Conversely, it has also been asserted that if CEO’s are excessively fixated on profit their ability to utilise their experience and creative skills to predict consequences beyond the reach of financial models may be lessened (Ferrell & Ferrell 2011).

The author’s surmise four implications for the development of sustainability in corporations:

1. the decision making of CEOs if narrowly fixated on profit and short term results, will filter down the line to all levels of management and employees and permeate culture;

2. this narrow fixation on financials will also affect CEOs' own ability to adapt and come up with creative and sustainable solutions in the environmental and social dimensions;
3. adopting sustainability practices may require significant behavioural and/or personnel changes at the top of the organisation, most significantly at the CEO level (Giberson et al. 2009); and
4. CEO's do have the influence and ability to engage in proactive and exemplary social behaviours.

To encourage sustainability it is therefore important to foster an appropriate culture from CEO directive and consistently applying congruent practices. A deeper understanding of the development of business culture may be aided by the Values Journey (Robinson & Boulle 2012), which consists of three phases (see table 2).

	Phase 1 Unaware of business requirements	Phase 2 Mastering the economics of business	Phase 3 Holistic business leadership
Fully autonomous leadership	n/a		Step 6 Empowered by holism
Developing leadership autonomy	Step 2 Driven by fear	Step 4 Reliant on deal-making	Step 5 Empowered by consensus
Low capacity for autonomous leadership	Step 1 Driven by obedience	Step 3 Reliant on compliance	n/a

Table 2: An abbreviated conceptual depiction of the Values Journey (Robinson & Boulle 2012)

The values table (Robinson & Boulle 2012) depicts the three phases and six steps through which a firm progresses. The journey is divided into three phases of development, namely: 'unaware of business requirements', 'mastering the economics of business', and 'holistic business leadership'. The authors suggest these phases correspond to the three levels of sustainability, namely 'non-sustainability', 'weak sustainability' and 'strong sustainability' previously introduced (see table 1), and can be identified in the findings from the CEO survey.

Most CEO responses lean towards phase 2- mastering the economics of business highlighted by financial responses at most frequent, although responses to Q3 *do* show some signs of aspiration more holistic business leadership. In align with this, most CEO responses were at the non-sustainable or weak sustainability levels, with small glimpses of aspirations for strong sustainability.

In addition the economic system, global financial markets, government regulation and resource scarcity, what is inhibiting successful transition internally to phase 3 holistic business leadership, and level 3 strong sustainability, comes down to the need for companies' managerial practice to remain in alignment with their strategic goals. When sustainability is written into the strategic goals, managerial practices must overtly support that direction.

Recommendations

The data analysis outlined underscores the importance of understanding the thinking processes underlying decision making in influential public companies and for the need to ensure that a company's practices are part of a broader strategic goal of sustainable practice. Supported by Robinson and Boulle (2012), the following recommendations are offered:

1. Develop a corporate vision that includes sustainability

There must be a clearly articulated vision for the organisation. A large part of the responsibility for this vision rests with the CEO and may mean new appointments by the board of directors (Giberson et al. 2009). Whilst it is certainly desirable that companies aspire to level 3 sustainability, the need for progressive change and small steps is apparent and consistent with, moving through the three phases of organisational development which are in turn linked with progress from non-sustainability to weak sustainability and ultimately strong sustainability.

Unless sustainability issues are clearly articulated in strategic vision, they may be subordinated to sales success, even if inadvertently. Sustainability is central to competitive position and fundamentally important to business. It is this strategic, long term view of sustainability that businesses need adopt (MacLean 2010).

2. Articulate the values underpinning the vision

Appropriate organisational values should be incorporated in the vision of the company to create a sense of direction throughout the organisation. Values are clearly influenced by CEO characteristics (Giberson et al. 2009) and as such CEOs should play a central role in their formulation. Staff input is also important as conflict can arise when employees' personal values are not perceived to be incorporated in organisational values as experienced through day-to-day managerial practices (Robinson & Boulle 2012).

3. Assess current practices and monitor adherence to the new vision

Management needs to take stock of how a company's practices currently measure up to those implied in the vision. To what extent is the concept of "sustainability" understood and regarded as a driving force by all levels of management? Beyond immediate business priorities, leaders need to also offer quantifiable targets and unambiguous policy statements to back up terms like 'sustainability' and 'corporate social responsibility (MacLean 2010; Robinson & Boulle 2012). Expectations and performance measures should be identifiably congruent with the firm's phase of development.

An important element in all of this is the feedback loop, whereby leaders themselves may assess the effectiveness with which they are achieving congruency by regarding their followers' responses as a mirror that reflects their own approaches. Ultimately, that will enable management of the organisation to continually adjust the degree of emphasis placed on the vision and the values necessary to lead the firm along its sustainable development journey (Robinson & Boulle 2012).

4. Ensure appropriate remuneration structures and focus on ongoing development

It is recommended the setting of a work environment where people are encouraged to constantly develop their capabilities and produce the results they truly desire while working towards a common goal (Yukl 2009). To support such development remuneration need to be structured appropriately. This raises serious questions about remuneration structures for CEOs and whether they promote short or long term strategic and sustainable development; and is identified subsequently as an area for further research.

5. Engaged leadership

Achieving management ownership of the process is the most critical factor for success in any area and can be an enormous challenge (MacLean 2010). Yukl (2009) has emphasised the importance of appropriate CEO direction and involvement in sustainable organisational change, ‘collective learning focused on improving long-term performance is more likely to occur when key stakeholders agree that it is important and will help them to achieve their individual objectives’.

It is therefore important for company leaders to not only set the strategic direction but also to harness the energies of their organisational members toward the collective achievement of the company’s strategic goals. Leaders who demand compliance or a token annual social responsibility report are, by reducing complex issues to the routine, detracting from the innovative challenges of strategic leadership and the creation of a deeper understanding of long term sustainability implications (Robinson & Boulle 2012).

In general terms, the failure of business leaders to facilitate the ongoing evolutionary development of their company may give rise to destructive, organisational pathologies (Robinson 2010) which are difficult to address. Proactive leadership is therefore essential where sustainable development is concerned.

These recommendations are supported by recent sustainability literature. In his article entitled “Checking the Sustainable Development Box”, Richard Maclean (2010) suggests companies should take a harder look at the strategic significance of sustainability issues. He believes those firms that take the initiative to identify emerging dynamics and develop processes and practices for sustainability, stand to gain a competitive advantage. In the case of established companies, the challenge is to break existing moulds of thought and practice, to go beyond simply green-washing marketing efforts. With reference to small or new firms, Maclean (2010) outlines the predictable path of business challenges and opportunities as that of building the business *around* sustainability principles, thereby growing the firm in a healthy way from the beginning.

In their article entitled “How do Corporations Embed Sustainability Across the Organisation”, Haugh and Talwar (2010) identify challenges to embedding sustainability across the organisation. Firstly, they state that there are differences in the rate of changes in the firm’s external environment, employee learning and the impact of corporate action to address sustainability. They assert that since company resources are finite, and the range of issues around the three sustainability dimensions many and varied, it will be inevitable that some issues take priority over others. Secondly, they point out that teaching and learning opportunities in sustainability are still subject to employee enthusiasm, interest and motivation to learn, therefore raising employee awareness about sustainability issues may simultaneously increase expectations of what the organisation can do, fuelling an expectation-performance gap (Haugh & Talwar 2010).

Further research

With sustainability concerns becoming ever-more important there are numerous opportunities for further research in this area. In particular the authors would recommend empirical studies:

- to gain further insight into the decision making processes of CEOs and their value directives
- to develop methodologies and tools to measure a company’s level of sustainability and its progress over time
- to address the links between a company’s phase of development in organisational culture and its level of sustainability

- to understand the role of CEO remuneration structures and the promotion of short or long term direction
- to understand the crossover of values and leadership influencing sustainability in governments and not for profit organisations

Conclusion

The need for firms to embrace sustainability management is urgent. Three levels of sustainability have been described, namely non-sustainability, weak sustainability and strong sustainability. The importance of CEO decision making on influencing culture and organisational efforts toward sustainability has been discussed and an analysis conducted of secondary data from a survey of 56 CEOs of influential companies in Australia.

From CEO responses to the three questions, support was found for hypothesis 1- financial considerations were most frequent (except in the case of q3 where governmental and social concerns were most frequent). Partial support was found for hypothesis 2- social considerations received minimal mentions for q1 and q2, however for q3, encouragingly, social concerns were mentioned significantly. Supporting hypothesis 3, across all three questions environmental concerns were mentioned minimally. Growth considerations received consistent mentions with responses of 14% (q1), 62% (q2) and 29% (q3). Overall, the results give an indication of financial and growth focuses, and importantly some evidence of social concern showed by the CEOs.

It has been proposed that a fixation on bottom line profits may impede CEOs from instigating creative ideas for sustainable change. Four implications for the development of sustainability in organisations were identified. The decision making of CEOs if narrowly fixated on profit and short term results, will filter down the line to all levels of management and employees and permeate culture. This narrow fixation on financials will also affect CEOs' ability to adapt and come up with creative and sustainable solutions in the environmental and social dimensions. While CEO's do have the influence and ability to make engage in proactive and exemplary social behaviours, if not doing so however, adopting sustainability practices may require significant behavioural and/or personnel changes at the top of the organisation (Giberson et al. 2009).

The development of a company's value system and organisational culture, in three phases, takes on particular importance. It is no coincidence that the phases of development appear to correspond almost seamlessly to the three levels of sustainability management. Companies therefore need to develop sustainability management practices that are built on long term value systems ultimately striving for strong sustainability. Much of this responsibility rests with CEOs whose characteristics and decision making significantly influence the culture and behaviours of companies (Robinson & Boulle 2012).

Finally, the responses to Q3- "If you had the ability to make one change to the nation what would it be?" were particularly insightful, reaffirming the importance of including a long-term focus in any definition of sustainability and underscoring the importance of long-term *government policy* in leading direction. Thus, while recognising the complexities of defining "sustainability" and its related terminologies, the authors support a concept that includes common sense, vision and long term strategic planning that has at its' core the sanctity and nourishment of the earth, the ecosystem, plants and animals, while still allowing for human nourishment and evolutionary advancement.

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Appendix

1	RIO TINTO- Tom Albanese	29	BRAMBLES- Tom Gorman
2	BORAL- Mark Selway	30	FOXTEL- Richard Freudenstein
3	FORTESCUE- Neville Power	31	AUSTRALIA POST- Ahmed Fahmour
4	BLUESCOPE- Paul O'Malley	32	MAP AIRPORTS- Kerrie Mather
5	ATLAS IRON- David Flanagan	33	PACIFIC BRANDS- Sue Morphet
6	SANTOS- David Knox	34	QANTAS- Alan Joyce
7	ONESTEEL- Geoff Plummer	35	WESFARMERS- Richard Goyder
8	BC IRON- Mike Young	36	GPT- Michael Cameron
9	ORIGIN- Grant King	37	INCITEC PIVOT- James Fazzino
10	NAB- Cameron Clyne	38	MYER- Bernie Brookes
11	SUNCORP METWAY	39	TREASURY WINE ESTATES- David Dearie
12	WESTPAC- Gail Kelly	40	ELDERS- Malcolm Jackman
13	ME BANK- Jamie McPhee	41	ASCIANO- Tom Mullen
14	JP MORGAN- Rob Priestley	42	LION NATHAN- Rob Murray
15	AMP- Craig Dunn	43	TABCORP-David Attenborough
16	CBA- Ian Narev	44	VIRGIN-John Borghetti
17	BENDIGO AND ADELAIDE BANK- Mike Hurst	45	NUFARM- Doug Rathbone
18	QBE- Frank O'Halloran	46	STOCKLAND- Matthew Quinn
19	ANZ- Mike Smith	47	PERPETUAL- Chris Ryan
20	UBS- Matthew Grounds	48	CHALLENGER- Dominic Stevens
21	IAG- Mike Wilkins	49	TELSTRA- David Thodey
22	CREDIT SUISSE- David Livingstone	50	TRANSURBAN- Chris Lynch
23	ASX- Elmer Funke Kupper	51	DAVID JONES- Paul Zahra
24	METCASH- Andrew Reitzer	52	NEWS LTD- Kim Williams
25	DEUTSCHE BANK- John Macfarlane	53	WOOLWORTHS- Grant O'Brien
26	MACQUARIE GROUP- Nicholas Moore	54	NBN- Mike Quigley
27	COCA-COLA- Terry Davis	55	HILLS INDUSTRIES- Graham Twartz
28	AMCOR- Ken Mackenzie	56	OPTUS- Paul O'Sullivan

Table 3: List of participating company CEOs (Durie 2011)

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