# Sustainability and Social Responsibility

**Presented by Dr. David Gould**

# Purpose

To review some international standards related to sustainability

**And**– to see if this discussion generates any research ideas …

# Contents

- Basics

- Change

- Sustainability

- ISO Standards

- References

# Basics

# Some Business Principles

- Better
- Faster
- Cheaper

Forever → $$$

The most successful organism is not the smartest, but the most adaptable to its environment.

- Charles Darwin

Change

# Change

There is nothing more difficult to take in hand, more perilous to conduct, or more uncertain in its success, than to take the lead in the introduction of a new order of things.

**Niccolo Machiavelli**

# Pace of Change
## Some Characteristics of the Future

*Speed* – *the rate of change will accelerate*
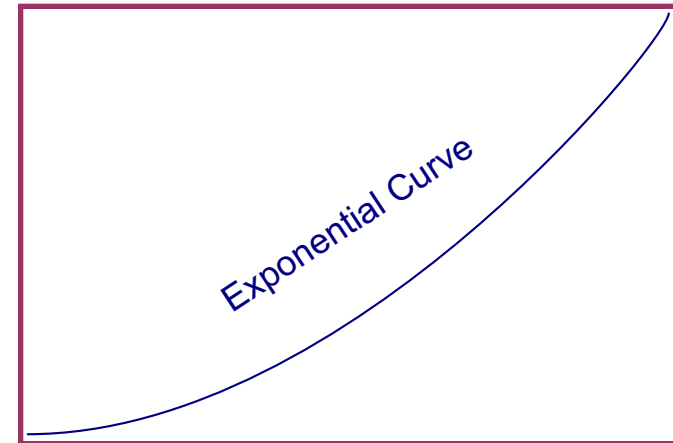*Complexity* – *continuously increasing*
*Risk* – *new and higher risks*
*Change* – *radical changes will force faster adaptation*
*Surprise* – *will become a daily feature of life*
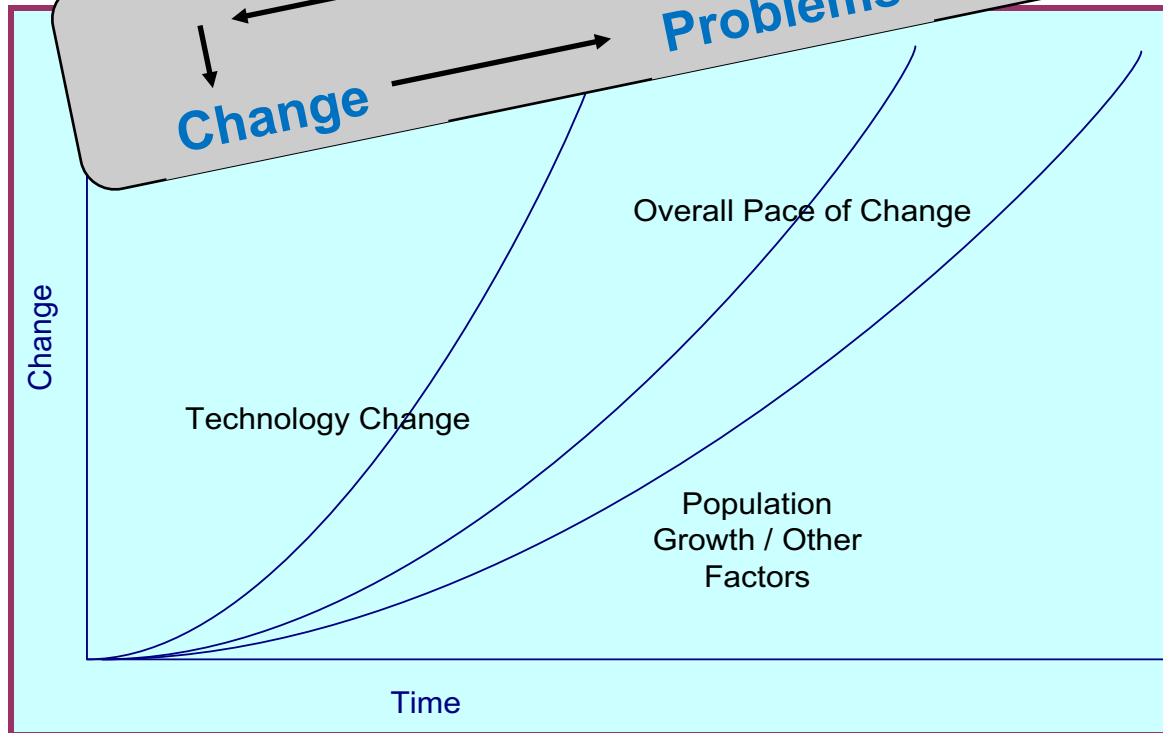
Source:  Dr. James Canton

**We live in exponential times!**

Exponential Curve

# *Pace of Change*

**Research**

**Exponential Growth**

Change → Problems → Solutions

**Change**

**Problems**

**Solutions**

Overall Pace of Change

Technology Change
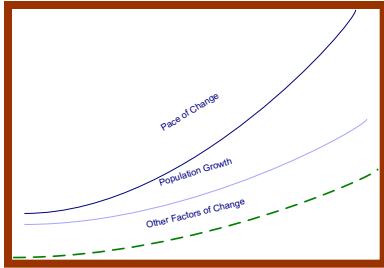
Population Growth / Other Factors

Change

Time

Contributing Factors

1. Population Growth

2. Process Improvement

3. Innovation

4. Product Combinatorics

5. Market Demand

6. Globalization

7. Cost Reductions

Societal knowledge doubles every 8 – 10 years: Ray Kurzweil

Processing speed doubles every 12 – 18 months: Moore's Law

So, how do we get ahead of the curve?

And apply what you have learned

**The ability to learn faster than your competitors may be the only sustainable competitive advantage.**
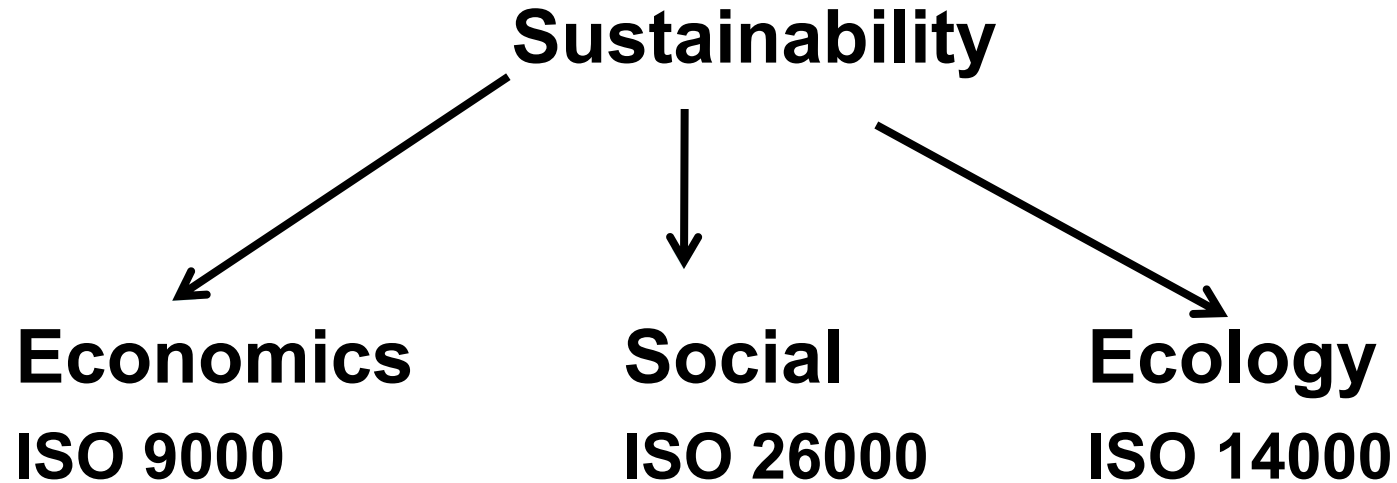
**Arei P. De Geus**

# Sustainability

# Definitions

- Sustainability (Noun)
  - Capable of meeting the needs of the present generation without compromising the ability of future generations to meet their own needs

# Taxonomy

**Sustainability**

**Economics**          **Social**          **Ecology**

**ISO 9000**          **ISO 26000**          **ISO 14000**

**Notes:**

1) These three elements make up the "triple bottom line"

2) Many issues we are concerned with include combinations of two or three of these – for example, jobs or healthcare

# Global Reporting Initiative (GRI)



**Sustainable Use of Natural Resources**
- Sustain (water, soil, forest, ..)
- Conserve

**Energy Conservation**
- Conservation
- Energy Efficiency
- Environmentally Safe Energy Sources

**Safe Products and Services**
- Reduce or Eliminate Environmental Damage and Safety Hazards
- Inform Customers about Environmental Impacts and Safe Use

**Management Commitment**
- Ensure Top Management is Informed and Responsible
- Consider Environmental Commitment in Selecting Directors

**Global Reporting Initiatives (GRI)**

**Protection of the Biosphere**
- Eliminate Harmful Releases
- Safeguard Habitats and Biodiversity

**Reduction and Disposal of Wastes**
- Source Reduction and Recycling
- Safe Handling and Disposal

**Risk Reduction**
- Minimize Employee and Community Risks
- Safe Technologies, Facilities, and Procedures
- Preparation for Emergencies

**Environmental Restoration**
- Correct Hazardous Conditions
- Redress Injuries or Environmental Damage

**Audits and Reports**
- Conduct Annual Self-Evaluation
- Create Environmental Audit Procedures
- Complete Ceres Report and make available to Public

GRI International Guidelines established in 1997. Source: Fiksel, J. (2009). *Design for Environment* (2nd ed.). New York, NY: McGraw-Hill

# ISO Standards

# ISO 9000

- Addresses financial aspects of business
- Most widely established quality methodology
- Used by 900,000 organizations and over 170 countries
- The standard for not only quality management, but management in general
- ISO 9000 – Fundamentals an Vocabulary
- ISO 9001 – Requirements
- ISO 9004 – Guidelines for Performance Management

# ISO 14000

- Is an environmental management system with specified requirements and guidance on environmental performance

- Based on PDCA

- Environmental management includes auditing, labeling, evaluating environmental performance, assessing life cycles, communicating environmental concerns, and reducing greenhouse gases

# ISO 26000

ISO 26000 is a voluntary guidance standard that attempts what no other global standard on social responsibility has: to consolidate in one place, the fundamental expectations of organizations regarding their responsibility to society.

# ISO 26000 (cont)

- ISO 26000 is a draft international standard for social responsibility

- Developed by several thousand contributors and reviewers from more than 90 countries

- Provides guidance for all types of organizations

- Linkage to PDCA

# Social Responsibility

- Social responsibility is the responsibility of an organization for the impacts of its decisions and activities on society and the environment, through transparent and ethical behavior that:
  - Contributes to sustainable development, including the health and welfare of society
  - Takes into account the expectations of stakeholders
  - Is in compliance with applicable law and consistent with international norms of behavior
  - Is integrated throughout the organization and practiced in its relationships
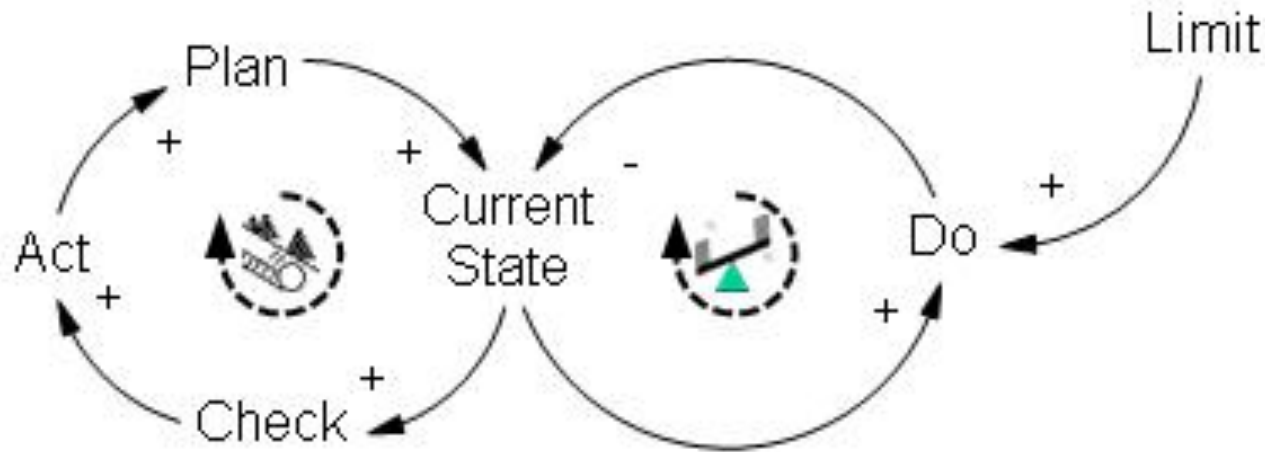
# Plan Do Check Act (PDCA)

- Plan
  - Plan for change—based on objectives, data, observations, …..
- Do
  - Execute the change, perhaps starting with a pilot test
- Check
  - Study / analyze the effects of the change
- Act
  - Decide on the next steps. Recycle as necessary
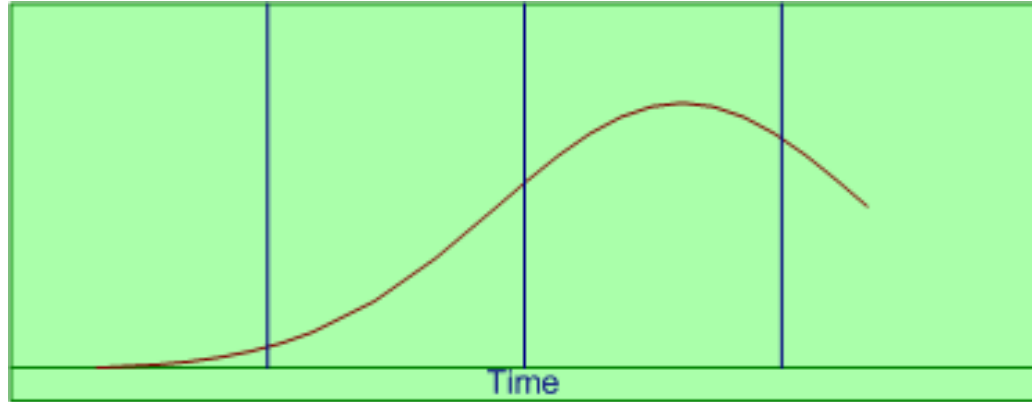
# PDCA – Simple Model
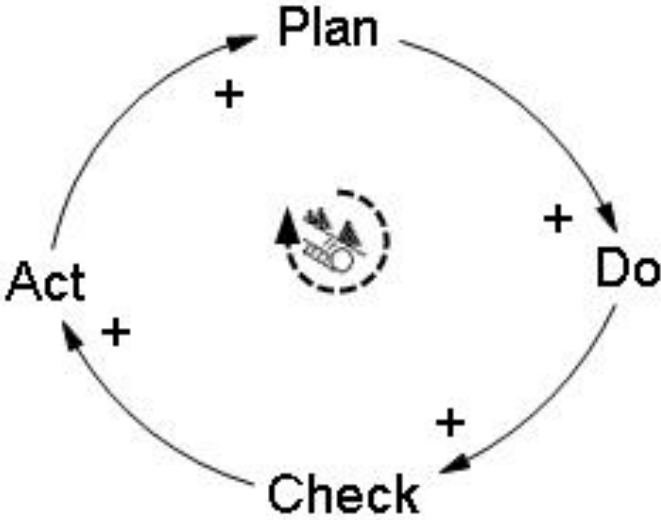
# PCDA – Limits To Success Model



There are limits to improvement such as the laws of physics, investment capital, time, mental models, interest ….
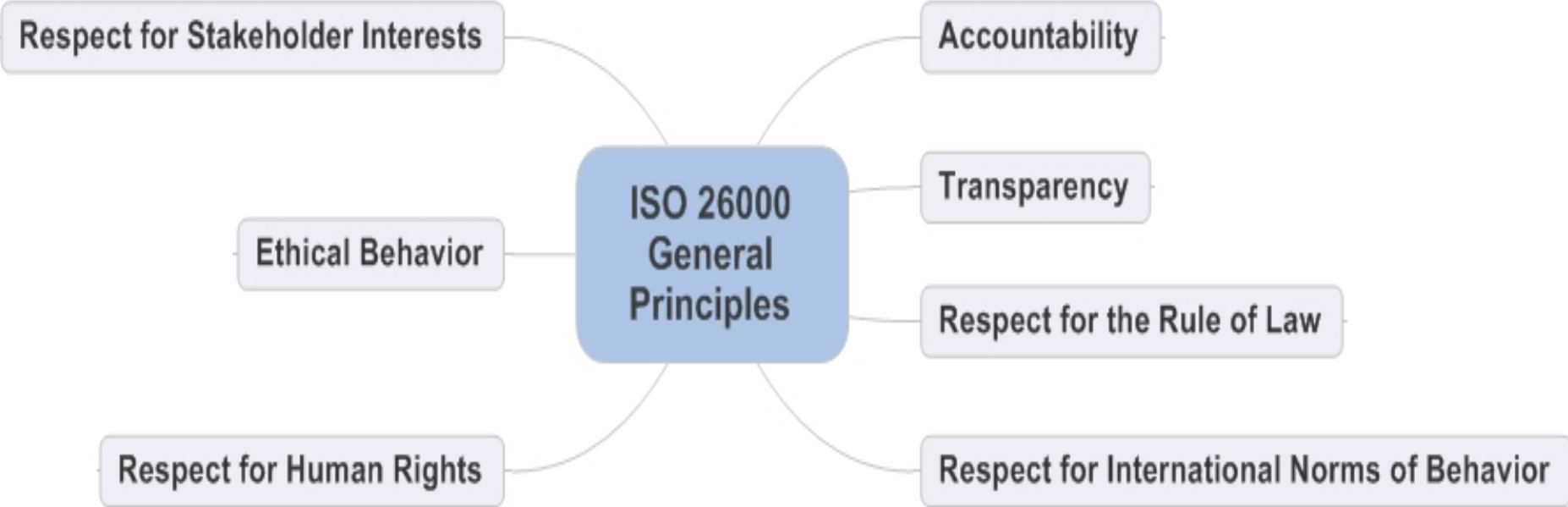
# PDCA Behavior Over Time



Improvements may start slow, speed up, slow to stop, oscillate about a line, or even decline as limits to improvements are reached

# ISO 26000 Implementation / PDCA Linkage

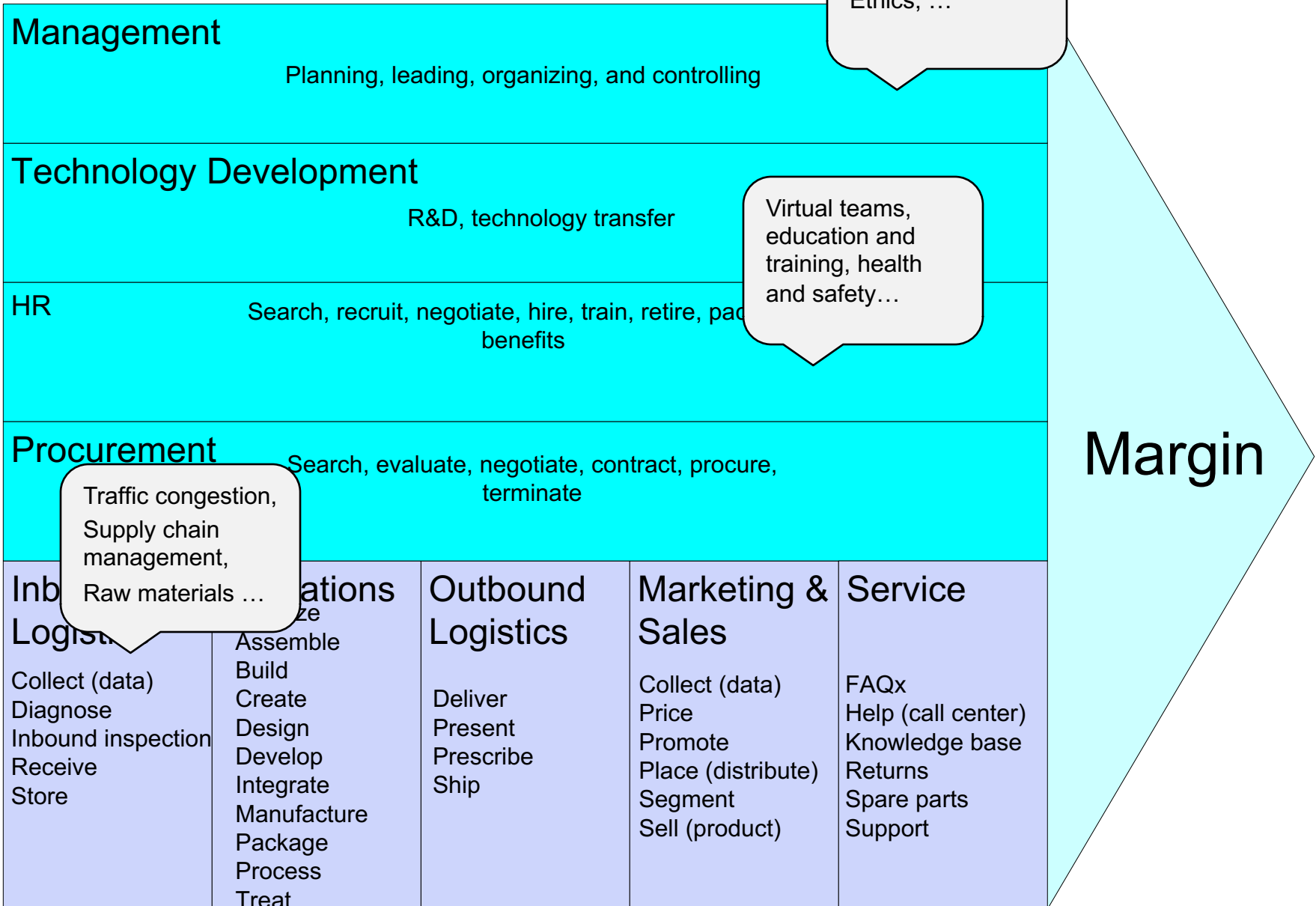| Step | Activity | PDCA Step |
|------|----------|-----------|
| 1 | Conduct a self assessment | Plan |
| 2 | Identify and build a team | Plan |
| 3 | Begin engaging internal and external stakeholders | Plan |
| 4 | Determine what is significant to your organization | Plan |
| 5 | Set measurable targets and draft the social responsibility plan | Plan |
| 6 | Implement the plan and begin monitoring progress | Do |
| 7 | Communicate and report | Check |
| 8 | Repeat the process of self-assessment, improvements, and ongoing communications | Act |

# ISO 26000: General Principles

Respect for Stakeholder Interests

Accountability

Ethical Behavior

ISO 26000 General Principles

Transparency

Respect for the Rule of Law

Respect for Human Rights

Respect for International Norms of Behavior

# ISO 26000: Seven Core Subjects



**Human Rights**
- Civil and Political Rights
- Social, Environmental, and Cultural Rights
- Workplace Rights
- Vulnerable Groups

**The Environment**
- Climate Change
- Resource Management
- Sustainable Resource Use
- Valuing Ecological Services

**Consumer Issues**
- Access to Essential Goods and Services
- Consumer Data Protection
- Consumer Service and Support
- Fair Operating and Marketing Practices
- Mechanism for Product Recall
- Sustainable Consumption

**ISO 26000**

**Organizational Governance**
- Accountability
- Ethics
- Legal Compliance
- Recognition of Stakeholders
- Transparency

**Labor Practices**
- Employment
- Health and Safety
- Human Resource Development
- Workplace Conditions

**Fair Operating Practices**
- Anti-Corruption and Bribery
- Fair Compensation
- Respect for Property
- Responsible Political Involvement

**Community Involvement and Development**
- Community Involvement
- Contribution to Economic Development
- Contribution to Social Development

# ISO 26000 and a Value Chain

**Management**

Planning, leading, organizing, and controlling

> Accountability, Transparency, Ethics, …

**Technology Development**

R&D, technology transfer

**HR**

Search, recruit, negotiate, hire, train, retire, pac benefits

> Virtual teams, education and training, health and safety…

**Procurement**

Search, evaluate, negotiate, contract, procure, terminate

> Traffic congestion, Supply chain management, Raw materials …

**Margin**

| Inbound Logistics | Operations | Outbound Logistics | Marketing & Sales | Service |
|---|---|---|---|---|
| Collect (data) Diagnose Inbound inspection Receive Store | ze Assemble Build Create Design Develop Integrate Manufacture Package Process Treat | Deliver Present Prescribe Ship | Collect (data) Price Promote Place (distribute) Segment Sell (product) | FAQx Help (call center) Knowledge base Returns Spare parts Support |

# Corporate Sustainability Model

| Suppliers / Stakeholders | Inputs | Processes | Outputs | Customers |

# Suppliers / Stakeholders

- Provide materials, ideas, people, financing, oversight to organizations
- Organizations could favor suppliers that demonstrate ethical behavior, human rights, environmental concern, and so on
- See ISO 26000 discussion for examples
- See Global Reporting Initiative (GRI) for examples

# Inputs

- Some key ideas organizations can consider adopting are concern for the community, ethical behavior, …

- Potential inputs could include "green" materials

- For example, in Europe, nearly 57% of McDonald's paper fiber comes from "certified" or well-managed forests
  - Source: Fiksel

# Processes

- Processes are indirect or direct and transform inputs to outputs
  - Indirect processes include leadership, R&D, HR, and procurement
  - Direct processes include inbound logistics, operations, outbound logistics, sales, and service
- "Green" processes are those that reduce waste by recycling, reduction, or reuse

# Outputs

- Outputs are goods or services in business terms
- Considerations include possible disposable options:
  - Can the product be recycled or is it just a "throw-a-way?"
  - Does the product contain toxic chemicals that are not easily isolated and can be safely disposed?
- Example: McDonald's Europe achieved a nearly 2,000 ton per year reduction in the consumption of nonrenewable materials used as takeout containers
  - Source: Fiksel

# Customers

- Customer reactions?
  - Delighted?
  - Repeat?
  - Leave?
  - Complain?
  - Take action?

# Outcomes

- What outcomes does the organization realize in terms of benefits?
  - Good will
  - Profitability
  - Stable workforce
  - Long term financial performance

**Thought experiment: Name two other outcomes.**

# Importance to Business Benefits

- Government Regulations and Industry Codes
- Community Relations
- Cost and Revenue Imperatives
- Societal and Moral Obligations

# Bottom Lines



ISO 9000

ISO 26000

ISO 14000
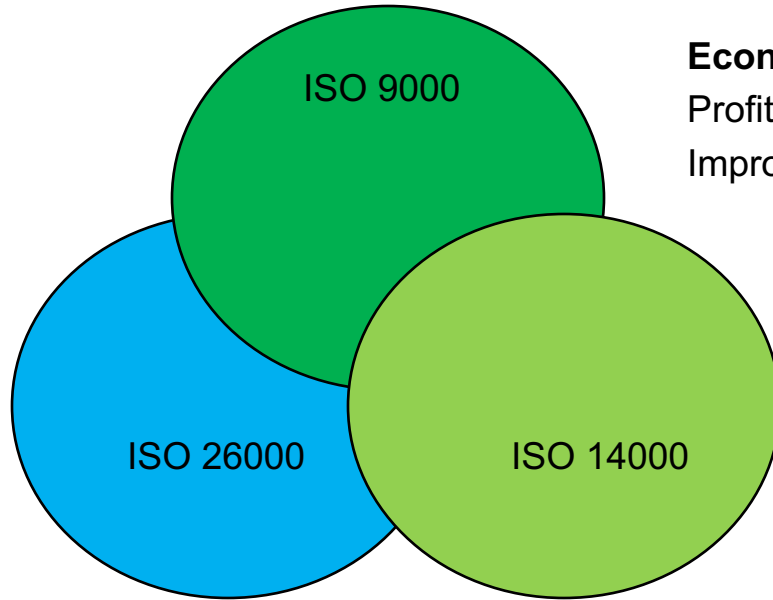
**Economically Viable**
Profitability at a steady state,
Improved quality, and decreased quantity

**Environmentally Sound**
External environment, energy, water,
Materials, depletion, and pollution

**Socially Responsible**
Employee's physical and psychological heath,
Employee training and education, local and
International communities

**The Fourth Bottom Line**
National Security

# Research Possibilities

- Are there any research possibilities for doctoral students in the PhD in Management program related to these topics?

**What might be some?**

# An Exercise

At your tables –

Think of some ways your organization could become more socially responsible.

Build a story around this situation and prepare to present it in this seminar.

- Take **10** minutes

# The World is Indifferent

The world is indifferent to tradition and past reputations, unforgiving of frailty and ignorant of custom or practice. Success will go to those individuals and countries which are swift to adapt, slow to complain, and open to change

Source: March 2006 – OECD

http://www.oecdobserver.org/news/fullstory.php/aid/1889/

Live your dream! A world of opportunity is waiting!

# From the Desk of Dr. Thomas Sheppard
## Preparing for the Future

- **Competence is only 10% of what it takes for success.**
- **Your image makes up 30%.**
  - Image is not just how you look, but **dress** and **grooming** are important
  - A positive **attitude** is critical
  - **Give** and **share** credit
  - You have to be seen as **someone** your management team wants to be around
- **The remaining 60% is visibility**
  - Your **career** can be influenced by others, but they have to know you exist.
  - Learn to write well and **publish**
  - Learn to speak well and **present**
  - Learn to solve problems and **deliver**
  - **Network** and cross organizational boundaries
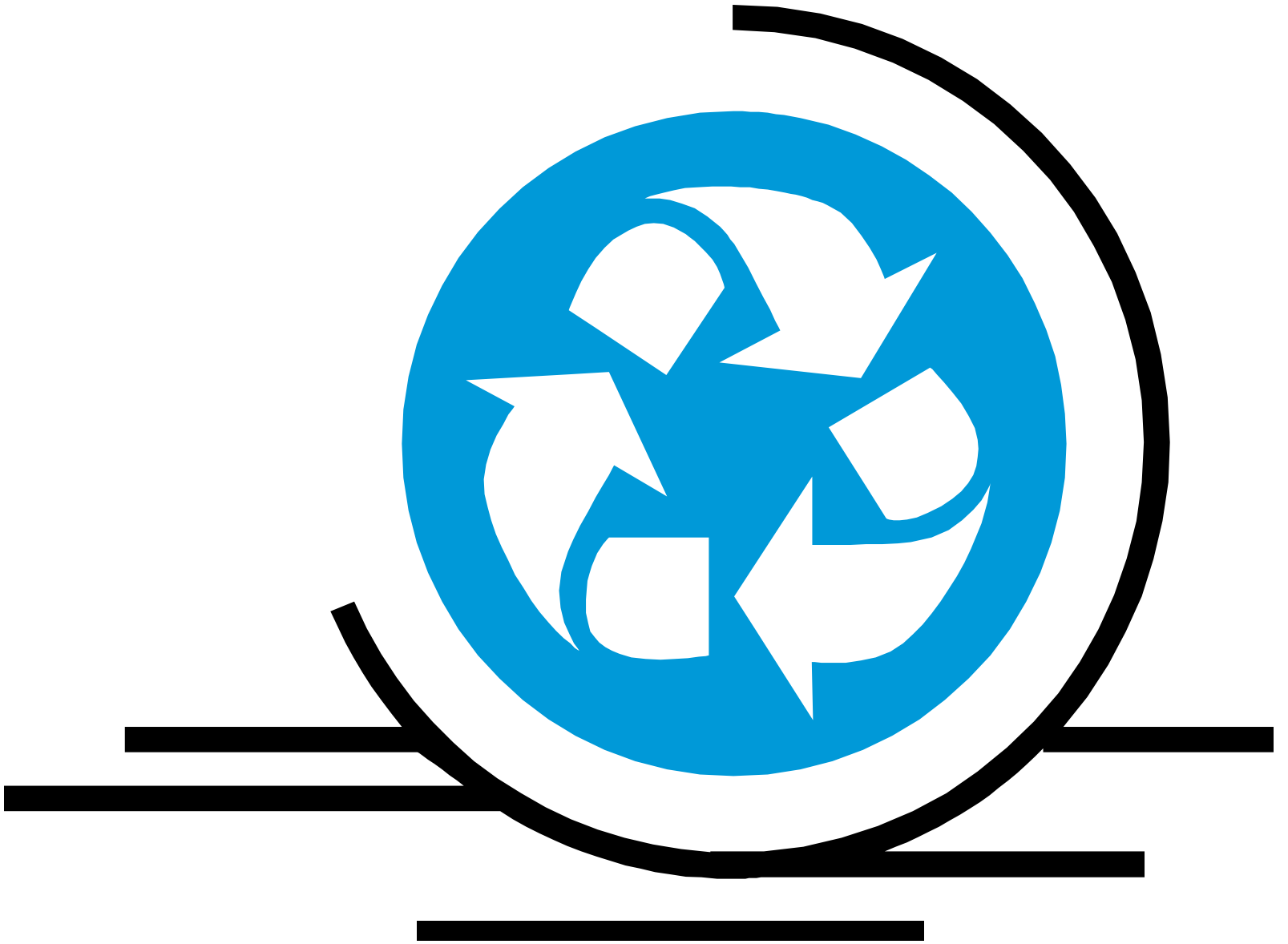
# From the Desk of Dr. Thomas Sheppard
**Preparing for the Future**

The world has changed.

The new business
environment needs fewer people
<u>trained</u> to do things repetitively in a
specific way, and demands more
people who are <u>educated</u> to find new
ways of doing things.

Our life's work is in managing our network!

- Dr. Ernie Hughes

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# Journals

- California Management Review

- Foreign Affairs Quarterly

- Futurist

- Harvard Business Review

- IBM Systems Journal

- McKinsey Quarterly

- MIT Technology Review

- New Scientist

- Sloan Management Review

- Strategy+Business

## Organizations

- Acceleration Studies Foundation
- American Society for Quality (ASQ)
- Association of Computing Machinery
- Resilience Alliance
- Society of Learning
- Systems Dynamics Society
- World Future Society

# Websites

- Acceleration Studies Foundation
  - http://www.accelerating.org
- American Association for Quality (ASQ)
  - http://www.asq.org
- Draft ISO Standards for Social Responsibility
  - http://www.trbav030.org/pdf2010/Stewart_ISO-26000_TRB100112.pdf
- MIT Open Courseware
  - http://ocw.mit.edu
- The Millennium Project (State of the Future)
  - http://www.stateofthefuture.org
- World Future Society
  - http://www.wfs.org

# Some Questions

- How can we make our cities smarter?
- How can we improve our transportation systems?
- How can we improve our educational systems?
- How can we improve our healthcare systems?
- How can we improve our public policies?
- How can we improve our political systems?
- How can we more efficiently use energy and natural resources?

Areas of research? Thoughts?