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**THE ORGANIZATIONAL SUSTAINABILITY
JOURNEY: INTRODUCTION TO THE
SPECIAL ISSUE**

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The Organizational Sustainability Journey: Introduction to the Special Issue

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The Organizational Sustainability Journey: Introduction to the Special Issue

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Sustainability has become a prominent topic in the popular press, corporate boardrooms, political arenas, and academia. Conversations and debates about what it is, why it is important, what should be done about it, and how quickly we should act are pervasive. An important, but often unspoken, urgency accompanies these conversations. Life as we know it – the high standard of living that many people have become accustomed to – is directly threatened by the very patterns of organizational activity that created our comfortable lives in the first place. We are confronted with how deeply held this pattern of activity is. These are important conversations that should continue not only because they are urgent but because there are numerous examples of companies, states, cities, countries and citizens who have taken a new and different path. They have been implementing innovative initiatives to reduce the negative impact of human activity on the planet and improving the health of the societies in which we live. These early movers are taking big risks. In a sense, they are going through a learning process for the rest of us. With each of their initiatives, we learn a little more but also turn over rocks that expose the enormity of the challenges we face, the interdependency of the various players in communities and economies, and the magnitude of the transformation that is required to build a robust present and future. This special issue is a contribution to that conversation.

The term sustainability was first applied to stemming the decline in the natural environment and its negative impact on human health, societal harmony, and economic growth. More recently, sustainability has become associated with a broader set of issues, a composite outcome with social, economic, and environmental elements or the “triple bottom line” of people, planet and profit. In our view, the UN’s 1989 Brundtland commission definition of sustainability as *“meeting the needs of the present without compromising the needs of future generations”* can be aptly applied to these three complex and inherently interdependent focuses.

Despite the emerging consensus on the meaning of sustainability, our understanding of how to achieve it remains elusive. There are varied opinions being thrown around, underpinned by divergent values and beliefs and conflicting prognostications. At one extreme are those contesting the scientific consensus that global warming is occurring and/or that human activity has contributed to it. They tend to deny corporate accountability for remedying the situation or any other ills caused by toxicity, pollution, or social injustice. At the other end of the continuum are firms that have made a fundamental commitment to build a more sustainable future, and see it as the right business model to bring us out of this mess. A few of these firms are featured in this special issue, such as Nike, whose board believes we are moving into a sustainability economy where business success will increasingly depend on contributing to a sustainable world; and General Electric, where chairman and CEO Jeff Immelt believes that the next decades will be about technologies and economies to address issues of scarcity. There are many in the middle—propelled by the pendulum that is slowly moving toward acceptance of responsibility and the need to take action in the sustainability arena, yet unsure what weight to give to sustainability and what approaches to use. The middle is paralyzed by the lack of a blueprint for action and the absence of clear regulation and legislation. Inaction is justified by citing the cost of moving in a direction with unknown benefits that could be countermanded by government action.

In this context, how are practicing managers to decide on goals, direction, and strategy? Depending on who is doing the talking, organization sustainability should be about greatly reducing the carbon footprint of our industrial organizations, lowering the social injustices occurring in different places, fostering cultural diversity, contributing to philanthropic and social causes, or generating consistently above average economic returns. Corporations may see sustainability primarily as necessary for public relations, brand imaging, and/or risk reduction. Some tackle it largely through technical approaches geared to building a totally closed cycle of materials consumption and recycling with zero-landfill and emissions impact. Others see it as a deep commitment to be socially responsible in all domains of activity, and to build business models that not only embody this commitment but lead to long term financial health.

It is clear that in the modern world, the sustainability of economies, societies and organizations are integral. Organization activities impact the health of the societies and economies of which they are part. In turn, the sustainability of these organizations is dependent on the health of the societies and economies to which they contribute. These are complex systems shaped by the inherently interdependent relationships between actors at all levels—individuals, organizations, communities, governments and regulators -- and broader business ecologies, such as supply chains, cities and regions, and networks. In today's highly connected world, all boundaries are permeable. Pollution, viruses, recessions, shortages and overcapacities, and expectations travel the globe quickly. Actions in one part of the world can rapidly lead to reconfiguration globally. The immediate impact of BP's Horizon Oil Platform in The Gulf of Mexico on global oil companies and their employees, the communities in which they operate, their shareholders, and the ecology and economy of an entire region are a chilling reminder of this interdependency.

It is this complexity and interconnectedness that makes sustainability such an important and daunting challenge for organizations and humanity in general. It is a goal that will be exceedingly difficult to accomplish. Saying we want more sustainable organizations is more than just altering six sigma programs to address process efficiency from a carbon perspective, implementing recycling programs, developing codes of conduct for suppliers, changing packaging to reduce plastic content, or establishing philanthropic foundations to sponsor socially active charities. Taking advantage of this low hanging fruit will no doubt move the indicators, particularly when viewed in the context of a single organization. And, to be sure, any single firm transformation to sustainability will be characterized by many such initiatives and projects to change its operations and impacts.

Yet in this interconnected world, even companies that do all of the above and more, and that believe that they are getting their house in order with respect to creating a sustainable future, are subject to the impact of behaviors that result from the incentives, norms, formal systems, competitive and cooperative relationships, and governance mechanisms that characterize the larger system. Right now, for example, even the most diligent of oil companies--ones that are attending to ecological and employee safety, striving to find ways to reduce

emissions, contributing to the local communities in which they operate, and searching for alternative sources of power—must be wondering about the viability of their business model in the face of the wide-spread economic, social, and ecological costs and the political backlash experienced as a result of the Horizon disaster.

In such a connected world, corporations will need to go to the next level. They will need to think more systemically. They must not only pursue company-centric sustainability, but the sustainability of the larger system. When organizations really decide to be sustainable, they are committing to more than a series of internal initiatives. They are committing to a different way of operating that takes into account the health of the larger system of which they are a part and upon which they depend. They must recognize interdependencies and reduce the fragmentation among all those who are concerned with people, planet and profit. To accelerate this fundamental transition, they will need strategies, design options, and transformation plans that are based on new ways of thinking and that instill new operating logics. How are practicing managers to design and implement organizations that can deliver on these sustainability strategies? Even given the exemplar organizations and societies that are paving the way, we are still far from having robust organizing frameworks and models. It is imperative that we rapidly gain knowledge about how this can be done and how we can accelerate the transition.

We are greatly troubled by two important missing ingredients in the ongoing conversations – data and design options. There are an increasing number of impressive initiatives from which to learn, and an increasing number of companies that are being held up as exemplars. The first challenge is to continue describing and communicating these examples to generate a data base of successful design options. The second challenge is to learn from these early mover examples. How can systems function differently in a more sustainable manner? What organizing approaches are most effective? We need models and frameworks based on sound analysis of multiple companies to help organizations design themselves to be sustainable and to operate as part of sustainable economies and societies.

This special issue on organizing for sustainability is intended to provide data and options for sustainable organizations. Each of the articles examines the sustainability journey from a different perspective. Each is based on rich case data that comes from interviews,

observations, and analysis of company documents and communications—primarily from organizations considered leaders in the sustainability journey. The authors have gone beyond a description of initiatives to examine organizing challenges and design approaches being used to make sustainable functioning a fundamental goal and to build it into the way the organization operates. Each of the articles also provides options. They describe how companies define and maintain focus on sustainability outcomes, and what strategies, structures, systems, and processes these organizations are putting in place to support new capabilities.

A Design Approach to Sustainability: Major Themes

We use organization design as an analytic framework for examining the approaches being taken by early mover organizations focusing on sustainability. Theoretically and practically, the important foundational concept of a design approach is that organization effectiveness depends on whether its strategies and purposes are aligned with its structures and processes. It follows from this notion that if an organization is modifying its purposes and formulating strategies that focus on economic success, social justice, and ecological health as an integrated set of outcomes, it will have to ensure that its various design features are aligned with this intent and with the new capabilities the organization needs to achieve these outcomes. Design features include the routines and work processes associated with delivering value to customers and other stakeholders; structures to house these processes; decision-making, communication, and direction setting processes required to keep the various parts of the organization aligned with the organization's strategy and purposes; and the rewards and people processes to populate the organization with needed competencies and motivation.

Traditionally, most organizations have been designed to achieve financial outcomes, and they operate accordingly. Given that, some redesign is likely required to build the capacity to achieve the more complex set of sustainability outcomes. A close examination of many of the early mover corporations finds that they indeed have changed many elements of the way they are designed to operate. They have given a great deal of attention to developing the new capabilities that are required for sustainable functioning. They have created new structures, stakeholder linkages and roles; changed their work processes; created new goals and metrics

and changed the criteria for decision making; built sustainability performance into their reward structures; and brought new competencies into the organization.

We know that the redesign of organizations to build new capabilities is more than a technical process. New designs need to be effectively implemented so that new ways of operating become deeply rooted and new capabilities are achieved. People have to learn to think and make decisions differently. Without this, initiatives and projects aimed at enhancing sustainability will be fleeting one-off accomplishments, and attention to sustainable functioning will be short lived. An organization may, for example, radically reduce its carbon footprint, greatly decrease material consumption and waste, declare victory, and turn its attention to other matters.

A number of recurring themes about organizing for sustainable effectiveness are evident from the articles in this special issue, as well as from our own and others' research. These include: 1) the need to align purposes; 2) the inherently cross functional nature of the transition; 3) the building of cross-boundary connections and networks of value creation; and 4) the capability development challenge. These themes reflect the deep and pervasive nature of the operating changes that are required. They also stem from the reality that the very concept of sustainability demands that in order for an organization to build its own sustainability, it must simultaneously contribute to the sustainability of the larger systems of which it is a part.

Redefining and Aligning Purpose

For organizations accustomed to maximizing short-term shareholder value and operating primarily within a micro-economic logic and decision making framework, transitioning to sustainability introduces new purposes and outcomes. Sustainability represents a fundamental shift where multiple outcomes drive decisions, long term future outcomes are balanced against today's demands, and a broader set of stakeholder purposes are considered. Even for companies that have prided themselves on their corporate values statements, good citizenship, and reputation for integrity, this is likely to be a discontinuous shift.

Leading companies are taking great strides to create new and more inclusive purposes and to align the organization to them. The authors in this issue point out that this transformation cannot be achieved through compliance and control. Many of the leading companies are in fact building on a deep values-based heritage emphasizing concern for the community and for social justice. Even for these companies, the current sustainability transition requires a move to incorporate a broader set of values into the business model and value proposition of the company, and a much closer alignment with the purposes of other stakeholders. This occurs through the establishment of advisory boards, partnerships and collaborations, and other ways of continuously sensing employees, customers, community members, NGO's, and governmental agencies, and taking these perspectives into account in the decision making in the organization.

Top management teams must model and set clear expectations for this transition. They lead the (generally participative) process of setting the mission, vision and values that are the essence of purpose. They make enterprise decisions that demonstrate that the definition of success has changed, and in so doing they empower employees and catalyze new ways of making decisions throughout the organization. Systems for aligning goals and metrics formalize the changing purposes. Hiring people who are oriented toward broader purposes and creating norms of behavior and performance geared toward these broader outcomes are also key elements of what several of the authors refer to as building a culture that supports sustainability.

Operating Cross Functionally

Although specific initiatives, such as zero-emissions manufacturing or philanthropy and community volunteerism, may be championed and executed by a particular function or supported by the corporate office, most organizations quickly realize that moving to the next level of sustainable functioning requires cross functional integration. The organization's core work processes, such as supply chain management, product design and development, operations, and channel and market management, are inherently cross functional. They are the locus for much of the internal change toward sustainability and make important contributions to the sustainability of the broader eco-system. Finance, communications, strategic planning,

public relations, legal, marketing, and human resources must become more tightly linked to these operating processes, helping the organization make decisions based on new and broader goals, metrics, and sources of information, and with new levels of connectedness to various stakeholders.

The companies described in this special issue have made structural and process changes to create cross-functional capability. Cross-functional connections are achieved by creating temporary or permanent governance councils and project and initiative teams. Some have made structural changes to their core organization, such as new management positions with cross-organizational accountability for integrated sustainability strategies. Some restructure to consolidate different functions that collectively contribute to new sustainability approaches, capabilities and outcomes.

Building Cross Boundary Networks

Given the interdependence inherent in today's economies, societies, and natural ecologies, building a sustainable organization equates to contributing to the sustainability of these broader environments. Sustainable effectiveness entails addressing the needs and preferences of many external and internal stakeholders. Leading companies create rich inter-organizational network connections that accelerate and enhance the scale of the transition to sustainable functioning. Their heavy engagement and interactions with external stakeholders redefines the boundaries of the company. Through advisory councils and social media, they bring the perspective of customers, the public, communities, governments, suppliers, and NGO's into their decision making processes about goals, products and services, operating processes, and supplier, customer and community relationships. Using life cycle accounting models they become knowledgeable and realistic about the impact of today's activities on tomorrow's company and societal outcomes. Business models are emerging in which products and services are designed to be eco-friendly and thus to create broad impact well beyond the ecological footprint of the organization itself.

Realizing that they don't have all the knowledge and expertise to solve some very thorny problems of firm and global sustainability, these leading companies seek knowledge from collaborations with external parties. Several of the companies described in this issue, for

example, have partnered with recycling and materials specialists to find ways to convert waste to new products and materials, in order to close the natural resources loop. Others are partnering with NGO's to collaboratively address problems of human rights and/or resource depletion in the supply chain. Organizations are convening collaborative learning networks to solve common problems and foster sustainability of a broader region or chain of activities that cannot be optimized by any one organization.

These leading companies are also active participants in the legislative and regulatory process. They are partnering with governments to create the frameworks that will shape how the broader eco-system evolves and determine whether achievement of the triple bottom line is possible. In addition, they are active in industry associations that are yielding industry covenants and guidelines.

Capability Development

Sustainable strategies and the associated design changes represent discontinuous organization shifts. Achieving a composite set of financial, social and ecological outcomes requires the development of new capabilities, including the formation of new cognitive maps—ways of understanding the inputs and processes of the organization and beyond – and ways of working with stakeholders to yield sustainably effective performance. New models and decision criteria need to be introduced. For example, the supply chain now is being viewed not only in terms of cost, quality, timeliness, and reliability of materials delivered, but also in terms of whether the company's direct suppliers and those even further back in the value stream are meeting the company's social and environmental standards. Decisions about products and services are based not only on the footprint of the production and distribution process, but also on life-cycle usage. Integrating an intergenerational time perspective into the organization's models of effectiveness represents a new dimension that has to be instrumented through metrics and models, and incorporated into the decision making processes in the organization.

The articles in this special issue stress the many ways in which taken-for-granted views of operating have to be changed, and the considerable unlearning and learning that have to occur. Even if the formal systems of the organization are changed to foster sustainable

performance, individuals have to learn to make decisions differently, new routines have to emerge, and the core work processes of the organization have to be transformed.

The authors stress both the need for and insufficiency of formal strategies, new frameworks embodied in metrics and goals, and organizational redesign. Efforts of employees throughout the organization are required to effect such significant discontinuous change, and the informal organization has to become aligned with it. Core beliefs and values are challenged even for those who are energized by the vision of organizing for sustainability. The City of Boulder, Colorado, for example has found that despite the resounding victory of ordinances designed to become a green city, the very people who voted for it are unwilling to give up the yearly upgrading of the electronic devices that have become part of their personal identities and represent a significant source of energy consumption.

Top management's role in stressing new outcomes and creating a compelling articulation of the intersection of business, social and environmental sustainability outcomes jumps out throughout this issue. Yet the whole company will have to learn new ways of thinking and acting. Many of the leading companies in sustainability started from a strong values-based heritage that supported such a strategy. These values provided a fertile field for the germination of sustainability-oriented business models. These companies have attracted employees who share these values and are ready to embrace the new business model and to learn how to operate within it. Many organizations do not start with this fertile field. They do not have a heritage of concern for community and responsible operations. In these companies, the shift to a sustainability model represents a more significant change in culture. Here there is a deeper learning and unlearning challenge.

Although top management can and should create a context in which employees start to operate in new ways, the development of new capabilities and the transition to sustainability relies on energies, ideas, and innovation from within. Leading companies find ways to involve and empower employees in making this transition. Indeed, employees are a key stakeholder that develops a different relationship to the company. Taking advantage of their energies and enthusiasm to "do the right thing", learning from employees, and encouraging employees to learn and innovate are integral to many of the transitions described in this issue.

It is also clear that these leading companies continually seek learning from outside. They participate in consortia and learning networks, team up with other organizations to mutually learn about and address problems, and engage in co-development of solutions with partners, customers, vendors, and industry groups. In this way they are at the same time learning and building a new and more sustainable way of operating as an integral part of the larger eco-system.

The Articles in This Special Issue

We are fortunate to have authors who have brought rigor to the examination of sustainability and generated practical, evidence-based frameworks and guidelines. The first three articles provide guidance about organizing for sustainable effectiveness that comes from the examination of many companies engaged in this transformation. Each takes a different tact, but their perspectives offer complementary ways of understanding and dealing with the deep and profound change that is entailed.

In his article about *Climate Change as a Cultural and Behavior Issue*, Andrew Hoffman builds on research showing that sustainability transitions are challenging because individuals have many cognitive biases that prevent them from fully accepting and acting rationally with respect to climate change issues. He strongly makes the point that if climate change is going to be effectively addressed, not only will organizations will have to be redesigned, but individuals will have to change their core values and ways of thinking. The organization's routines and decision making processes, such as the way strategy is set and investment decisions are made, will have to be altered to create a new culture and instill new values.

The article by Marc Epstein and Adriana Rejc Buhovac, *Solving the Sustainability Implementation Problem*, provides a practical systems framework to guide effective implementation and decision making of sustainability strategies and aspirations. The "Corporate Sustainability Model" provides a systematic way for organizational leaders to formulate strategies and implementation plans and to integrate financial, social and ecological sustainability goals. It also can be conceptualized as a formal management control system. Epstein and Buhovac end by saying that formal systems are insufficient, and that the organization needs leaders who set a mission and build a culture where people understand the

nexus of the business and sustainability goals, and carry out their jobs with this more complex set of outcomes in mind.

In *Vision, Mission, and Values: Guideposts to Sustainability*, Philip Mirvis, Bradley Googins, and Sylvia Kinnicutt build off of three cases to illustrate the importance of building sustainability into the mission, vision and values of the company, and the role leadership plays to achieve company-wide and stakeholder involvement in the generation and ownership of these guideposts. GE, Unilever, and IBM have leveraged these core guideposts to instill energy, enthusiasm and common direction throughout the organization. Although this energy is critical to provide the momentum to close the gap between rhetoric and reality, the authors point out that these leaders in sustainability have also aligned these guideposts with the formal systems of the organization and with their strategies and innovation models.

The next two articles present rich cases examples that illustrate key aspects of sustainability. In *Building a Collaboration Capability for Sustainability: How Gap, Inc. is Creating and Leveraging a Strategic Asset*, Chris Worley, Ann Feyerherm, and Darryl Knudsen describe the longitudinal development of a multi-stakeholder collaboration capability at Gap, Inc. They show how its initial attempts to address social issues expanded to broader concerns. Learning to build a sustainable supply chain provided a model for thinking systemically and redefining the company's boundaries to affect the sustainability of the larger system. They go on to show how that starting challenge, largely externally focused, led necessarily to changes in the way the core company operates and to the development of a collaborative capability that has become a foundation for a much more pervasive transformation.

Hilary Bradbury-Huang's article, *Collaborative Agency for Sustainability: The SEER Case*, is unique in its perspective. Rather than looking at sustainability from a particular firm's perspective, she looks at how a collaborative network of firms formed, organized, and learned. These firms were all connected to the Port of Los Angeles in Southern California and they came together to address social and ecological issues in the supply chain from China to the US. Through their efforts, an integrated approach to reducing carbon emissions in the supply chain was developed. Her article describes how this multi-stakeholder consortium organized and learned to solve problems that none of them could solve on their own.

In the final two articles we learn how two organizations have greatly strengthened their business competitiveness while making remarkable progress toward sustainable functioning. *Green is Free*, by Dean Schroeder and Alan Robinson, tells the story of a Subaru plant's journey to become a model for sustainable manufacturing. In the process it has dramatically reduced costs and had remarkable environmental achievements such as achieving "zero-landfill." The authors stress the role of the line workforce in a relentless examination of the processes of the plant and discovery of ways to reduce waste and emissions, and to make money by doing so.

In *Why Nike Kicks Butt in Sustainability*, Marc Epstein, Adriana Rejc Buhovac and Kristi Yuthas describe how Nike Corporation has become a global leader in sustainability by building on its core business strengths: leadership, organization design, market strength, market positioning, and culture. They make the point that these elements of Nike are difficult to imitate, and have created a very fertile field for building their sustainable business model as a competitive advantage.

We want to thank our authors for their hard work and diligence in framing interesting perspectives on complex problems and for translating those ideas into practical, applicable recommendations for managers. We also want to thank John Slocum and Fred Luthans for their support and timely advice in making this special issue happen.

As we work with organizations on confronting their sustainability struggles and as we study the topic, we become increasingly aware of the scale and scope of the challenge. It is all too easy for organizations to project a green or responsible image, to embark on socially responsible initiatives, and to give the impression that they are doing their part with respect to sustainability. Such visible but empty claims push attention away from the real challenge we all face, which is to find a fundamentally different way of functioning that lays the foundation for a sustainable future for us all. Rather than waving our arms wildly and screaming about the sky falling, we hope this issue provides real examples of real people grappling with sustainability in successful ways and providing others with the means to move forward.

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