



## CM Article

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### **Managerial Stewardship & Sustainability?**

The trend toward employing Sustainable Business Practices (SBP) calls for managers to operate in a socially responsible manner that honors people, the planet, and profit. This is commonly referred to as the Triple Bottom Line (TBL).

SBP should focus on the concept that as managers, we have to ensure first and foremost that our company makes money. Then, we can afford to be proactive in our social and environmental focus.

The modern use of the word "sustainability" entered the business lexicon in 1987 with the Bruntland Commission's (aka World Commission on Environment and Development) publication of *Our Common Future*\*. The Industrial Revolution, WWII and Post-WWII, along with the development of mass production and expanded use of chemicals (petroleum, persistent toxins, heavy metals, etc.), preceded a focus on SBP.

Other significant historical events leading to the birth of SBP include Love Canal in Niagara Falls, New York where in 1978, 82 different compounds, 11 of them suspected carcinogens, permeated upward through the soil, their containers oozing contents onto the properties of 100 homes and a public school built on the banks of the canal. The canal was operated by Hooker Chemical Company as an industrial dump twenty five years earlier. Additional significant events that led to a focus on SBP include globalization/development and increased demand on fewer resources, climate change, erosion, regulatory development, and conflict between industrial and environmental interests.

Author Paul Hawken's books *The Ecology of Commerce* (1993) & *Natural Capitalism* (1999) became classic books on business and the environment having a large impact on SBP. In his book *Natural Capitalism*\*\* , Hawken describes a future in which "...business and environmental interests increasingly overlap and in which businesses can better satisfy their customers' needs, increase profits, and help solve environmental problems, all at the same time."

Natural Capital is referred to by Hawken as "...the natural resources and ecosystem services that make possible all economic activity. These services are of immense economic value and some are literally priceless, since they have no known substitutes."

Natural capital is "...being degraded and liquidated by the wasteful use of such resources as energy, materials, water, fiber, and topsoil" according to Hawken. Current business practices do not always take into consideration the worth of these assets, which is rising along with their scarceness.

Some managers at prominent US companies understand and apply Hawken's perspectives. These include furniture retailer IKEA, who requires all of its stores to reuse, recycle, or produce energy from 75% of their waste. IKEA & the World Wildlife Fund Conservation Partnership work together to promote responsible forestry, better cotton cultivation, and to address climate change. Herman Miller, a Zeeland, Michigan manufacturer of office furniture, has won several environmental awards over the past decade. Worthy of note is Herman Miller's Mirra

chair that is built from 42% recycled materials and is 96% recyclable. Cascade Engineering of Michigan has demonstrated their commitment to Natural Capital conservation by establishing a Neighborhood Recycling Center that has been helping the Grand Rapids community in recycling, reducing and reusing a myriad of items from ink cartridges to cell phones.

What IKEA, Cascade Engineering and Herman Miller illustrate is a previously unthinkable thought espoused by management in today's business world--the thought that there are successful managers who know there is more to good business than the next profitable quarterly bottom line!

Several definitions exist for sustainability. The one that seems to be the most inclusive and long-term focused is: 'protecting and enhancing long-term cultural, ecological & economic health and vitality.' Sustainability should not involve a win-lose mindset. Instead, the fundamental SBP question is - Should managers be good stewards? A steward is someone who has been assigned another's assets and charged with the responsibility of managing them, in the owner's best interest, to produce a win-win.

Profit should not be the only focus in SBP and should be viewed as a way to an end, not an end in itself. It is almost as though a focus on SBP produces a 'moral economy' of sort, wherein the manager's right to financial opportunity is balanced by duty or responsibility to society. This means that managers should focus on primary stakeholders including shareholders, employees, customers, suppliers, government, and the local community. A sole focus on profits fails to provide sufficient meaningful long-term purpose to ensure stakeholders' commitment.

SBP professes to management's understanding that every action you take in business has two components: an impact on profits and an impact on the world. Staking out a path to where profitability and social benefits blend is a point where managers should aim to enable them to remain successful in the long term. After all, proactive stewardship results in a long term focus.

Sustainability requires a threefold focus. First, there is financial capital (profit/performance) including sales growth, return on equity and profitability. Second, there is a focus on social (people) capital. Social capital is created when the company and the community collaborate with each other to find reciprocally advantageous solutions to common problems. The final focal point of Sustainability should be environment (planet /ecological) capital. Managers seek to protect the environment by implementing environmental management programs while understanding every stage of the life cycles of company products.

SBP positively impacts a company's value chain. A value chain (stream) involves the dynamic actions, exchanges, and relationships with all customers (stakeholders) involved in the transformation and delivery of raw materials. Along with end-of-life considerations resulting in products or services that create value for the customer and society.

The TBL is all about managers behaving in a responsible/proactive fashion. While recognizing human altruism or "noblesse oblige" in terms of assisting other people and the planet. "Noblesse oblige" means that wealth, influence and status come with responsibilities. The responsibilities of good steward managers!

In the final analysis, managers who operate as good stewards attempt to 'do the right thing' in regards to society, the environment and people. And, they simultaneously figure out how to make 'doing the right thing' good business.

\*World Commission On Environment and Development. (1987). *Our Common Future*. New York: Oxford University Press.

\*\*Hawken, P., Lovins, H., & Lovins, A. (1999). *Natural Capitalism: Creating the Next Industrial Revolution*. Boston: Little, Brown and Co.

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