PUTTING SUSTAINABILITY TO WORK:  
OPERATIONALIZING SUSTAINABILITY STRATEGY

Just as there is little agreement about the meaning of sustainability, there is also little agreement 
in how it should be put to work within an organization. The management consultants have a 
word that describes putting something to work – they call it “operationalization.” It isn’t a real 
word, but it does convey a picture of what is necessary to make sure that sustainability can be 
used within an organization and help it take the journey that we are examining in this course.

There are at least two major schools of thought regarding the operationalization of sustainability 
in an organization:

1. Use strategy and best practices to guide the sustainability effort;
2. Use existing business management efforts and move to sustainability through continual 
   improvement.

Each of these two options involves a wide range of implementation strategies. So we will take a 
rather high-level look at each of these options to see what may be involved as well as seeking 
some of the strengths and opportunities to improve each.

You might find a third option in your literature research this week. After all, there are hundreds 
of small sustainability consulting firms that are seeking to help organizations that have sought 
their assistance. Perhaps there is a combination of the two major schools of thought that would 
work as well – although many organizations and their consultants eschew such integration as 
being too complex and expensive. This is not always the case.

Sustainability Implementation as Strategy

Strategy is the most exciting course in the MBA curriculum because it gives students a chance to 
use all the skills that they have developed in the other courses. In other words, the strategy 
course puts the student in the position of the chief executive officer or the entrepreneurial 
founder of a local business. MBA’s learn to love that feeling. Professors say that exposure to 
strategy concepts alters the way students look at business. Strategic thinking involves a 
comprehensive analysis of a business in relation to its industry, its competitors, and the business 
environment. This analysis is both short-term and long-term in nature. Ultimately, strategy is a 
company’s plan to achieve its goals – sustainability in our course.

Strategic plans must specifically fit the organization. Strategic planning involves formulation 
and implementation (i.e., operationalization). Tom Peters and Robert Waterman, while working 
at the McKinsey and Company consulting firm, created what is known as the “Seven S” model 
(http://www.mindtools.com/pages/article/newSTR_91.htm). This model enables the MBA to 
diagnose the organization’s problems (i.e., it is not sustainable) and a strategy can be developed 
and implemented to make it sustainable.

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The seven S’s are as follows:
- Structure
- Strategy
- Shared Values (or Superordinate Goals)
- Style
- Staff
- Skills
- Systems

In a sustainable organization, each of the S’s complements the others and consistently advances the positive vision of a sustainable future.

An organization’s *structure* may have a customer or geographic focus. It may be part of a larger organization or it may be a small start-up operation. Structure is dealt with in organizational behavior (another MBA core course). It is important to take the structure into consideration when conducting strategic planning.

*Strategy* refers to the actions that an organization plans in response to or in anticipation of changes in its external environment – other organizations begin their sustainability journeys.
Style is closely related to culture. Culture or style is the aggregate of behaviors, thoughts beliefs and symbols that is conveyed to people throughout an organization over time. Since it is difficult to change a company’s ingrained culture, it is important to bear it in mind when developing a new strategy. Some people use something they call “change management” that seeks to modify the culture so that a particular change can be adopted.

Staff refers to the employees. Strategy is usually a “top-down” program that considers the staff from a management perspective. This includes their appraisals, training, wages, and the intangibles: employee motivation, morale and attitude. MBAs believe that with a motivated work force, organizations can adapt and compete.

Closely related to staff are the distinctive abilities and talents that an organization possesses. Skills may range from the ability to speak a second language to understanding of statistics.

Systems are the procedures, both formal and informal, by which an organization operates and gathers information. Tom Peters is looking primarily at the systems that allocate and control money and materials as well as gather information. Work instructions and operating procedures are considered to be in the staff category.

The final S is at what Peters and others feel the core of an organization. Shared values or Superordinate goals are the guiding principles or core values of the organization. These goals are the fundamental ideas around which a business is built.

A business excellence framework has a section on strategic planning. It also has a section on guiding principles. These concepts will be covered in the second option described below (The Sustainability Management System Approach).

Using the Seven S Model, a facilitator will first have the organization clarify its positive vision of a sustainable future. We covered this topic in an earlier narrative. People participating in focus groups and individual interviews with the facilitator talk about their shared values of this sustainable future and what it might look like. Developing sustainability strategy requires an understanding of what really matters. Of all the initiatives that the organization could launch under the sustainability banner, what will deliver the greatest business value and speaks to the organization’s most pressing challenges? This step may seem to be a bit of the “soft side” for many engineers and managers. Sustainability consultants see it as “getting the whole system in the room” or sharing what really matters to each person involved in the interviews. They are looking to characterize the strategic footprint – an approach to quantifying the organization’s greatest sustainability impacts and the activities that will drive them. One of the favorite tools of the management consultant is the SWOT (strengths, weaknesses, opportunities and threats) exercise. Sometimes SWOT examinations are only conducted by the managers after the employees have been interviewed. The exercise seeks to create a shared sense of urgency and purpose that sustainability is essential.

Next, the organization will need education. For many in the organizations, sustainability is a new idea. Successful implementation required a broad understanding of what it is and how it
drives organizational results. Everyone in the decision-making process learns about sustainability and uses the information to formulate criteria for success. This is probably where the behavior change training is formulated. The eventual roll-out of the program will require more general training for the staff. Some call this immersion training. The problem with this education is that it will look at sustainability as something universally accepted – like there is only one way to look at the subject. As with the SWOT exercise, this is focusing on management. After all, managers are the ones that bring about change according to many MBA programs.

Now the benchmarking activity will commence. These benchmarks are used to measure the future gains after assessing where the company is today along with its processes and staff. The organization needs to know how it stacks up against its peers and organizational best practices. It also means reaching into the stakeholder community by talking to NGOs, government, industry associations and some local citizens. What are their expectations? In parallel with the benchmarking is a determination of what investments, returns, savings and improvements might be expected in the implementation phase.

All of this leads to the formulation of the sustainability strategy! Good strategies answer the question, “What is the right action at a given time?” There needs to be a balance between short-term “quick wins” and the longer-term aspirational world changing efforts.

Taking into account all of this information, the sustainable strategy is formulated. For most organizations, the realm of sustainability is new and specific initiatives and programs that organizations choose to implement. Management consultants work with organizations during the initial implementation and provide everything from full program management support to specific issue-focused coaching to help ensure that the journey to sustainability is not derailed.

Most university sustainability programs are focused on initiatives. Some of these initiatives were copied from other universities as a result of benchmarking activities. In these programs, it seems that the initiatives drive the program, not the other way around. The web sites are arranged by initiative categories, not programmatic needs. (An article comparing initiative-driven and process-driven approaches is posted in the Supplementary Reading folder for this week.)

Few organizations use stakeholder engagement in the formulation or implementation of sustainability strategy. Internal and external stakeholders can help an organization create sustainable value networks. They are a source of new ideas, gaining insights to the direction that sustainable processes and eco-efficiency are moving and benchmarking organization efforts against leading edge thinking – now called “next” practices.

Some, if not many, of the biggest sustainability opportunities lie outside the direct control of one organization. The supply chain or cooperative efforts with other local industries (sometimes called industrial ecology) may help reinforce the strategy and benefiting society and the local economy.

It would be great if all sustainability strategy efforts resulted in an action plan. However, this is rarely put in writing and reviewed by a large number of interested parties prior to
implementation. The business excellence framework places a lot of emphasis on collaborative action plans as the means of implementing strategy. This is the difference between an academic version of strategy (it is ok to “wing it”) and the more practical business strategy in the business excellence framework.

The finals step is the organization launch or immersion. Often this is where teams are told what to do next. Most strategy is top-down driven. There is little time to get bottom-up participation in strategy. Maybe in the next phase! But it never seems to happen. Consultants design and test the assignments of each team, their meeting schedules and training, and the reporting means to maintain continual improvement, on-time measurements, organization-wide awareness, and the enforced dedication to the sustainability goals set by management.

**Sustainability Implementation as Management Systems**

The definition of a management system is that it is “a part of an organization’s overall management system” used to develop and implement its “policy” and manage the aspects of its activities products and services. A management system is used to integrate a program into the business itself using the management procedures already in place. An organization is defined as a “company, corporation, firm, enterprise, authority, or institution, or part or combination thereof, whether incorporated or not, public or private, that has its own functions and administration.”

The basic element of a management system is called an aspect – “an element of an organization’s activities, products or services that can interact with” this positive view of a sustainable future. These aspects could be something that would have environmental impacts; occupational health and safety risks; deviations from customer specifications; create social issues; or create economic issues. All of the aspects are considered both internal to the operation and external to the operation. Aspects can be determined by the stakeholder interests in the activities, products and services of the organization.

A sustainability policy presents the overall intentions and direction of an organization related to its sustainability performance in each of the three responsibilities as formally expressed by top management. The policy pledges compliance with all legal and other requirements to which the organization subscribes. It promises a proactive and preventive approach to addressing its vision of a sustainable future. Finally it pledges to work for continual improvement – “the recurring process of enhancing the sustainability management system in overall sustainability performance consistent with the organization’s sustainability policy.” The website for the American Society for Quality Management has more information on continual improvement (http://www.asq.org/learn-about-quality/continuous-improvement/overview/overview.html).

There are a number of management systems that organizations use to help them create a program that will move them to their vision of a sustainable future. They include:

- ISO 9001 (quality)
- ISO 14001 (environment)
- OHSAS 18001 (occupational health & safety)
• BS 8900 (sustainable development)
• ISO 26000 (proposed social responsibility standard)
• SA 8000 (social responsibility)
• AA 1000 (sustainability reporting)
• Sarbanes-Oxley Section 404 (financial)

It is possible to integrate management systems into a single system (see the Framework for Business Sustainability article posted in the supplemental reading folder for this week). That system can then be integrated into the business management system already in place.

Management systems are what are referred to as conformance programs. Organizations work to conform to the requirements of the system. This brings all organizations using the management systems up to the same level no matter what business they are in or where in the world they have operations. An organization does not need to pledge to become registered in order to enjoy the operational benefits associated with a management system. We will be spending the next few weeks looking at how these systems are implemented with a Plan-Do-Check-Act (PDCA) sequence.

One of the management systems, ISO 9001, has a series of eight quality management principles that give the standard a dose of performance enhancement. Instead of just conforming, the performance elements enable you to move to excellence. The “Eight Quality Management Principles” from ISO are described in one of the supplemental reading items posted to the class web site this week. They include many of the items you have read about in previous narratives, including the process focus and the systems approach. Many of you have already caught on to the involvement of people in the planning and implementation of a sustainability program.

The eight quality management principles provide the link to business excellence frameworks. In these performance programs, the more you do to adapt to each requirement, the more points that you receive. This is different than simply conforming to requirements. It is possible to integrate business excellence frameworks into management systems. In the United States, the business excellence framework is provided by the Baldrige program. The 2009-10 Baldrige business criteria document is posted in the supplemental reading section this week. As with the management system, an organization does not need to apply for the Baldrige Award in order to use its business excellence framework. Other business excellence frameworks include the EFQM Program in Europe and the Australian Business Excellence Program. There are approximately 75 business excellence frameworks currently in use throughout the world.

The following figure shows you how the Baldrige criteria illustrates their systems perspective (Baldrige, 2009-10, p. iv).
The ISO 9000 Standard pictures their quality systems approach as follows (ISO, 2009, p. 6):


**Sustainability Management System Approach**

The general approach of the sustainability management system implementation is quite different than the strategic approach presented above. It will be generally described below. In the second half of the semester we will be delving into the detail of each of these steps.

**Understand the Process (Current State)**

The organization needs to define all its products and services. While this may sound easy, there are many that elude notice until the process is understood in detail. A printing company offers finished products to its customers. But it has a host of services including handling customer returned goods.

To understand the process, you need to operate with a process approach as required in ISO 9001 (quality management system) and in the Eight Quality Management Principles. Criterion #6 in the Baldrige business excellence framework also addresses the process approach. All of these items address the system approach to management (Principle 5 in the Eight Quality Management Principles). Any organization uses processes to create its products and services. One does not examine the organization; rather, the evaluation is of the processes that are responsible for the activities.

Process maps are created for all process responsible for the products and services. These are called the core processes. Sometimes a facility begins its journey to sustainability by examining only one process and then adds the others at a later time.

Process maps are then created for all the supporting processes. These processes include water and wastewater treatment, steam production, air pollution control systems, compressed air systems, etc.

For the environmental and occupational health and safety considerations (quality considerations may also be included here), there is an accounting of all the resources used and lost by the activities involved in these processes. These will become the aspects in the sustainability management system.

When using lean as a process improvement method, a value stream map will be prepared that follows the order from the time it is received until the delivery of the product or service is complete to the customer.

The aspects are combinations of the following:

- Product – process – activity – resource used or lost – impact – aspect category

In some processes, there are detailed activities as well as activities.
Some organizations categorize aspects as impact categories as follows:

- Water consumption
- Steam consumption
- Compressed air consumption
- Materials (non-feedstock) consumption
- Feedstock consumption
- Chemicals consumption (non-feedstock)
- Electricity consumption
- Natural gas consumption
- Air emissions – point source
- Air emissions – fugitive
- Generation of noise/vibrations
- Generation of odors
- Wastewater generation
- Solid waste
- Materials recycled or reused on-site
- Materials recycled off-site
- Hazardous waste generation
- Spills and leaks

Other organizations simply categorize the uses and losses directly as found in the resource accounting activity. It might be that the entire category is found to have an acceptable risk to the organization when controlled properly. It might be that one or more items in the category are significant even though the others are not. By clustering the categories and looking at the string of items, it is easy to go from over 500 aspects to less than 50 aspects. This is another example of using the Pareto principle discussed earlier this semester, to narrow the focus from an overwhelming number of items to a more manageable number.

For the social and economic aspects, the organization will have to rely more on the stakeholder interests to determine those aspects that are not acceptable to them. There certainly can be overlapping relationships between the environmental aspects and the social and economic aspects.

The aspects for the three responsibilities need to be reviewed with the internal stakeholders and then with the external stakeholders. The eight quality management principles (#3) address the involvement of people. This is covered in the principles of the business excellence framework and in Baldrige Criterion #5.

**Determine the Significance of the Aspects**

In this activity, it is important to reach a decision on which environmental, social and economic aspects are “acceptable” to the organization using the operational controls currently in place. This will be done using a risk management system. An article on risk management was posted on the Week 6 web page in the supplementary reading folder (“Risk Management 101”).

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Additional information is required on the aspects in order to determine whether they are acceptable:

- Legal and other requirements – regulators and insurance companies
- Customer specifications – customers
- Supply chain logistics – supply chain participants
- Interests in processes – employees
- Interests in aspects – stakeholders
- Non-value added activities – shareholders
- Sustainable value – management
- License to operate – stakeholders

When the information is available, an effort can be made to prioritize the aspects. This is what is meant by the term, “significance.” The significant aspects should be reviewed with all key stakeholders along with the process used to generate the list.

Create a Positive Vision of a Sustainable Future

This topic was presented in the opening class and in Week 2. This effort needs to prepare a sustainability policy. This should NOT be predicated on avoiding all the terrible and rotten things we have done to this poor earth! Instead, it should be focused on what we can do to have less of an effect or at some point to get to having a “restorative” effect in the world with an interest in an organization. The policy should make the following commitments:

- Full regulatory compliance as a minimum
- Prevention-based approach (i.e., choose to eliminate an “interest” rather than applying an operational control, where practicable)
- Continual improvement.

Start building the sustainability management system into the existing business management structure. Sustainability should not be separate from the core business. It should be a part of every management decision every day. It should be a part of what every employee does every day.

Select a means for process improvement and make it an integral part of the sustainability management system – not an independently-operated program. We will be talking about the use of lean as the process improvement method. There is a paper posted in the supplementary folder this week that discusses the use of the Systems Approach for Process Improvement. This latter approach can also be used with lean. Some companies use six sigma as their preferred process improvement program. Many of the top companies use all three! Process improvement is required in order to meet the commitment to continual improvement.

The policy (positive view of a sustainable future) must be reviewed with all key stakeholders.

Management must commit to this program. There is a leadership principle (#2) in the eight quality management principles. Visionary leadership is a principle in the Baldrige business
excellence framework. Criterion #1 addresses leadership in the Baldrige business excellence framework.

**Conduct a “Gap” Assessment**

At this point, many organizations conduct an assessment to see what they already have in place and what will be needed to move forward with the sustainability management system and make it an integral part of the manner in which the organization is operated day-in and day-out.

A great way to conduct this gap assessment is to use the ADRI approach:

**Approach** – identifies your organization’s intent for the sustainability management system program; the thinking and planning and the strategies, processes and infrastructure designed to achieve the intent to become sustainable and to track progress.

**Deployment** – identifies those planned implementation activities supporting the sustainability improvement strategy.

**Results** – the performance and indicators (and process by which they are monitored and evaluated) that measure the effectiveness of an Approach and its Deployment.

**Improvement** – the process by which Approach and Deployment are reviewed and adapted to achieve improved results and performance.

The primary focus of the ADRI assessment is to ensure that organizational success correlates to a planned, sustainable cycle of improvement. You will also note that the ADRI approach is similar to the Plan-Do-Check-Act (PDCA) approach promoted by ISO.

The organization will focus on the “positive” risks that it faces as it moves down the path to sustainability. These are called “opportunities for improvement.” All risks are considered using a risk management standard like AS 4360.

Using the business excellence framework principles and the criteria (as integrated with the Eight Quality Management Principles in the sustainability management system) to prepare a strategy for implementing the specific requirements of the sustainability management system and further integrating it into the everyday business decision-making. There are a number of principles in the Baldrige business excellence framework that support this strategy development. More information is contained in Criterion #2. It provides guidance for what should be in the strategic thrust for a sustainable development program. Criterion #3 in the Baldrige business excellence framework should be slightly reworded to read “Stakeholders and Market Focus.” Baldrige has had a historic focus on customers – they are indeed a very important stakeholder. However, in a sustainable development program, other stakeholders are also important when looking at the overall market. Criterion #4 in the Baldrige business excellence framework deals with “Measurement, Analysis and Knowledge Management.” All of these items (as well as the criteria and principles mentioned in the sections above) lead to a clearly articulated strategy based on the policy and the implementation of the sustainability management system.
Implementing the Sustainability Management System

The implementation effort usually takes place over an 18-month to 2-year period of time in many smaller organizations. First, the organization needs to address each of the requirements in the sustainability management system. The gap assessment enables the organization to score these items for priority. This helps them with the implementation. Some organizations move much more expediently when they have the personnel to be involved in this activity. However, many smaller organizations and some larger ones are running with fewer people than they would like to operate with. Outside facilitators and coaches can help the employees implement a program, but it is not something that they can do for them. A big mistake would be to use a prefabricated program and seek to make it fit the organization. While this might seem attractive to the organization, it will not be sustainable over time.

We will spend the next several weeks going over the requirements of the sustainability management system in the ADRI or PDCA sequence. We will then bring in the discussion of the performance information that will help make the requirements work well for the organization. We will talk about employee-driven programs. Employees will create action plans and will gain management approval to conduct projects that will contribute to the sustainability of the organization through the continual improvement principle. The “initiatives” will come from within, not from the benchmarking of other organizations.

Comparison of Approaches to Sustainability

Are you familiar with other approaches to implement sustainability at a local facility? There are publications about rolling out corporate programs to large numbers of facilities. This is not what we are focused on in this course.

Think about the involvement of the people within the organization when considering the selection of a planning and implementation approach. Keep the following points from the Australian business excellence framework in mind (SAI Global, 2007):

- Develop and value people’s capability and release their skills, resourcefulness and creativity to change and improve the organization. A sustainable organization knows how enthusiastic its people are and why. The people working in a particular process understand that process best. Harvesting their ideas improves the system and their outcomes, promotes shared ownership of the organization’s sustainability goals and creates a committed, loyal, productive and innovative workforce. Attention to the satisfaction, development and wellbeing of employees enhances their performance and working relationships and improves the attainment of a positive vision of a sustainable future.

The Baldrige business excellence framework has a principle that states (Baldrige, 2009-10):

- An organization’s success depends increasingly on an engaged workforce that benefits from meaningful work, clear organizational direction and performance accountability and that has a safe, trusting, and cooperative environment. Additionally, the sustainable
organization capitalizes on the diverse backgrounds, knowledge, skills, creativity, and motivation of its workforce and partners.

Valuing the people in the organization means committing to their engagement, satisfaction, development, and wellbeing! Increasingly, this involves more flexible, high-performance work practices tailored to varying workplace and home life needs. Major challenges in the area of valuing members of the workforce include:

- Demonstrating leadership’s commitment to their success
- Providing recognition that goes beyond the regular compensation system
- Offering development and progression within the organization
- Sharing your organizations knowledge so the workforce can better serve the customers and other stakeholders and contribute to achieving the organizations sustainability objectives
- Creating an environment that encourages risk taking and innovation, and
- Creating a supportive environment for a diverse workforce.

At the local level, sustainability comes mainly from within the organization. Outside assistance is best used to drive that internal contribution and help the organization make the best use of it. Doing something because a competitor is doing it is not always the most fruitful approach to take when implementing strategy. Employees must be involved both in the planning and in the implementation. Leaders need to support this approach.

You should take a few minutes to read the following principles in the Baldrige 2009-10 criteria book:

- Focus on the Future (page 52)
- Managing for Innovation (page 52)
- Societal Responsibility (page 52)
- Focus on Results and Creating [Sustainable] Value (page 53).

There is a lot to recommend the second approach in light of these important documents. While they may not excite a MBA strategy whiz, they will help many organizations become sustainable in their own way.

References:

