

Sustainability-aligned strategies

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Abstract

This chapter is about creating “smart” sustainability-aligned enterprise strategies. We review core strategy development practices and sustainability-aligning enhancements. Our approach uses systems thinking to re-formulate enterprise strategies.

We provide stage-setting context reviewing the co-evolution of people and enterprises and a sobering assessment of the sustainability movement. Government is failing and business is expected to do more. We share a game-changing letter advocating every public company to have a clear strategy for Doing Well and Doing Good.

We introduce our Smart Strategy Bridge framework with four stages. Each stage has a distinct, but holistically-informed system construct. The Bridge progressions move enterprises from: Being Stuck, to Doing Well, to Doing Well and Doing Good, and finally to Thriving. Tools introduced include: a sustainability-enhanced SWOT, an ROI Workbook, and The Big Pivot. Case studies include: Small farmers in Haiti leveraging trees for profits, GE’s story of chasing the wrong purpose. Unilever and BASF are examples of integrating the SDGs within strategies for Doing Well and Doing Good. Interface and Tesla cases are examples of disruptive strategies that embrace risks and unknowns, but are driven by a purpose to help their enterprises and society to Thrive.

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Sustainability-aligned strategies

Smart enterprise strategies to progress along a bridge to thriving

William G. Russell and Joel Harmon

“We live in a fundamentally changed world. It’s time for your approach to strategy to change, too.” **Andrew Winston**

How can we create “smart” enterprise strategies that will collectively guide us over the complex bridge of sustainability to a thriving future? Earlier chapters have helped develop an increased and shared awareness of many of the factors that impact our journey. These include defining sustainability, highlighting global and enterprise systems and the forces driving them, mindsets that help us and hinder our progress, and the unique leadership approach needed to achieve success. These are all key aspects we build upon as we share our bridge strategy framework to help you formulate and execute a sustainability-aligned strategy.

This chapter is about how to create adjustable or “smart” strategies that can guide enterprises along a progressive sustainable enterprise journey. Stated in simple terms strategies guide you from where you are or, your current state, to where you hope to move, or your desired state. We use a sustainability lens to describe four discrete and progressively holistic stages to orient an enterprises’ purpose and progress. Here and again within Chapter 6, we suggest progressive, but interconnected smart goals to assess and iteratively evolve the founding mental models and performance expectations of the enterprise itself and the strategy guiding it. A sustainability-aligned strategy is not a fixed one, but adjusts and adapts as the enterprise progresses. Executing a sustainability-aligned strategy will be more integrated and interdependent than traditional strategies. It requires wise change management practices, diligent employee and stakeholder engagement and a strong appreciation of global conditions and trends discussed in the chapters to follow.

The basic notion of sustainability is evolving toward a more aspirational vision of creating a “flourishing” or “thriving” desired state for the planet and society (Ehrenfeld & Hoffman, 2013, Laszlo & Brown, 2014). It is aspirational and we believe with the right blend of humbleness, precaution, and enlightenment, it is truly possible. We understand that we don’t actually know how we will get there. The paths our strategies reveal to guide us forward must be chosen with precaution and include considerations of knowable risks and opportunities in both the near and long terms.

Our understanding about planetary boundaries, natural resource thresholds and ecosystem services that support life are not sufficient. The implications of what we are learning are alarming. Previously unknown or misunderstood risks are manifesting. Our strategies must manage the paradox between the near term urgent risks and long term, less certain, but important and life sustaining, environmental risks. Our understanding of current social and economic system conditions are also not sufficient. These systems already have knowable macro-system weaknesses and alarming feedback signal conditions that beg for mindset and performance reviews and system adaptation. Conversations and change-oriented collaborations are questioning the basic purpose of business and the economic and regulatory systems that drive its beliefs and behaviors.

As our understanding is improved, it is rewarding to see that sustainability is now “a key strategic priority for many leading CEOs according to several executive surveys from 2010-2017 **[Insert: L.]**. Leading firms are seeing that an integrated “triple bottom line” (i.e., people, planet, profits) requires vigilant engagement and collaboration with employees, their immediate stakeholders and society. Responsible stewardship of the environment, people and financial resources must build resiliency and enhance wellbeing, our ultimate outcomes. Successfully navigating enterprises into the future is critical not only to each enterprise’s own long-term viability in the global marketplace, but to sustaining and hopefully enhancing the wellbeing of all humans.

The goal of this chapter is to help leaders re-image their company from a more holistic and interconnected systems perspective. From this open mindset they apply a mix of pragmatic strategy-informing tools to create a progressive, agile, and even adjustable or “smart” strategy. The progressive or smart sustainability-aligned strategy bridge framework, introduced later in the chapter, provides enterprises with a clear purpose, vision, goals, and values. The bridge strategy process reveals uniquely appropriate paths for action and achieving progress. It adjusts for each enterprise’s current state, but getting a more diverse version of that state requires engaging employees and stakeholders into the strategy process and understanding each other’s mindsets, biases and capacities as we communicate together.

The chapter begins by reviewing some core strategy development concepts and best practices. We then review sustainability-aligning concepts and how processes that align strategies with sustainability have evolved to work with today’s new understandings and goals. We then introduce the idea of strategies that are more iterative, progressive, and adjustable or smart. We build upon the systems thinking messages presented in the Mental Models chapter by presenting brief stage-setting perspectives for the co-evolution of interconnected human and enterprise systems. Throughout the chapter we include contextual observations, statistics and trends that inform and remind us of the current progress and challenges ahead for the sustainability movement. Sustainability-aligned enterprise strategies and the outcomes they produce will transform the businesses that apply them and the lives of every employee, customer, and broader communities they serve.

We introduce an epoch story with quests to build bridges and cross chasms as a way to creatively help guide you through four progressive sustainable enterprise stages. The stages of our journey are inclusive and depict diverse enterprise types with diverse stakeholders all travelling together. We must be respectful of each other and formulate inclusive strategies that meet people and enterprises where they are today. For most, this is a difficult mindset shift to grasp as they re-imagine their enterprise’s beginning state. Each of our four chasm crossing missions starts with having enterprises choose that stage’s mission and formulate their strategy to progress towards their new re-imagined strategic purpose and goals. Even these smaller segments of the more complete journey seem daunting at first and have risks that can cause the company to fail. Case studies are provided that assure you and others you work with within your enterprise that you are not traveling alone. Heroes have been working hard to understand what lies ahead, innovate new tools to help you travel. Pioneering enterprises are attempting new paths that you can follow.

Achieving sustainability will be epochal and requires everyone’s engagement and hard work. That said, it is important to be present as we travel, take time to reflect, have fun and make this journey an enjoyable ride.

■ Enhanced strategic management process

“The industrial system takes too much, extracting and frittering away Earth’s natural capital on wants, not needs,” he wrote. “It wastes too much. It abuses too much. It takes stuff and makes stuff that very quickly ends up in landfills or incinerators—more waste, more abuse, more pollution...” **Ray Anderson**

In our first edition of the Fieldbook, we presented the Sustainability Pyramid. That framework insightfully emphasized that making sustainability central to an organization’s overall strategy was a foundational quality for creating a sustainable enterprise (Wirtenberg, 2007); American Management Association [AMA], 2007). The journey’s vision at that time was more internally oriented focusing on building traction by engaging employees and aligning internal systems and performance metrics. Broader stakeholder engagement and the need for holistic integration was identified, but not urgently required. Most people were not (and still are not) yet aware of or have accepted the scenario modelling signals of Limits to Growth (Meadows, 1972) and other insightful, but under-valued or dismissed work released in more innocent times. Even through today, very few enterprises even have sustainability groups and those are still operating as siloes, and not well integrated with other core business functions. Leadership from large investor groups including Blackstone and BlackRock are shaking things up, but for the moment, growth and single bottom line performance are still the primary drivers for governments and the formulators of risky, even bad, corporate strategies.

The basic strategic management process

This section reviews the general strategic management process and the SWOT framework for strategy formulation and execution. Enhancements for sustainability-alignment and insights learned over the past decade are included to help deepen understanding and promote further learning and adaptation in the future.

Viewed through a strategic management lens, a good strategy for sustainability must first and foremost be a fundamentally sound strategy. A good strategy promotes positive, system reinforcing competition within industries, markets, and communities. Diversity builds resiliency and stakeholder valued advantages that help assure the better performing enterprises also be the most viable and survive (Porter & Kramer, 2006). This applies to any type of enterprise, whether a large corporation that strives for market share and profitability, a small family owned business serving local markets or a NGO (nongovernmental organization) that competes for clients and funding support. Thus, from this perspective, creating a good sustainability-aligned strategy essentially represents a critical enhancement of a solid basic strategic management process.

Figure 3.1 visualizes the essential elements of the strategic management process. In essence, a successful strategy is one that positions the organization so as to create an alignment or “fit” between its inside and outside worlds at any point in time. One aspect involves taking an “outside-in” perspective, analyzing the general and industry-specific forces in the organization’s external environment to discern opportunities and threats.ⁱ

Another aspect involves taking an “inside-out” perspective, analyzing the organization’s value chain, resources, and capabilities to discern its own “core competencies”: what can it do to create value that is relatively rare among its rivals and hard for them to easily imitate?ⁱⁱ A good strategy adopts a mission and goals that continually position the organization favorably in the outside world and that guide the creation and re-creation of the competencies necessary to succeed there in a resilient and sustainable manner.

Traditional Strategic Process Enhancements

When reflecting on this process after a decade of application, two enhancements are noted. First, the system boundary between the firm and the environment on the left should be viewed as porous and adjustable depending upon the issues being considered and expansive to include the holistic triple-bottom-line economic, social and

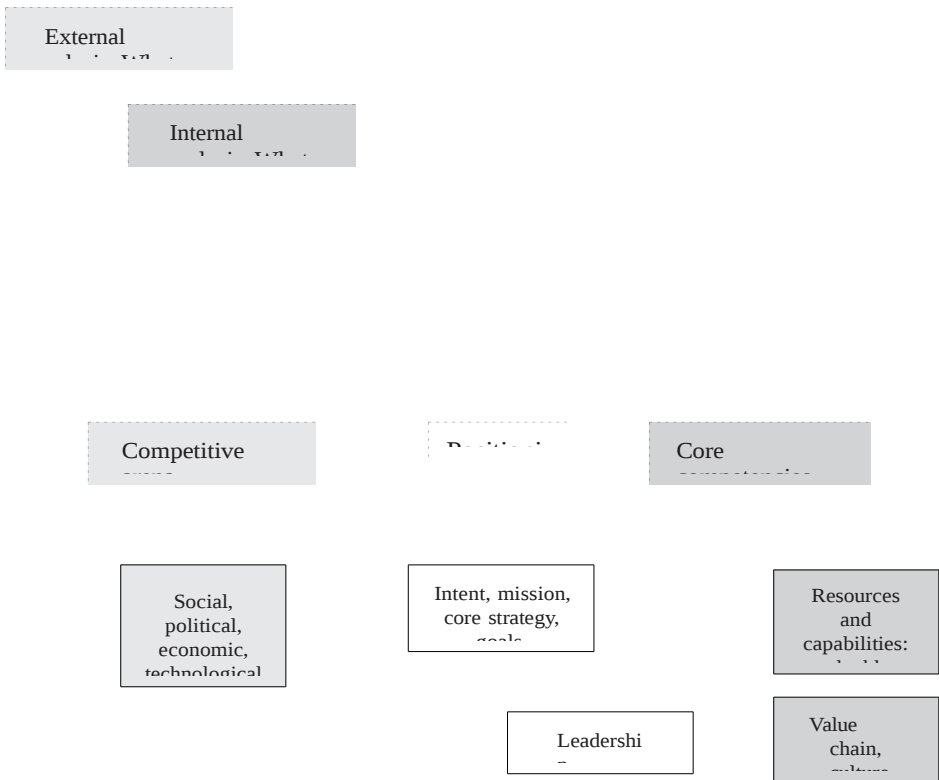
environmental system interconnections of threats and opportunities at both the industry value chain and broader macro-level national and global boundaries. Second, when examining internal firm core competencies, more attention to the human capital (employees) mindsets and capacities and stakeholder engagement processes than what previous non-sustainable strategic processes required.

[Insert Figure 3.1 Strategic management: alignment of organization–strategy–environment]

Integration

Environment

Firm
Alignment/“fit”
Strategy



Source: Copyright 2008, J. Harmon. Used with permission.

Understand the mission

Strategy is best formulated by a diverse team with diverse perspectives. A small group within senior leadership may have unconscious biases the risk missing vital insights that fresh broader stakeholders can infuse. A more inclusive and diverse team of enterprise leaders and stakeholders will require more time for collaboration. A diverse team, supported by leadership that is open to new ideas and an arsenal of tools to stimulate dynamic probing of key challenges, opportunities and mindsets will produce better strategies. The outcomes will be better and more transparently reflect on the enterprise’s current state and mission being confronted. Thinking strategically is to understand the problem you are trying to solve and seeing the

problem from different views. Sometimes, the problem you need to address is not the one you originally set out to tackle. When a leader attempts to formulate a strategy in isolation or only with internal staff too similar in shared views and experiences that herd thinking biases and the pitfall of misdirected empathy frequently results in the stated problem only being filtered through the leader or close team’s own experiences. This may falsely lead them to believe that they completely understand the situation. But the actual problem is frequently broader, more nuanced, or different than the leader or team originally assume.

Formulating and executing activities

It is useful at this point to distinguish two interrelated sets of strategic management activities. The first set, involves *formulating* (or *developing*) the direction and content of a strategy: its purpose, mission and goals. The second set involves *executing* a strategy: the numerous activities that an organization needs to engage in to sustainably-align and apply the guidance of its strategy. It is also vitally important to recognize the back-and-forth iterative and emergent nature of the strategy formulation–execution process (Mintzberg, 1978). An organization tries to adopt approaches to the world that it believes will create success but adjusts its intentions according to realities encountered along the way. Senior enterprise executives are not the only ones who have a critical leadership role to play in developing strategies fit for the more complex, rapidly changing, 21st-century global economy. People at all levels, especially those who work at the organization’s boundaries with customers, suppliers, regulators, and community groups, often can make powerful contributions to shaping and modifying their organization’s strategy.

Performing a sustainability-aligned SWOT

[Insert: A,T,L]

Finally, for *strategic action-planning* purposes, it is useful to introduce the notion of a “SWOT” analysis as shown in Table 3.1. Strategic management is often pragmatically defined as the pattern of management actions to accomplish mission and goals by leveraging Strengths and addressing Weaknesses to capitalize on Opportunities and counter Threats (see, for example, any good basic strategic management text, such as Hill & Jones, 2007).

[Insert: Table 3.1 A SWOT framework for strategic analysis]

	Opportunities What conditions in the outside world could we really take advantage of?	Threats/risks What conditions in the outside world might really hurt us?
Strengths What things do we do really well or possess that have great value?	How can we leverage our strengths to exploit these opportunities?	How can we leverage these strengths to neutralize or minimize these threats/risks?
Weaknesses What things do we lack or do very poorly?	How can we address these weaknesses to exploit these opportunities?	How can we address these weaknesses to neutralize or minimize these threats/risks?

Note that when done well a SWOT analysis requires an organization to:

- Scan and make sense of both the broad and the industry-specific dynamics that to some extent drive its behaviors and results.
- Assess the organization both for valuable resources and capabilities and for areas of relative weakness.

Distilling this analysis (which would go into the gray cells of Table 3.1) provides the strategic framework for formulating actions (the white cells of Table 3.1). See the Living Fieldbook for a sustainability-specific SWOT tool for analysis and planning activities **[Insert: L]**.

Strategy versus plans: Why versus how you do something

There are important distinctions between a strategy and a plan. A plan is usually a list of steps taken to accomplish a goal. A plan tackles questions like how, when, where, who, and what? A plan is a good thing to have, but a strategy is bigger than a plan. Strategy tackles the question of why? It has a large scope and looks at the end result as well as the many paths to the desired outcome. A strategy looks at every possible influencing factor, both seen and unforeseen and comes to terms with the whole situation, not just one end result.

Good versus bad strategy

A good strategy does more than urge us forward. “Let’s get going,” is not a strategy. A good strategy is one that reaffirms the enterprise purpose and re-focuses its vision for the future. It reflects an awareness and honest assessment of current reality. It incorporates a SWOT analysis to capture current conditions, and also adapt the strategy as execution progresses. This implies checking and monitoring progress towards goals. Incorporating qualitative and quantitative feedback, and have that feedback iteratively adjust the initial assessments of how things are.

A good strategy can look simple and obvious in retrospect. Conversely, bad ones can kill momentum, cause great delays, and even backslide an enterprises’ progress. Any perceived improvements are likely achieved through dumb luck. Bad strategy ignores the power of choice and focus, trying instead to accommodate a multitude of conflicting demands and interests.

■ Sustainability-aligned enterprise strategies

This section offers a few distinctions between traditional strategies and ones that are sustainability-aligned. Sustainability strategies as initially depicted in our original book have evolved substantially and are poised for scaled progressive application.

Sustainability-aligned strategy, purpose and goals

The journey to corporate sustainability can be viewed as a progression of stages **[Insert: A, L]** and steps toward meeting societal expectations (Willard, 2005, pp. 26-27; Hitchcock & Willard, 2006). The earliest stages have tended to be compliance-driven, with a focus on reputable business practices (e.g., laws, regulations, contracts). In midpoint stages, organizations move beyond mere compliance to concerns for customer expectations (e.g., quality) and employee needs (e.g., health, safety, quality of work life). Advanced stages are characterized by a more integrated strategic approach infused with purpose and passion and marked by environmental stewardship and deep concerns for community needs. Some early adopters of advanced-stage sustainability qualities were founded on social-environmental ethical principles and have it in their “DNA.” It is simply how they operate: what they do and have always done. More recently, with a particular emphasis on climate change risks, corporations have started to integrate science-based goals into their long-term strategies and plans. We have reorganized this continuum of strategic logic, purposes and goals into a sustainability-aligned bridge framework presented later in this chapter.

Systems thinking advancements

Systems thinking in theory and practice, has been introduced in Chapter 2, and is a core enhancement for formulating sustainability-aligned strategies. Some will argue that systems theory has been applied for sustainability framing for decades. Sustainability thought leaders

including Donella Meadows (Meadows, 1999 and Meadows, 2015), Peter Senge (Senge, 1994), Hunter Lovins (Lovins, 1989), and Daniel Aronson (Aronson, 1996) and others, have been applying and promoting this for over 30 years. That work however, like other thought leaders, who were ahead of their time, has not been given enough attention. It has yet to become mainstream and scale as we desire. We hope that through this book and the work of other fellow sustainability leaders who also are aware of it and applying it now (Baue, 2017), its wisdom will finally be appreciated and its application vastly scaled. The aggregate state of the enterprise movement, as reviewed later in this chapter, is still nascent. Broad, inclusive, adoption of systems-based sustainability-aligned strategies can be transformative to any enterprise and the broader systems they interconnect with.

The following are systems thinking advancements applied to sustainability-aligned strategies:

- Articulating a systems view of an enterprise with interconnected and interdependent purposes, functions, mental models and elements;
- Use of the Daly Triangle to establish ultimate means, intermediate means, intermediate ends and ultimate ends;
- Multi-capital ecological accounting including the acknowledgement of limited non-renewable (technical) and renewable (organic) natural capital;
- Blind spots, disruptive technologies, system weaknesses, and critical assumptions positive or negative are probed;
- Agile quick pivots and velocity adjustments are made as new feedback signals are monitored and adjusted.

Adjustable or smart strategy for clear purposeful vision

We tell our story as if it takes place linearly in time. One arc from start to finish. Or in our case four arcs or bridges crossing four potentially journey-ending perilous chasms. Implementing a systems-oriented holistic, sustainability-aligned strategy in reality will be more complex. The sustainable enterprise strategic journey integrates or blends the view ahead through multiple time periods and is adaptive, agile, and multi-dimensional.

The linear version of our bridge story is viewed like looking through progressive lens glasses. Progressive glasses allow you to see clearly across distances from close to far away. Our progressive bridges allow enterprises to see clearly through time from near term to times further and further out into the future. A progressive sustainability-aligned strategy must allow you to see anything ahead, close and far. As you react to these multi-distant sights, you process risks and opportunities. With the help of feedback signals (i.e. good metrics) adjust the strategy and continue progressing ahead with a clear purposeful vision.

While progressive glasses are wonderful advancements for seeing clearly, technology has advanced to the next level with the innovation of adjustable or “smart” lenses. Smart glasses come with liquid lenses that can automatically adjust their focus, which means that you don’t have to take reading glasses on and off (Chang, 2017). This technology can also replace bifocals, or progressive glasses as we propose. Bifocals, which itself would be an improvement in strategy development, help you see through one prescription at a distance, and another for nearby objects. Now imagine the future of sustainability-aligned smart strategies.

“The major advantage of these smart eyeglasses is that once a person puts them on, the objects in front of the person always show clear, no matter at what distance the object is,” Carlos Mastrangelo (Chang, 2017)

Ultimately the aggregate smart strategy reveals a jagged, but precautionary path with the highest probability of progressing in a positive direction for the longest foreseeable time periods. This path is inclusively iterated between the enterprise and its stakeholders throughout the process. Each progressive insight helps avoid both impasses caused by human paradox priority differences (tradeoffs) and delayed or inaccurate environmental and or economic feedback signals. Example priority performance risks include:

- Current economy value propositions and finances during startups;
- Competitor and customer reactions and feedback signals in the medium-term;
- Expanded more complex market and supply chain perspectives;
- Geopolitical and environmental risks and opportunities;
- If necessary this process can jump to any time, boundary, input elements or system mental model hot spot demanding attention with the smart strategy boundaries, goals, element thresholds being updated with new strategic direction or velocity adjustments.

■ Sustainability-aligned Human/Enterprise Systems Perspective

“I believe that a sustainable society depends totally and absolutely on a new mind-set to deeply embrace ethical values. Values that, along with an enlightened self-interest, drive us to make new and better decisions.”

“I also believe that it doesn’t happen quickly ... it happens one mind at a time, one organization at a time, one building, one company, one community, one region, one new, clean technology, one industry, one supply chain at a time ... until the entire industrial system has been transformed into a sustainable system, existing ethically in balance with Earth’s natural systems, upon which every living thing is utterly dependent.” Ray Anderson

As discussed in earlier chapters, we are constraining our ability to influence effective progress towards a more sustainable thriving future in part because of our failure to think holistically. Systems thinking helps us do that. It tells us that, like all systems, humans and enterprises lean toward self-organizing. Nature and the people who came before us evolved the environmental, social and economic systems that define our reality and influence mindsets and our way of being.

Human and Enterprise Evolution

According to the International Geological Congress, humanity’s impact on the Earth is now so profound that a new geological epoch – the Anthropocene – was declared (Carrington, 2017, November 28). From a human systems perspective, this new “epochal” story is about humans finally recognizing weak or delayed planetary feedback signals. The signals took scientists about 60-years to appreciate. That clearer vision caused them to declare that a new story had begun. Those signals included the radioactive elements dispersed across the planet by nuclear bomb tests, plastic pollution, soot from power stations, concrete, and even the bones left by the global proliferation of the domestic chicken (Carrington, 2017, November 28).

According to the Smithsonian Institute, our ancestors have been around for about six million years. Our more evolved or “modern” form of humans only evolved about 200,000 years ago. Humans adapted and learned how to self-organize. They formed early social enterprises in the form of families and tribes. They innovated and used tools. The societal system that we consider to be “civilization” has only existed for about 6,000 years with the industrial age starting in the 1800s (Howell, 2015).

While we’ve accomplished much in a geologically short time, our shared responsibility to serve as caretakers for the planet is becoming more clear and urgent. We are reaching and even surpassing certain safe resilient threshold limits of both the supplies of natural resources and the ability of the planet to accept and absorb our wastes. The effects of humans on Earth cannot be understated. There are now 7.5 billion people on Earth who need food, shelter and social energy. This represents growth opportunities that can be incorporated into the strategies of businesses, but they also require sustainability-alignment to avoid blindspots, unintended consequences and cause externality impacts and economic costs beyond whatever revenues and profits they might earn today.

Enterprise system construct for sustainability-aligned strategies

If any individual enterprise within the broader economic, social and environmental systems goes away, if the good or service is still adding value to the system, a new enterprise will self-organize to replace it. As described in Chapter 2, a sustainable enterprise system is also interconnected with internal subsystem functions like sales, manufacturing and procurement and broader external systems like cities or industrial sectors within which it operates and serves as a part.

The following are the key system constructs that enterprises explore when re-imagining their enterprise as a sustainable enterprise system. The Daly triangle perspectives were previously introduced in Chapter 2 and sustainability Goals and multi-capital accounting are presented in more detail in Chapter 6.

Sustainability-aligned strategies examine the assumptions, priorities, relevance, and performance expectations regarding the following enterprise system constructs:

- **Functions or its purpose.** Why is it in business? What role do its products and services contribute to its customer's wellbeing? (Ultimate Ends)
- **Resources, Multi-capital system elements:** Stocks, flows and thresholds for:
 - Natural Capital: Raw materials and ecosystem services (Ultimate means)
 - Human Capital: Enterprise and supplier employees and gig contractors (Intermediate means and intermediate ends)
 - Built Capital: Facilities, inventory and equipment (Intermediate means)
 - Social Capital: Supplier and other stakeholder relationships (Intermediate means and intermediate ends)
 - Financial and Economic Capitals (Intermediate means)
 - Intellectual Capital: Experiences, innovations and technology (Intermediate means and intermediate ends).
- **Time horizons:** Critical, resilient, thresholds for capital flows with particular focus on constraining resources that might cause the enterprise to fail. Constraining resources included financial capital, but also might be some other capital such as labor or a critical supplier relationship.
- **Strategic Goals and Resiliency:** Goals define how much the enterprise wants to progress along some set of key system conditions. Resiliency conditions are precautionary reserves related to system feedback expectations and/or critical capital stocks and flows. Reserves or buffers bring security and confidence to business leaders as they make sustainability-aligned, purposeful, strategic choices about risks and opportunities among diverse paths ahead.
- **Boundaries, interconnections:** What internal (**SW**) systems (i.e. procurement, manufacturing) and progressively broader external (**OT**) system developments (i.e. technology innovations, political risks, climate change, economic growth), feedback loops and other relevant nexuses that the enterprise's operations, products and or services impact and/or may impact the enterprise and its related interconnected and interdependent systems.
- **Mental models:** Enterprise system behavior expectations and rules, organizing frameworks and business models. Mental models and archetypes of connected and broader global systems should also be examined as appropriate for the strategic purpose.
- **Networks & Collaborations:** How might the enterprise system and its strategy be different if it were able to acquire, merge or develop strategic partnerships and collaborate with other stakeholders? What might be gained through sharing perspectives, resources, information and insights to collectively travel farther, more successfully and resiliently to pursue common purposes together?

With hope and a clear strategic purpose, complex systems become comfortable (we can never actually manage a complex system). We next present a brief overview of the state of the sustainability movement and the collective challenges enterprises face as they formulate their sustainability-aligned strategy to resiliently progress them towards their thriving future.

■ The current state of the sustainability movement

As Andrew Winston pointed out in the quote which opened this chapter, we live in a fundamentally changed (or in our view changing and evolving) world. We need new and better strategies to guide us and the systems that we depend upon. It is helpful, but sobering, to reflect briefly on the broader context of our global governance (proxy for social), economic, and enterprise (proxy for environmental) systems. What are the system levers driving the movement? What is the current state of wellbeing of people? The wellbeing of all people everywhere matters and are the ultimate ends of the movement and for the businesses enabling it. Business systems convert limited natural capital ultimate means to higher states creating unlimited shared value at both the intermediary and ultimate end states. From these honest holistic systems perspectives, we get a better understanding of the magnitude of challenges and leverage points for the amount of change truly needed to accelerate sustainability movement, accomplish goals and enhance wellbeing for all.

The movement from a macro-level perspective is stuck. No clear collective purpose, no strategy, no chance of getting unstuck and safely resiliently functioning without collaborative engagement by people everywhere to do what they can to affect change. We believe that sustainability or its alternative, more inviting visions of flourishing or thriving is our best compass to guide the purpose and direction of the changes ahead. It is the best lens through which to view our current state of reality and guide us to better future states of progress. Sustainability-aligned strategies to guide us are needed at all system levels, but especially so for businesses. Business has been identified as the most effective system lever through which progress towards our environmental, personal and societal goals can be attained.

We set the journey's stage with a few brief statistics and observations about the current reality of the sustainability movement generally. We add some perspectives on the human and enterprise "travelers" whose systems interconnect and interdependently are progressing along the journey together.

Context: Negative global outlook, business needs to do good

We provide insights on the sustainability movement's current state from the lenses of business and government. We first use the World Economic Forum's 2018 Global Risks Report to provide business' perspectives. We use The World Bank's Outlook Report for 2017 to depict a government perspective and we close with comments from a more focused green business and environmental impacts perspective from the GreenBiz 2018 State of business report.

The World Economic Forum: Business see fractures and failures in global systems

The Global Risks Report 2018 presents a perception survey of nearly 1,000 experts and decision-makers about the likelihood and impact of 30 global risks over a 10-year horizon. Over this medium-term period, environmental and cyber risks predominate. While acknowledging recent encouraging global growth, the express caution noting: "Any breathing space this offers to leaders should not be squandered: the urgency of facing up to systemic challenges has intensified over the past year amid proliferating signs of uncertainty, instability and fragility (World Economic Forum, 2018)."

Klaus Schwab, Executive Chairman of The World Economic Forum summed up the 2018 Global Risks Reportⁱⁱⁱ by saying:

"The World Economic Forum presents the latest Global Risks Report at a transformational time for the world... .Globally, people are enjoying the highest standards of living in human history. And yet acceleration and interconnectedness in every field of human activity are pushing the absorptive capacities of institutions, communities and individuals to their limits. This is putting future human development at risk. In addition to dealing with a

multitude of discrete local problems, at a global level humanity faces a growing number of systemic challenges, including fractures and failures affecting the environmental, economic, technological and institutional systems on which our future rests.”

The World Bank: The economy and Government over reliant on fragile growth

A few statement from The World Bank’s Outlook Report for 2017 present a slight, but fragile upturn in economic growth prospects. That said, Governments of diverse forms, locations and means are collectively struggling to achieve their purposes for their citizens. Acknowledging many alternative government systems, we offer the US constitution’s language as one helpful example expressing the purpose of a government system.

The purpose of the Federal Government of The United States of America, as found in the Preamble of the Constitution, is to *“establish Justice, insure domestic Tranquility, provide for the common defense, promote the general Welfare, and secure the Blessings of Liberty to ourselves and our posterity.”*

Let those words sink in as we consider our reality today. It appears that government leaders and politicians responsible for leading their diverse governing enterprises are not able or willing to affect real policy reforms and invest the resources needed to slow and redirect negative sustainability movement trends.

Economic growth is a poor measure of progress. That said, it is the mental model governments rely upon to produce the financial capital they need (taxes) to invest for sustainable progress. Through this mindset, financial capital is Government’s limiting resource for moving sustainability ahead. Not only the World Bank, but The World Economic Forum, the United Nations and most all Governments share this growth dependent mindset. From that perspective the feedback signals anticipate weak global trade growth. Cascading systems risks occur as financial conditions become volatile. The World Bank also added, that rapid reassessment of risk could also be triggered by a spike in geopolitical tensions, bouts of volatility in commodity markets, or financial stress in major emerging market economies (World Bank, 2017). Paradoxically, if the economy grows without disconnecting limited natural capital stocks and flows, successful economic growth accelerates planetary ecosystem deterioration!

Business progress is mixed but hopeful

With government stalled, our hopes shift to the business community to lead the movement. A report by Globescan/SustainAbility (2012) pointed to a deep systemic role for business, stating,

“... the private sector has both the capability and reason to play a catalytic leadership role where collective action and change to underlying system conditions are required. This will demand that businesses improve and evolve their own strategies and practices, as well as stimulate and support the shifts in policy, capital markets and consumption that will be required to achieve sustainable development (p. 5).”

The GreenBiz Group^{iv} has been tracking the sustainability movement and reporting on “how” and “what” the private sector is doing for 11 years now. They collaborated with TruCost^v to produce The 2018 State of Green Business report. Joel Makower, GreenBiz, Group Chairman summarized their assessment noting:

“To be sure, this is no rose-colored view of planetary problems. When it comes to transforming products, value chains and entire economies to align with the environmental and social goals of sustainability, the dynamics are significant. They include a lack of U.S. political leadership but the rise of subnational actors, such as cities and companies; the short-termism of investors but the rising awareness of the relationship between climate and risk; the many difficulties of transforming supply chains but the growing number of companies investing in their suppliers’ well-being.

Simply put: This is hard work, and progress at times can be elusive. But we are seeing such obstacles being overcome in company after company, across sectors and borders. (Makower, 2018)”

Human perspectives: The good; The bad; and The ugly

“Be the change you want to see in the world.” Mahatma Ghandi

When viewing society from a global systems perspective, people are the human capital that drives the economic and enterprise systems. They also are residents and citizens within nations, states, cities and communities. People evolved government, economic, and enterprise systems to serve their needs. If enough people’s needs are not being met by those systems, the systems will change. Today’s question is not, “Are people’s needs being met?,” but “When will these failing systems be changed and evolve?”

The quest for the sustainability movement is to move **ALL** people to have thriving lives. Borrowing from a favorite western movie, we share, The good; The bad; and The ugly findings.

The Good: Heroes

[Insert L]

Positive Mavericks, a term coined by Preventable Surprises Founding CEO Raj Thamotheram (Baue, B. 2017 p.18), along with Ray Anderson’s radical industrialists are heroes in this story. They provide us with hope, inspiration, and much appreciated leadership as we get engaged through our own life’s work. We dedicated this book to a few of these heroes who have left us, but whose shoulders we stand upon now.

Heroes tend to be heroes because of their deeds rather than what they say. Countless ordinary people are already quietly setting the example of sustainable living. They work hard and lead within their enterprises and communities. Sustainable Jersey, a non-profit that works with communities and schools throughout New Jersey showcases just such people. Heroes who are humbly serving their communities **[Insert T, C].**^{vi}

The Bad: Unemployed and impoverished

Unemployed and underemployed people inhibit human capital productivity and wellbeing. The International Labor Office shared these statistics and trends in their 2016 outlook report (ILO, 2016). They also noted that the global economy was weakening and as a consequence, global unemployment increased to over 197.1 million, 1 million more than in the previous year and over 27 million higher than pre-crisis levels. They also noted that the increase in jobseekers in 2015 occurred mainly in emerging and developing countries.

Some of our travelers are living in extreme or moderate poverty and have insufficient financial means to enjoy sufficient or secure lives. Thinking about the previous employment statistics, an estimated 327 million who are counted as employed are still living in extreme poverty (those living on less than US\$1.90 a day in PPP terms) and 967 million live in moderate or near poverty (between US\$1.90 and US\$5 a day in PPP terms) (ILO, 2016).

The Ugly: Refugees, displaced and incarcerated

According to the United Nations High Commissioner for Refugees, an unprecedented 65.6 million people around the world have been forced from their homes. Among them are nearly 22.5 million refugees, over half of whom are under the age of 18. There are also 10 million stateless people who have been denied a nationality and access to basic rights such as education or healthcare (United Nations High Commissioner for Refugees, 2017).

By the end of 2016 there were 40.3 million people living in internal displacement as a result of conflict and violence in the world. This number has nearly doubled since 2000 and has increased sharply over the last five years (IDMC, 2017).

There were 31.1 million new internal displacements by conflict, violence and disasters in 2016. Of these, 6.9 million were displacements by conflict and violence, and 24.2 million were caused by **weather-related disasters** (IDMC, 2017).

According to the World Prison Population List (WPPL), more than 10.35 million people are held in penal institutions throughout the world. Including the numbers reported to be held in detention centers in China and in prison camps in North Korea, the total may well be in excess of 11 million (Walmsley, February 2, 2016).

There are more than 2.2 million prisoners in the United States of America, more than 1.65 million in China (plus an unknown number in pre-trial detention or “administrative detention”), and 640,000 in the Russian Federation (Walmsley, February 2, 2016).

Enterprise Perspectives: The big; The small; The emergent

“To grow a business, you need to spot a gap within a given market, fill it and establish ownership of the space.” Allie Webb

The quest for the sustainability movement is to move ALL enterprises to re-imagining their purposes and produce ultimate ends of human wellbeing and thriving.

The big

The GreenBiz report showcased several leading corporations and mix progress within the top 1500 publicly traded companies in the world. That said, there are approximately 630,000 companies traded publicly throughout the world.

The total number of employees among all Fortune 500 companies is estimated to be 26,405,144 and the average number of employees per firm is 52,810.^{vii}

The small and independent

Global aggregate statistics for small businesses were not available. Small businesses in the US (enterprises with 500 employees or less) do represent reasonable proxies of the relative contribution these enterprises have in regional economies around the world. In the US, they make up: 99.7 percent of U.S. employer firms, 64 percent of net new private-sector jobs, and 49.2 percent of private-sector employment.^{viii}

There are about 28 million small businesses in the US. Of these over 22 million are self-employed with no additional payroll or employees (these are called non-employers) (US Census Bureau 2011).

Over 50% of the US working population (120 million individuals) works in a small business (US Census Bureau. 2011).

Small businesses have generated over 65% of the net new jobs since 1995.

The number of non-employer firms are rapidly increasing in the emerging gig economy. The 22 million self-employed in the US in 2011 was a 2% rise from the prior year. Of those 19.4 million non-employer businesses were sole proprietorships, 1.6 million were partnerships and 1.4 million were corporations (SBA. 2012)

The majority of employees globally work for small and medium sized businesses, and 91% of employees believe it's important to work in a mentally healthy workplace. 75% of employees believe employers need to provide the support to achieve this (Marcos 2015, September 16).

The emergent

Global aggregate statistics for startup or entrepreneurial businesses were also not available.

The US averaged between 500,000 to 600,000 new companies every year from the late 1970s to the mid-2000s. That trend has adjusted due to the impacts of big box stores on mom and pops, more regulation, and more adaptation by large companies to support entrepreneurial projects and cultures internally.

■ Sustainability-aligned Strategy Chasms & Bridges

“I can’t change the direction of the wind, but I can adjust my sails to always reach my destination.” — Jimmy Dean

Chapter 9 presents a force field diagram that includes our suggested top 10 forces driving change (tailwinds) and top 10 restraining forces impeding change (headwinds). All of these topics represent knowable opportunities to proactively formulate or adapt enterprise strategies and systems. Depending upon the current direction of an enterprise, a tailwind for one enterprise, may be a headwind for another. Following the strategic formulation process in Figure 1, each force could manifest within an internal system Strength or Weakness or through an external system Opportunity or Threat. Strategies are the navigation tool that position these and reveals choices of when to change course and tack. Large, less maneuverable sailboats, like large companies may move slower and ignore small gusts. Their momentum tends to require longer-term thinking and less volatile speed and/or rudder adjustments. They are resilient and can travel far, withstand high seas, and heavy winds. Small boats are more agile and changing speeds and/or direction can be done quickly. That said, even minor waves or wind gusts represent risks of capsizing. There are overwhelming numbers of people and enterprises whose sails are luffing and are stuck in irons. With this reality, we saw the need to build an inclusive progressive strategy bridge framework and use hope to fill their sails with wind.

A bridge framework and systemically formulating chasm crossing stories

Borrowing from gamification best practices, we introduce our sustainability-aligned strategy bridge framework as an “epochal” story of the time of man on Earth. Some storytellers like Ray Anderson, used climbing a mountain or “mount sustainability” as their metaphor for sharing their vision and strategy for the journey (Anderson, 2011). We use chasms and building bridges as our metaphor. Figure 3.2 depicts four progressive bridges and four treacherous chasms that characterize generic, but customizable and scalable segment quests and a holistic story arc for the sustainability movement’s journey.

[Insert: Figure 3.2 Sustainability-aligned Strategy Chasms & Bridges]



Source: William G. Russell, with permission

The sustainability-aligned strategy bridge framework helps enterprises re-imagine themselves from a systems perspective. Good sustainability-aligned strategies include clearer vision, appropriate goals and reveal resilient purposeful execution paths. It inclusively meets every unique enterprise where they are now (their “as is” state) and guides them toward their desired destination (their “to be” state). One integrated corporate strategy that every enterprise function and all of its employees and stakeholders can use as their compass. The selected paths are resilient and informed by sustainability insights and opportunities. The framework also helps identify blindspots and avoiding knowable risks in both the short and long term. The bridges in our story are being built as they are being crossed.

Each segment has heroes leading self-organizing communities of travelers who opt in and engage. Each treacherous chasm crossing mission seems daunting at first, but there are tools that reveal insights and generate innovative ideas on how to proceed. Case studies are provided that assure you that you are not traveling alone and that others have already been where you are going. Prepare yourself to be moved into action creating progressive systems-based sustainability-aligned segment or holistic smart strategies. Set your goals and chart a path to cross chasms and reach new levels of human and enterprise wellbeing.

Learning Maps and Systematic Bridge Story Development

[Insert A, T, L]

Transitioning to Green^{ix}, the sustainability strategy and training consultancy that formed to advance and scale insights from the original Fieldbook, developed learning map tools for building sustainability awareness and systematically creating innovative bridge crossing stories. These bridge stories get generated in a three stage process. The general process is fueled by using open ended questions throughout to promote broader discussion. Participants are also reminded to be mindful of their own listening behaviors and biases. Other good process behavior practices include soliciting input from all the voices in the room and encouragement to be open to new and different ideas and inputs from any and all participants. There is no one single fix to complex problems or processes. Allow solutions to emerge rather than endorsing ideas from the most powerful or bullied stances presented.

- The first stage is to use a structured conversation to get as complete an understanding of a problem including what caused it and what the consequences really are. We review the current “as is” state by reviewing three Elements:
 - Drivers: i.e. Mental model flaws that created problems or traps. Lack of awareness/consciousness; thinking win-lose vs. both and; and too focused on the single bottom line;
 - Systems and measurements: i.e. GDP/GNP as signals for a good economy; Revenue and sales growth of low margin or even loss leading products (See chapter 6); and
 - Outcomes: Waste of any and all capital resources (See Bridge 2, Doing Well for more about this.); Military Conflicts; Poverty and Inequity; Over-consumption; Water Pollution; Unemployment?
- The second stage is to create a vision for what is possible in a future “greener” state for the specific stage of progress and as progress towards some longer term future-fit and thriving state of performance. The vision is informed by reviews of best practices and purpose specific goals of competitors within your industry as well as best in class performers across industries.
- The third stage is to utilize story aiding prompts and create a bridge story of how you propose to “build a bridge” to move from your current “Grey” state to you envisioned “Greener” state. Specific attention is given to exploring how the enterprise might benefit through adopting some known “green” best practices. It also explores opportunities for collaboration that reduce risks and scale impacts of each path identified.

As we move through these stages, a strategy team can acknowledge what is grey (Threats) about our world and honor green efforts that our society and companies are doing, as work-in-progress.

They share several bridge story scenarios while systematically re-imagining their enterprise as it moves from wherever it is to the next progressive state of sustainable performance.

Watch out for Chasms

At this time we wish to briefly alert you to a few persistent and tricky chasms that if not seen early enough can slow and even reverse expected progress or in some cases cause the enterprise to go over its resilient guardrails and fall into the chasm and go out of business completely. These are pitfalls, traps or blindspots that every enterprise runs into when they are busy and don't take the time to reflect fully while re-imagining the company. Chasms can be identified and resiliently guided around as part of a good strategy, but also will arise at any moment in time. When a disruptive chasm is identified, agile adjustments or new or next strategies must be adapted. Blindly following an existing strategy knowing the "Bridge is Out" just ahead is foolish.

The sustainability-aligned strategy bridges are introduced in the next section and then elaborated on further in following sections that include more specifics about the system constructs, tools and case examples for each strategy segment (Bridge) proposed.

Chasm 1: Awareness:

The first Chasm that keeps enterprises stuck is that they don't know what they don't know. Stuck using old mindsets. Complacency. Arrogance. Too insular. Lack of curiosity. They fail to see a truth as a result of group thing etc.

Chasm 2: Unintended Consequences (also known as fixes that fail)

Looking for "Silver bullets" and overly simplistic solutions to intractable problems, rather than a willingness to deal with complexity and whole systems. Ethanol causing reduced land and crops for food production.

Chasm 3: Tragedy of the commons

When Garrett Hardin first proposed this concept in 1968, he demonstrated the idea that a small increase in use of a shared resource (e.g., one extra cow grazing on the grass) provides a great benefit to an individual, while the cost of that additional use (decreased grass supply) is shared by all. Therefore, each user has an incentive to use (and exploit) the resource to the greatest of his or her ability. Ultimately there is a decrease in yield for both the group and the individual. This has many applications today as we experience shared and finite resources in oil, water, and other natural resources. This chasm also has many social and economic applications that emerge through our mental models and feedback signals about what a just, fair and caring society chooses to provide. Relevant topics from today include: Healthcare, minimum wage, immigration practices, access to education and the arts, and freedoms of many forms.

The situation is made worse by what is known as the Lauderdale Paradox, first enunciated by the 7th Earl of Lauderdale in 1804. He observed that rising private riches was associated with declining public wealth, including a shrinking commons. In modern terms, as the riches of a minority elite grow, their ability to deprive the majority of the commons is strengthened. (Standing, n.d.)

Chasm 4: The unknown

Nothing keeps us stuck more than our deep-seated collective fear of the unknown. As we move from doing well and doing good today to Thriving, we don't know how we are going to do it. No company is thriving now. Also complex systems behaviors with long delayed feedback signals will not be known until the unknown chasm is too close to be avoided. Two hopeful comments are offered now to pre-emptively sensitize you and avoid common barriers of getting overwhelmed, depressed or fearful of an unknown future. First, know there are hundreds of heroes and leading enterprises already hard at work exploring the unknown paths ahead. Second, we actually don't need to know and can't even know everything anyway. Current trends are not

inevitable indicators of our future outcomes. We have the ability to create the future we choose.

Sustainability-aligned bridges

The progressive bridge strategy depicted evolved to a more highly iterative and integrated, smart strategy concept while we and other sustainability Positive Mavericks were building and crossing sustainability-aligned and traditional core strategy segments within evolving enterprises and across diverse client groups. The smart bridge framework can be as complex or as simple as it needs to be, but not simpler as they say. We view it as adaptable. An enterprise just starting its first steps is free, so long as it incorporates a few core behavior principles, to focus its strategy on a near-term purpose. As externalities are assessed and common resiliency boundaries or threshold risk bands become known, corporations who are already resilient will need to begin responsibly adapting their behaviors and as needed help smaller suppliers, customers and communities. Those less resilient stakeholders are also expected to do their parts and get their own resiliency levels up in order to progress themselves. The final bridge to thriving will need pioneer companies like Interface Carpet has been already. Those companies large or small that understand the consequences of operating beyond safe thresholds will choose to take risks that lead the way and test unknown approaches to arrive at our ultimate destination of Thriving.

The four bridge segments are briefly introduce here and then elaborated on in the progressive chapter sections that follow. Those sections include the key system construct elements, frameworks and tools and case examples for each progressive bridge segment.

Doing

Doing is our phrase for enterprises that are just starting up or have been operating insufficiently. We present tools to help them get unstuck. Some are stuck due to external threats and poor, difficult circumstances which they had little control over. Others are stuck or even in motion, but don't have a sense of direction. Sustainability awareness and best practices for these enterprises serve to offer hope and a direction that allows them to confidently take their first steps on this first progressive Bridge and get started on their sustainability journey.

Doing Well

Doing Well is our phrase for companies that are already profitable, but do not yet have sufficient financial or some other strategically vital stock inventory to safely take risks and invest money and other resources towards worthy, but long-term sustainability-aligned risk mitigation or growth opportunities. Using tools like Bob Willard's ROI Workbook, introduced in more detail in the Doing Well section ahead, enterprises can identify sustainability-aligned efficiencies to reduce material and energy wastes, increase employee productivity and innovate. Most companies can improve profits substantially while also reducing risks to cashflow without needing to make big investments or take on debt. Such obvious self-serving strategies, also have synergistic positive benefits to society in the form of reduced environmental and social footprints. These opportunities abound and are not being pursued.

It is also important to note that companies traveling on this bridge are only doing what they should have been doing all along. This level of enhancing performance while positive is not sufficient over the long term and must not be allowed to perpetuate. These enterprises should only be granted a limited time before other stakeholders would force them to progress further or fold.

Doing Well and Doing Good

Doing Well and Doing Good is an enhanced version of the former strategy of Doing Well by Doing Good. That original strategy was grounded in a purpose of gaining a competitive advantage. Using that mode to guide the strategy was therefore no different that the companies that use sustainability-alignment to do well. It just so happen that their best opportunity to do well was aligned with a need in a market that served the customer and a broader community. Doing Well and Doing Good is more evolved. Doing Well and Doing Good are not separate or

separable efforts over the long term. Enterprises choosing this strategic purpose must still compete in the global economy. At the center of their efforts is the premise of service. Service to a truth larger than self, a demand more pressing even than its financial performance. While its leaders are still accountable to owners and shareholders, they also recognize and accept a responsibility to use their wealth and strength to work, in the context of a for-profit business, for the common good. Business cannot survive in a society or environment that fails.

Thriving

Thriving is the phrase we chose to depict those companies where the company is accomplishing its purpose for its customers while having no net decline in natural capital, improving the wellbeing of its employees and the communities within which it operates and its products are used. This Bridge completes the holistic arc of our journey. Enterprises achieving this level of performance are Thriving within their system's context responsibility. For more on context sustainability goals see Chapter 6.

A toolbox sustainability-aligned bridge strategy formulation

Every Bridge strategy and their holistic interconnected progressive or smart versions all begin by applying sustainability-aligned SWOT assessments. These are done for various perspectives and system boundaries. Similarly the tools presented within any specific Bridge category are also helpful to creating the strategies within the other Bridge sections. We have placed a few highly effective tool introductions within the Bridge section that seemed to most fit its innovations and strategic insights. Collectively these are a powerful toolbox for sustainability-aligned strategy formulation.

■ **Doing: Starting the journey, stepping onto the bridge**

The purpose of a business is to create a customer.
- Peter Drucker

We are at a unique moment in history, where we can and must create a new future for enterprises—indeed for all humanity—to thrive into the future and for perpetuity. It starts with a commitment to work together to accelerate the journey from awareness to understanding and, most important, to action. We use the enterprise system constructs presented earlier to outline key perspectives for each of the four sustainability-aligned strategy bridge segments. Each segment can be implemented independently, if appropriate. This is particularly true for the millions of startup, small and independent enterprises with little or no resiliency guardrails to buffer them from falling into one of many chasms these enterprises face every day. They can be fueled by hope that comes from increased sustainability awareness (Bridge 1's primary chasm impeding force) and confidence gleaned from the cases and tools ahead to get started on their journeys.

Sustainability-aligned strategic system perspectives to get started

The following are selected enterprise system construct items most relevant for enterprises formulating sustainability-aligned strategies for **Bridge 1, Doing**:

- **The purpose for Doing:** Enterprises in this stage likely don't have a defined purpose or a good strategy for pursuing it. Now is the time to reflect and ask: Why are we doing this business? How might our products and services contribute to the wellbeing of our customers? Another reality-grounding question vitally relevant to enterprises on this bridge is: Which strategic path most safely progresses the enterprise to break even financially?
- **Take Inventory of multi-capital stocks and most vital threshold flows:** For most businesses on the Doing strategy bridge, financial capital including personal assets and friends and family investments is the most limited stock. Do also inventory other multi-capital assets relevant to your business and its strategy.

- **Time horizons:** Resilient thresholds for independent non-employment and startup companies are expected to have time horizons of 2-years or less.
- **Strategic Goals and Resiliency:** The goal for companies either just starting up or operating independently on the margin of being insufficient is to get to break even from a cash flow perspective. It must do so using a sustainability-aligned respect for how it treats its employees, suppliers and community. Fair compensation and policies that support gender equality, religious freedoms and health and wellness are normal cultural expectations. Once profitable, these enterprises can move to the second bridge and begin building up financial and other stocks. Just like a rainy day buffer in a personal bank account, this class of traveler must operate frugally and build capital stocks.
- **Boundaries, interconnections:** The primary boundary of interest for Bridge 1 travelers is between the enterprise and the customers it is serving. Assuring its product or service enhances value to the customer’s wellbeing in a differentiated way. Transparent, respectful, and collaborative relationships with employees, investors and suppliers are all important and can buy some flexibility during this volatile period.
- **Mental models:** Startups and independents must be sensitive to burden shifting responsibilities and costs to employees or friends and family in the case of independents. When considering partnerships, beware of exploitive schemes that fail to account for the full boundary and capital elements that the business must operate within to be viable.
- **Networks & Collaborations:** Partnering with other individuals and enterprises within the industry or local community may serve to more efficiently add capital stocks to the enterprise’s resources and help reduce personal risk and stress.

Strategic tools for Doing

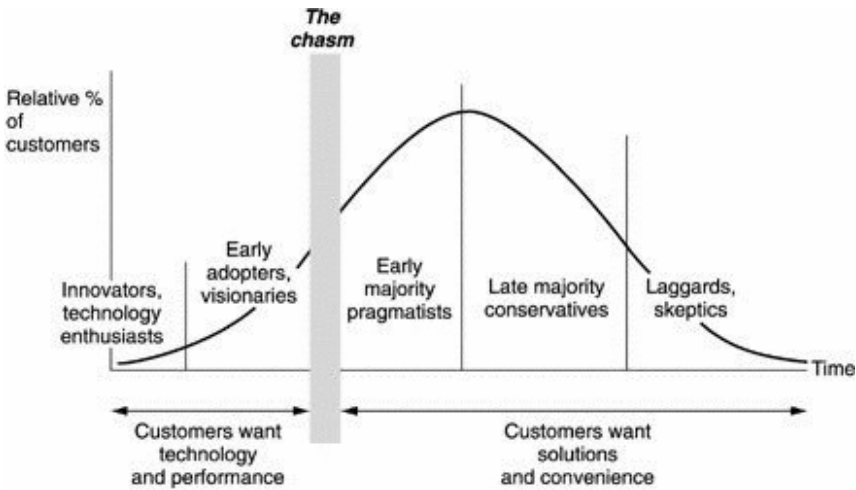
The two tools picked for enterprises developing sustainability-aligned strategies for Doing are Crossing the Chasm, and the Lean Business Model Canvas. These are both highly successful traditional strategy formulation tools that emphasize the importance of understanding the customer’s needs, examining business models, and focusing on critical resources (stocks) that create the enterprise’s value proposition. These tools help enterprises whom are stuck, to review and re-imagining their enterprise. *Why are we doing this?*

Crossing the Chasm

[Insert T]

Geoffrey Moore used “Crossing the Chasm” with an urgent D-Day battle strategic analogy (Moore, 1999). Early-stage technology companies are alerted to a chasm of failing to anticipate the change in customer expectations as the company attempts to navigate from a sufficient state working with early adopter customers to a mainstream state working with pragmatist and conservative customers. Figure 3-4 provides a typical chasm crossing journey within the technology industry. His insights and strategic recommendations are highly appropriate for any Bridge 1 company. The approach suggests that the enterprise proactively think further ahead into the future and from a broader more holistic system perspectives of competitors, partners and customers. This strategic process works for all of our chasm crossing challenges as well. Sustainability-alignment application simply includes more diverse, but mostly knowable chasms. The right blend of capital(s) investing and collaboration with strategic partners and stakeholders will reveal the best path ahead.

[Insert Figure 3.3 Crossing the Chasm Strategy Framework here.]



Source: Geoffrey A. Moore, with permission.

Lean Business Model Canvas

[Insert T]

Lean Canvas also prioritizes getting your customer-problem-solution foundation in order first. It is ideal for guiding strategy formulation discussions of early stage innovation projects and startups. Figure 3.4 depicts the Lean Business Model Canvas Framework (LBMC). It helps strategy developers answer critical questions. Who are your target customers? What problem are you solving? How does this solution create value? The solution box becomes critical to aligning the strategy with the enterprise stated purpose and value(s). At this stage the discussions are not fixed, but a tool for guiding other employees to comment and provide their inclusive inputs.

Insert Figure 3.4 The Lean Business Model Canvas Framework here.

Lean Business Model Canvas

Model Name:

Problem Top 3 problems	Solution Top 3 features	Unique Value Proposition Single, clear, compelling message that states why are you are different and worth buying	Unfair Advantage Can't be easily copied or bought	Customer Segments Target customers
	Key Metrics Key activities you measure		Channels Paths to customers	
Cost Structure Customer acquisition costs Distribution costs Hosting People, etc		Revenue Streams Revenue model Lifetime value Revenue Gross margin		

Source: www.heflo.com, Creative commons license

Startup and stuck enterprises find their purpose and begin doing

The following two case stories represent the transformative opportunity and impact that hope ignites. Each case included education and training to raise awareness and enhance employee skills. Both had supportive sponsors and investors to get them started. Both developed their own tools for scaling their progress and impacts. Lastly, both are being performed as collaborations and building up networks to further scale their learning and successes. Both are not subsidized models, but are frugal ones that work within reasonable startup capital thresholds while moving the enterprise from subsisting or startup to Doing Well and Doing Good. These enterprises have all discovered their purpose and with hope are working hard converting strategy into actions and deeds.

Timberland and Small Farmers in Haiti

[Insert C]

Hugh Locke, President and Co-Founder of the Smallholder Farmers Alliance in Haiti and President and Founder of Impact Farming is a hero to Bridge 1 travelers. He has helped thousands of smallholder farmers in Haiti to finance their way out of extreme poverty. The innovation is scalable and has the potential to be applied with and transform millions more of the world's 500 million subsistence farmers (impacting nearly a third of all people on the planet) into impact farmers. This social business tree currency breakthrough has led to over 6.5 million trees being planted to date. Timberland was initially a strategic investor and corporate sponsor of the initiative (a classic Bridge 3 strategy). Now Timberland is becoming a customer and purchasing their organic cotton raw material inputs from these farmers. That relationship uses an innovative supply chain business model based on tree currency. It also connects smallholders to the global economy and has potential for application throughout the developing world.^x

Smallholder farmers are enrolled into the Smallholder Farmers Alliance (social capital), trained in farming best practices (human capital), provided with a few critical tools (built capital), and seeds (natural capital) to get started. In just a few years they are profitable. The alliance is scaling a self-financed global force to combat climate change, improve food security and empower women. Hugh's work is the subject of a documentary "Kombit: The Cooperative." View his TED talk and hear him tell his story.^{xi}

AIM2Flourish: Doing well and good deeds

[Insert A, C, T]

AIM2Flourish accelerates the shift to a Business for Good mindset by recognizing the positive impact of today's business leaders, and changing the way tomorrow's leaders are taught. It is showcased within our Doing Bridge because of its Flourish Prize case companies and its impact nurturing of next generation business leaders and startup enterprises that, like the small farmers in Haiti, move from Doing to Doing Well and Doing Good. This initiative is a collaboration between the Fowler Center for Business as an Agent of World Benefit at Case Western Reserve University, a network of higher education partners, the United Nations Sustainable Development Goals (See Doing Well and Doing Good and Chapter 6), and a global community of Business for Good companies.

Using the SDGs as their lens, students identify an innovation, conduct an in-person interview with a business leader working to apply the innovation, and then write about what they learned. The AIM2Flourish Stories page contains 900+ student-written stories about businesses that are both profitable and positive.

The creation of Flourish Prizes is especially noteworthy. These award winning case companies are each inspirational examples of using sustainability-aligned purpose and frugal strategies that expect profitability while responsibly serving customers and society. Throughout 2016, business students around the world submitted 422 AIM2Flourish Innovation Stories to the AIM2Flourish.com platform. A distinguished jury evaluated 48 semi-finalists and selected the 17 best-of-the-best—one for each SDG.^{xii}

■ **Doing well: Risk management and business case for building resiliency**

“Do what you can, with what you have, where you are.” — Theodore Roosevelt

Every enterprise that is operating profitably today should use their sustainability-awareness to next improve resource efficiencies, engage employees, explore product and business model innovations that reduce their footprints and improve their profits. Smaller footprints and, very importantly, some financial reserves are important to improving the company’s resiliency.

Sustainability-aligned strategic system perspectives to do well

The following are selected enterprise system construct items most relevant for enterprises formulating sustainability-aligned strategies for **Bridge 2, Doing Well**:

- **The purpose for Doing Well:** Efficiency improvements have interconnected financial and footprint benefits. Also, synergistic opportunities to Do Good, that do not require taking on high risks, should be pursued.
- **Increase efficiency and productivity of vital stocks with most vulnerable threshold flows and/or greatest flow volatility.** Material, water, energy efficiencies reduce footprints and save money. Engage with employees to solicit diverse ideas for efficiencies, risk management and innovations. These actions in turn will increase margins reinforcing the objectives and extending capital threshold runways.
- **Time horizons:** Profitable enterprises cannot rest or become complacent. The ROI Workbook tools below suggest a 3-5 year time horizon.
- **Strategic Goals and Resiliency:** At this stage of operations, best practice benchmark efficiencies and practices of both competitors and best in class non-competitors should be reviewed. Drawing from Green to Gold presented in more detail below and related works (see also, Hitchcock & Willard, 2006; Lazlo & Zhexembayeva, 2011), the potential immediate benefits of sustainability-aligned strategies with a purpose to Do Well include:
 - Reduced operating expenses;
 - Increased employee engagement and productivity;
 - Increased revenue/market share (in existing and particularly in new markets).
 - Reduced risk (especially to cash flow)/easier financing;
 - Increased innovation (in both processes and new products);
 - Better recruitment and retention of talent;
 - Increased social/reputational capital.
- **Boundaries, interconnections:** Engaging with industry associations, community groups and sustainability initiatives are helpful while also enhancing core relationships.
- **Mental models:** Companies crossing the chasm of unintended consequences need to be sure they have defined their purpose and problems properly. One unintended consequence of early low hanging fruit successes is complacency. The efficiencies highlighted within this purpose change constantly and can be repeated over and over again for continued benefits. See the Blackstone case below for more on this.
- **Networks & Collaborations:** Focus on strategic partnerships that have direct benefits to the core business performance and add to capital stocks and enterprise capacities.

Strategic tools for Doing Well

It appears that many businesses are responding to the call for them to develop sustainability strategies as much because of the “business case” as because of their sense of citizenship. The two tools showcased here are both particularly effective at guiding enterprises to identify their best paths to enhanced profitability and resilience. More tools are included within the Blackstone case details below and additional Living Fieldbook supplemental materials. [Insert L]

Green to Gold

[Insert T]

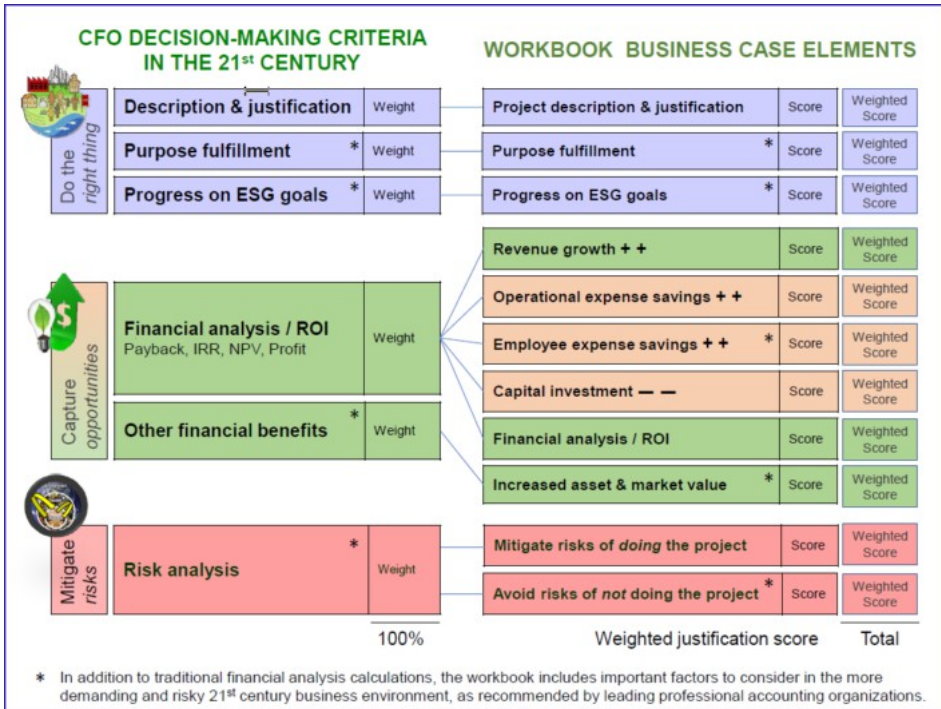
Green to Gold is a classic book for sustainability advocates written by two long-time heroes within the sustainability movement, Dan Esty and Andrew Winston (Esty, 2006). The book’s tagline, *How Smart Companies Use Environmental Strategy to Innovate, Create Value, and Build Competitive Advantage*, is also the primary purpose of enterprises traveling on the path from Doing to Doing Well. The book, like our own, has a supplemental website with additional materials and a blog where the authors bring more depth to this class of business strategic opportunities.^{xiii}

Sustainability ROI Workbook^{xiv}

[Insert T, L]

The Sustainability ROI Workbook is a proven simulator tool, informed by real company results, to estimate three-to five-year bottom-line benefits for an enterprise (Willard, 2012). This Excel workbook monetizes all direct and indirect benefits arising from sustainability-related projects and automatically does return on investment (ROI) calculations, based on user input. The model was initially developed by Bob Willard one of the original leaders for articulating the business case benefits to companies. He is a hero to all companies seeking to cross the chasm of unintended consequences and Do Well. In the true spirit of service and Bob’s sense of urgency to enroll as many users of this tool as possible, he selflessly offers the tool as a free, open-source resource. Figure 3.5 provides an overview of the ROI Workbook including key decision-making criteria and related business case elements quantified. The tool improves the success rate of sustainability initiatives so that enterprises can increase their resiliency and take risks on next projects that also need to be done.

Insert Figure 3.5 ROI Workbook Overview here.



Source: Bob Willard through free, open-source, unrestricted permission.

Sustainability-aligned Enterprises Doing Well

The two case examples chosen to guide companies on this seemingly uneventful, section of the sustainability movement demonstrate that even this stage is far from business as usual. Done poorly the unintended consequences and blind spot risks are treacherous and potentially business terminating. We begin by updating our perspective on GE. They had been a poster child for Doing Well, but failed to be alert to more holistic system conditions. That case is followed by the insights shared by, Don Anderson, Chief Sustainability Officer of the Blackstone Group. The two companies demonstrate that sustainability-aligned strategies can be complex or simple, but not too simple.

GE: Complex enterprise missed knowable strategic signals

[Insert C, L]

Our original book contained a case on GE's Ecomagination initiative. While that was a poster child for Doing Well at that time, recent events discussed next are a precaution that Doing Well performance must be achieved from a sustainability-aligned holistic perspective. Environmental efficiencies and certain risks to cash flows were knowable, but missed. GE's structure was complex such that investors could not understand how the whole and the sum of the parts added up. Simultaneously, its purpose was not sufficiently clear as its core "industrials" perspective was clouded by its substantial purposes of financial services (GE Capital and Insurance businesses) and most recently IoT data and knowledge-based business models. How do these diverse feedback signals get prioritized and synergized within its strategy? How is that clearly communicated to investors in order that they sufficiently match their risk, impact and return criteria?

Throughout the past three CEOs one gets the impression that the purpose of GE was to say good things while doing whatever it took to satisfy investors. Under Jack Welch, the company had a 'take no prisoners' attitude toward the Environmental Protection Agency. During his tenure, the company was criticized and dubbed an environmental bad actor. It avoided responsibility and to clean up pollutants its factories had dumped into the Hudson and Housatonic Rivers.

The baton was passed to Jeff Immelt. GE became a world leader on corporate environmental matters. Executives saw environmental issues as opportunities for competitive advantage and marketplace success. So from a smaller Ecomagination perspective, GE was best in class. The company, however, was more than just Ecomagination. The company was and is complex. Growing profits and satisfying shareholder demands still were the company's main drivers.

With the exit of Jeff Immelt it quickly became clear, the emperor wasn't wearing any clothing. How did the market (and analysts) get it so wrong for so long? What we do know, is in business and investments, complacency kills. Knowable sustainability-related risks were festering.

John Flannery GE's new CEO, initially appeared to have things under control. His was able to go through every segment and detailed the strengths and weaknesses of each business line and what he thought the immediate future held. It was classic "competitive strategy" type analysis. So how is it possible that only a few months later investors described a recent call with shareholders as looking "Enron" or "Tyco-like" or, "a pleasant fiction" (Gilmartin, 2018, January, 21).

The reality of GE was that it was a large complex company. It has an opaque financial structure and reporting makes it difficult to analyze and understand for even the most astute investor. As a reliable dividend paying stock, GE did not treat its financial capital responsibly. Instead, it spent \$22 billion in open market purchases of its own stock. It paid shareholders over \$8 billion. A total cash outflow of over \$30 billion. Cash declined by approximately \$22 billion year over year. With \$6 - \$7 billion in free cash flow from operations, something had to give. That something was a 50% dividend cut (Miller, 2017, December 12).

Next came underfunded long-term liabilities from both its insurance and financial businesses. Reinsurance reserves associated with North American Life & Health were failing to adjust knowing the general population is living longer and consuming more nursing, assisted living and home health services. That knowable system misread required a minimum of \$6.2 Billion of additional reserves. Another \$15 billion in statutory contribution needs to be funded by GE Capital through 2024. There are still more issues including latent subprime mortgage business liabilities, underfunded employee pensions (\$31 Billion?) and last but not least, \$Billions more tax-related obligations (Gilmartin, 2018, January, 21). It appears this was the case of "let's make money now, and let someone else clean up the mess later." Well, it's later now and shareholders are left to clean up the mess (Dergunov, 2018, January 22). Rather than a sustainability-aligned strategy for the future, this company is strategizing a capital raise or breakup. There is no clearer signal that an enterprise system has failed than when the sum of its parts (SOTP) are worth more than its whole.

Blackstone: Complex signals pragmatically focused for Doing Well

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To pre-emptively clarify, the Blackstone Group and BlackRock who you will hear more about in the next section are both financial firms that Do Very Well. The two respective CEOs, Steve Schwarzman of Blackstone and Larry Fink of BlackRock were partners back in the 1980s who had a breakup. That said, it appears both are playing powerful leadership roles transforming business expectations and behaviors with respect to sustainability. Both companies are demonstrating how sustainability is a transformational lens to guide any company. Blackstone is leading by pushing enterprise travelers across the bridge to Doing Well and BlackStone is pulling enterprise travelers onto the bridge to Doing Well and Doing Good.

Don Anderson is Chief Sustainability Officer of the Blackstone Group. His 12-page report, Sustainability: Myths, Madness and Magic, is a foundational reference for everyone on Bridge 2, Doing Well (Anderson, 2017). Blackstone invests mostly in private equities and alternative investments. Their private equity business alone has 81 portfolio companies with more than 500,000 employees across a diverse set of industries and geographies. Their real estate business has one of the most expansive residential and commercial footprints in the world. Blackstone's approach to sustainability is in short, to pursue measurable, action-oriented operational interventions that improve a company's bottom line and its impact on the environment. They first seek to imbed measurable, high return-on-investment (ROI) strategies that drive earnings and improve environmental performance.

He shared three examples of “the magic” that allows them to scale, act nimbly, and start fast out of the gate. And this approach is replicated again and again across our portfolio companies:

- Playbooks - Playbooks codify good practice, including dashboards, scorecards, PMs (utilizing Toolkits), and guidance on finding and fixing low- and no-cost operational and maintenance issues.
- Summits - Where employees are brought together to learn how to launch and run a performance improvement program.
- Legislation - Rapid responses to legislation such as the EU Energy Efficiency Directive (EED), give the ability to aggressively comply with this dynamic legislation.

We consistently stick to this simple formula. These efforts are not tangential. They are mission critical.

■ **Doing well and doing good: Resilient enterprises seize opportunities and are called to be in service**

Sustainability-alignment of doing well and doing good strategies is not new. Porter and Kramer argued in their award-winning 2006 Harvard Business Review article that a strategy of “corporate social integration” (Porter, 2006, p. 92), they note that the inter-dependence between business and society takes two forms: “inside-out linkages” in which company operations impact society, and “outside-in linkages” in which external societal forces impact companies (Porter, 2006, p. 84). Looking outside-in requires a company to understand the social-environmental influences in its competitive context that affect its ability to improve productivity and execute strategy. Looking inside-out requires a firm to map the social-environmental impact of its value chain.

In their 2011 HBR article –Shared Value –Porter and Kramer argue that, because no business can solve all of society’s problems. In short, they assert that the strongest mutual business–societal impact comes from applying corporate strategic thinking to both leverage positive social and environmental benefits and mitigate negative social and environmental impacts in ways that enhance competitive advantage (Porter & Kramer, 2011). This was the standard playbook of many of the world’s largest and most resilient companies. That said, it was all being done at their own pace and not necessary the pace that larger social and environmental systems were in need of.

On Tuesday, January 16, 2018, a game changing shift took place. The chief executives of the world’s largest public companies received a letter from one of the most influential investors in the world. What it said is likely to cause a firestorm in the corner offices of companies everywhere and a debate over social responsibility that stretches from Wall Street to Washington.

Box 3.1 presents key excerpts from the letter Larry Fink, Chairman and CEO of BlackRock sent out. BlackRock manages more than \$6 trillion in investments through 401(k) plans, exchange-traded funds and mutual funds, making it the largest investor in the world. He opens by acknowledging the economic system’s long manifesting paradox between the wealthy and the poor. He describes it as a paradox of “high returns and high anxiety.” He follows with a second observation that the government system is failing to acknowledge known long-term deteriorating conditions and that society is now looking to the business community to help fix. He has accepted this as a challenge (and opportunity?) that he and BlackRock have accepted with the understated promise that their systems will “adapt”. His ultimate comments, which are game changing, is that BlackRock now is expecting every one of the companies that it is an owner of (actual or fiduciary) to have a clear strategy. That strategy must include, not only, How does the company intend to earn a profit (being profitable is still a requirement)?, but ALSO, How will the company be serving society? This is a much needed pull to jolt all business leaders into a new reality. This new reality will have enterprises representing \$Trillions in financial capital, developing their strategies to cross the chasm of the tragedy of the commons and guide them through the paradox of high returns and high anxiety to Do Well and Do Good.

A Sense of Purpose

Dear CEO,

...We are seeing a paradox of high returns and high anxiety. Since the financial crisis, those with capital have reaped enormous benefits. At the same time, many individualsdon't have the financial capacity, the resources, or the tools to save effectively...

...We also see many governments failing to prepare for the future... ..As a result, society increasingly is turning to the private sector... ..Society is demanding that companies, both public and private, serve a social purpose... ..Without a sense of purpose, no company, either public or private, can achieve its full potential. It will ultimately lose the license to operate from key stakeholders. It will succumb to short-term pressures to distribute earnings...

...BlackRock recognizes and embraces our responsibility to help drive this change. ...we have undertaken a concentrated effort to evolve our approach...

Your strategy, your board, and your purpose

...companies must be able to describe their strategy for long-term growth.

...The statement of long-term strategy is essential to understanding a company's actions and policies, its preparation for potential challenges, and the context of its shorter-term decisions. Your company's strategy must articulate a path to achieve financial performance. To sustain that performance, however, you must also understand the societal impact of your business as well as the ways that broad, structural trends – from slow wage growth to rising automation to climate change – affect your potential for growth.

These strategy statements are not meant to be set in stone – rather, they should continue to evolve along with the business environment...

...We also will continue to emphasize the importance of a diverse board. Boards with a diverse mix of genders, ethnicities, career experiences, and ways of thinking have, as a result, a more diverse and aware mindset. They are less likely to succumb to groupthink or miss new threats to a company's business model. And they are better able to identify opportunities that promote long-term growth...

...a company's ability to manage environmental, social, and governance matters demonstrates the leadership and good governance that is so essential to sustainable growth...

... company's owners – are asking you to demonstrate the leadership and clarity that will drive not only their own investment returns, but also the prosperity and security of their fellow citizens. We look forward to engaging with you on these issues.

Sincerely,

Larry Fink
Chairman and Chief Executive Officer

Source: <https://www.blackrock.com/corporate/en-us/investor-relations/larry-fink-ceo-letter>

[Insert Box 3.1 A Sense of Purpose, Larry Fink letter to shareholders.]

Sustainability-aligned strategic system perspectives to do well and do good

The following are selected enterprise system construct items most relevant for enterprises formulating sustainability-aligned strategies for Bridge 3, Doing Well and Doing Good:

- **The purpose for Doing Well and Doing Good:** Companies on this bridge may be smaller companies that had sustainability-aligned strategies from their beginning or larger successful companies that are now expected to demonstrate their social responsibilities. While the startups and small nimble businesses are likely to have clear innovative solutions for their customers as the strategic driver for Doing Good, the role of the larger companies is not as clear cut.
- This is a good time to re-imagine how the enterprise's strengths might be applied more expansively. Ask again from a secure foundation: Why are we doing this business? How might our products and services contribute to the wellbeing of our customers, stakeholders and society? What investments can I make with my, not unlimited, capitals (as Porter says, no company can fix society alone) to continue building resiliency while accelerating progress towards responsible goals.
- **Increase efficiency and productivity of vital stocks with most vulnerable threshold flows and/or greatest flow volatility.** Both the business world and the investment world must be vigilant about the chasm of complacency. They have enjoyed a long period of excess capitals which were not being used with sufficient responsibility. As Blackstone suggests, material, water, energy efficiencies will continue to be one expected normal business practice for reducing footprints and saving money. Employee and stakeholder engagement are also critical during this all hands on deck strategic shift.
- **Time horizons:** The new rally cry for business, "2 degrees and the SDGs," emerged from the convergence of the United Nations releasing of the Sustainable Development Goals (See following section and throughout this book) and the commitments that emerged out of the Paris climate accord to limit global temperature rise to under 2 degrees. The SDGs are using 2030 or about 10-years as their horizon for Doing Well and Doing Good. Some thresholds, especially those interdependent with cashflow or the capital markets may still be shorter. Environmental thresholds may have more time.
- **Strategic Goals and Resiliency:** Business goals may still look similar to those for Doing Well. Societal goals can now align with the UN SDGs. See Chapter 6 for more on how enterprises are aligning their metrics and goals with the SDGs.
- **Boundaries, interconnections:** The boundaries of Bridge 3 travelers are expanding. Longer term environmental and societal feedback signals might be knowable. That said, if those signals are too delayed, some different system boundaries may be helpful to determining safe resilient paths ahead.
- **Mental models:** Companies crossing the chasm of the tragedy of the commons must spend sufficient time determining their own historic exploitation of the commons and accept a responsibility to end unjust, unequal and overly privatized solutions.

Networks & Collaborations: For Doing Well and Doing Good travelers, collaborative solutions are essential. No company and No Government can thrive alone. Large or more resilient enterprises (and Governments) can do more good and do more to support other enterprises and communities with fewer means.

Strategic Frameworks for doing well and doing good

By now the Sustainable Development Goals (SDGs) may feel like a broken record. That said, these are proving to be a unifying framework for aligning the efforts of all stakeholders and especially those of Government, Investors and the Business community. We provide a brief introduction here and more on how to measure progress towards them in Chapter 6. We also include an introduction of The Big Pivot strategy framework. That framework, devised by Andrew Winston, might arguably have been grouped as a tool for Thriving. No matter where you first learn about it, the thought provoking insights and guidance it reveals are extremely helpful to formulating a sustainability-aligned (resilient) strategy for Doing Well and Doing Good.

The sustainable development goals (SDGs)^{xv}

Corporate social integration has exploded with the release of the UN Sustainable Development Goals or SDGs. We review them in more detail in Chapter 6, but need to assure all who are formulating strategy about their existence and the enthusiastic reception and integration they are getting within both Governments and Businesses around the world. The goals and other societally desirable system improvements may represent business risks in some industries, but many governments, corporations and investors see these interconnected desirable solutions as opportunities for growth.

The SDGs define global sustainable development priorities and aspirations for 2030 and seek to mobilize global efforts around a common set of 17 goals and 169 targets. The SDGs call for worldwide action among governments, business and civil society to end poverty and create a life of dignity and opportunity for all, within the boundaries of the planet. Figure 3.6 depicts the 17 SDGs.

[Insert Figure 3.6 The Sustainable Development Goals (SDGs)]



Source: <https://sustainabledevelopment.un.org/sdgs>

The SDGs expand the challenges that must be addressed to eliminate poverty and embrace a wide range of interconnected topics across the global economic, social and environmental systems. The SDGs were developed using an inclusive process with substantive input from all sectors of society and all parts of the world. Through the UN Global Compact alone, more than 1,500 companies provided input and guidance. The goals are universally applicable in developing and developed countries alike. Governments are expected to translate them into national action plans, policies and initiatives, reflecting the different realities and capacities their countries possess.

While they primarily target governments, the SDGs are designed to rally a wide range of organizations, and shape priorities and aspirations for sustainable development efforts around a common framework. Most importantly, the SDGs recognize the key role that business can and must play in achieving them.

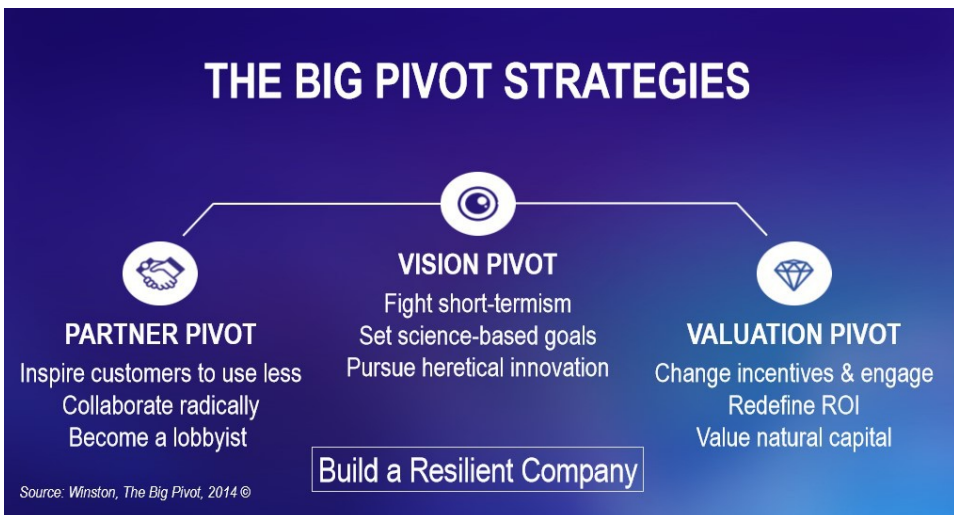
Big Pivot a strategic tool for resilient enterprises

[Insert T]

New economic models and corporate strategies such as the circular economy and the sharing economy (See Chapter 7 and 8) and the Daly Triangle (See Chapter 2) seek to decouple economic growth from material and human resource consumption constraints. Andrew Winston in his book, *The Big Pivot* provides a strategic framework for a resilient company (Winston, 2014). See Figure 3.7 below. The framework anticipates a hotter (climate change), more resource constrained or “scarcer” (and more expensive) and better connected world. He also wants a better economy that properly quantifies investment returns and if appropriate can incorporate externalities or more specifically, the costs and benefits of our common and mostly external ecosystem-services. Chapter 6 includes more details on the value of ecosystem services.

Companies will also need to radically collaborate with competitors and other stakeholders, and engage with and lobby for new government policies and rules. These next sustainability-aligned capital market transformation and value creation trends are already being successfully applied. Executives and investors must now reflect on the core purpose of their investments and businesses, change their corporate visions and implement new, emergent systems and mental models to guide, direct, and accelerate their progress towards the sustainable future they are creating.

[Insert The Big Pivot Strategies: Build a Resilient Company]



Source: Andrew Winston, With permission.

Leading companies doing well and doing good

In September of 2017, Fortune Magazine put out an issue with a listing of 56 companies that would “Change the World.” The list included, Accenture, which is using data to reduce E.R. visits, IBM, for helping urban high schools close the STEM skills gap, and Levi Strauss’s effort to make life better for some of the 300,000 garment workers who make its jeans. The list, also included Unilever whom we’ll talk more about next. There are many more companies in this segment of the journey and as we recognize a few, it important that all resilient companies begin to re-imagine themselves in service of both their customers and society.

Unilever: Visionary leadership and Doing Well and Doing Good deeds [Insert C, L]

One of our foundation principles of a sustainable enterprise which was covered in depth in Chapter 1 was the importance of leadership. We follow with sustainably-aligned values and then the good strategy. When we look at Unilever from a holistic sustainable enterprise perspective, it is the complete package. Its founder, Lord William Lever built a business around the sale and distribution of soap that not only proved to be profitable and sustainable, but which also played a pivotal role in transforming the health of Victorian Britain's poor (Mars, 2017, December 06). That baton has been handed off many times since then and today it is held by another of our sustainability heroes, Paul Polman.

Mr. Polman's sustainability-aligned strategy for Unilever is known as the Unilever Sustainable Living Plan (USLP). It includes pursuing paths that decouples their growth from environmental footprint and increases their overall social impact. They take this responsibility across the total value chain, and for all of their brands around the world. The USLP has helped the company grow its revenues and profits as well. When Unilever announced its first-half results for 2017 the news was good. Revenue of about \$30 billion, was up 5.5% and earnings per share were up 24% over the previous year (Fry 2017, September 07). They are Doing Well. The USLP also has guided them to address external issues such as food security, deforestation and sanitation. They are Doing Good.

So what does Paul Polman think are the biggest challenges to companies progressing their sustainability journeys? "Unilever saw the challenge of corporate sustainability as more clearly defining the "tactical" and "systemic" issues. And defining the terminology. On tactics: labeling claims need to be clear about what standards to develop, and disclosure and materiality. Systemic: system change, moving from short-term focus in politics and finance, and changing consumer preferences & habits. These need to change at the systems level; the first step is identifying the problem (G&A Institute, 2017)." We could not have said it any better!

BASF: Creating chemistry for a sustainable future^{xvi} [Insert C]

With natural capital being our limited, ultimate means, it is comforting to know that one of the leaders advancing their sustainability-aligned strategy is also in the natural capital, chemicals, business. BASF has prominently stated that its purpose is: "We create chemistry for a sustainable future." They are harnessing 114,000 employees to contribute to the success of their customers in nearly all sectors and almost every country in the world. With sales of over \$70 Billion and a healthy profit, BASF is doing Well and Doing Good! They have a fully integrated sustainability-aligned strategy. They are purposefully guiding themselves on a path that combines economic success with environmental protection and social responsibility. We will share more in Chapter 6 about their work to not only talk about doing this, but to actually rigorously quantify it through their Value-to-Society methodology. "This approach has the potential to transform the way corporations assess their impacts on society and will influence the way they are running their businesses in the future," states Christian Heller. By measuring the impact on the health and well-being of people, the results reflect the 'real' value contribution of BASF's business activities: the benefits and costs created for society.

The Value-to-Society approach creates a more comprehensive picture of BASF's impacts along their value chain and demonstrates how chemistry is enabling sustainable growth. Managing and improving its impact is key to keeping and strengthening BASF's license to operate and to fostering its license to grow. BASF provides its approach and learnings to current debates on the monetary value of the economic, environmental and social impact of business decisions. The company also shares its experience in networks and conferences like Sustainable Brands, GreenBiz and more to support transparency and to contribute to the continued standardization and operationalization of impact valuation.

■ **Thriving: Enlightened leaders accepting risks and embarking to create the new world**

The final span along our sustainability-aligned strategy is Bridge 4, Thriving. Thriving performance is one where a company is actually accomplishing its purpose for its customers while having no net decline in natural capital and improving the wellbeing of its employees and

the communities within which it operates and its products are used.

The sustainability movement requires collective bold and focused efforts like those performed to transport humans to the moon. In fact, Elon Musk one of our heroes working to create enterprises that Thrive is the founder of SpaceX among many other businesses. Companies choosing to compete in this sector of innovation may or may not be earning a sufficient profit to maintain their financial stock wealth. They are doing whatever it takes as failure is not an option humans choose to live with. The sobering truth is that there are no thriving companies today. That said, there are companies, business leaders and sustainability professionals already hard at work on the journey.

Sustainability-aligned strategic system perspectives for thriving

The following are selected enterprise system construct items most relevant for enterprises ready to take bold risks in order to explore the unknown frontiers of the final segment of our story,

Bridge 4, Thriving:

- **The purpose for Thriving:** Progressing the enterprises' natural capital impact to 0 or positive regenerative performance while sustaining or enhancing the wellbeing of its employees, customers and community stakeholders today without compromising the ability of future generations to thrive.
- **Increase efficiency and productivity of vital stocks with most vulnerable threshold flows and/or greatest flow volatility.** Material, water, energy efficiencies reduce footprints and save money. Engage with employees to assure diverse ideas for both efficiencies and innovation. These actions in turn will increase margins reinforcing the objectives of building up a financial reserve and extending other capital threshold runways longer out into the future.
- **Time horizons:** 2050 or longer for this mission. But as cases show, financial thresholds are a barrier to long term strategies and business models with substantial volatility and unknown risks.
- **Strategic Goals and Resiliency:** Companies seeking to advance to Thriving are assuming large risks, but likely necessary ones as business as usual is not looking sufficient.
- **Boundaries, interconnections:** The boundaries of Bridge 4 travelers are highly fluid. Diverse enterprises can see their visions from vastly different perspectives and it is not knowable if one or another is more or less valid.
- **Mental models:** Companies crossing the chasm of unknowns must get comfortable with failures. It won't be the failures we remember, but how we learn from them and adapt and keep moving.
- **Networks & Collaborations:** Sharing unknown risks to advance the needs of society and avoid tragedies of the commons seems like a logical path to pursue. Both science-based goals and future-fit business frameworks presented next are striving to do so.

Frameworks and collaborations advance thriving strategies

The following are a few initiatives making initial probes across the unknown chasm. These pioneers like the astronauts before them accept the risks with the belief that their service will make a difference.

Enterprises collaborate to integrate science-based goals

[Insert T, C]

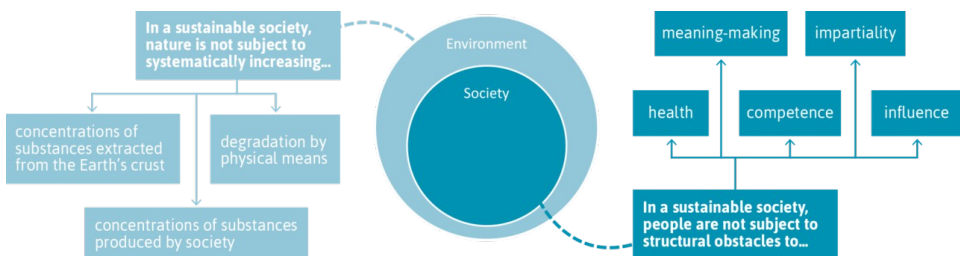
The Science Based Targets^{xvii} initiative champions science-based target setting as a powerful way of boosting companies' competitive advantage in the transition to the low-carbon economy. It is a collaboration between CDP, World Resources Institute (WRI), the World Wide Fund for Nature (WWF), and the United Nations Global Compact (UNGC) and is one of the We Mean Business Coalition commitments. So far over 337 companies have signed on and are pioneering these goals that align with mitigating climate change threshold risks.

Lila Karbassi, Chief, Programmes, United Nations Global Compact, while expressing her enthusiasm for this initiative, noted, "We cannot thrive in a world of poverty, inequality, unrest and environmental stress — all exacerbated by climate change (Karbassi, n.d.)." See Chapter 6 for more on the Science Based Targets goal setting methodologies.

Enterprises commit to thriving and Future-fit Business Benchmark^{xviii} [Insert T, C]

Since the 1990s an international group of scientists, led by the founders of The Natural Step, co-created and refined an academically rigorous, systems-based framework designed to guide progress toward a flourishing future. They collaborate to mobilize business in pursuit of "future-fitness", empowering any enterprise and eventually all market actors to recognize and reward the right kinds of action. This starts with understanding that companies don't exist in a vacuum: business can only thrive if society prospers, which in turn demands that we safeguard Earth's life-support systems. Future-fit companies add value to the holistic system insuring that Business in no way hinders, and ideally contributes to, society's progress toward future-fitness. Figure 3-7 presents the Future-Fit Business Benchmark Framework including eight social and environmental system conditions. More information is available on their website and in the Living Fieldbook.

Insert Figure 3-7: Future-fit Business Benchmark Framework: Eight social and environmental system conditions



Source: Future-Fit Business Benchmark, with permission.

Interface Carpet: Mission zero to thriving

[Insert C, L]

In 1994, Ray Anderson had an epiphany that started his Journey to transform Interface Carpet into a sustainable enterprise that thrived. At that time the supportive tools and communities of science-based goals and future-fit business benchmarks, did not exist. He chose to be a sustainability movement pioneering astronaut and Interface Carpet was his rocket. He set a seemingly radical strategic goal for the firm: "Mission Zero," a commitment to eliminate any environmental impacts by the year 2020. Shortly before his death, he estimated that the company was more than halfway towards this vision. At that time in 2011, Interface had been on the journey for 17 years. It had reduced greenhouse gas emissions by 24 percent, fossil fuel consumption by 60 percent, waste to landfill by 82 percent and water use by 82 percent, while avoiding over \$450 million in costs, increasing sales by 63 percent and more than doubling earnings.

The good news is that Interface persevered after Ray retired. He passed the baton off to Daniel Hendrix, who served as CEO for nearly 16 years. During that time, Interface adapted its sustainability-aligned strategy as it secured its position as the leading global manufacturer of modular carpet, while continuing its Mission Zero™ quest. Hendrix successfully drove the company's business by focusing on Interface's core carpet tile business and diversifying its market segmentation through expansion into the education, hospitality, healthcare, retail and institutional spaces. Hendrix will continue to bring his industry expertise and counsel to bear as Chairman of the Board, but has passed the CEO baton off to Jay Gould in March of 2017. Gould is primed to lead the organization into its next phase of growth.

Interface is demonstrating what a thriving enterprise is. It has battled hard to make sustainability-aligned progress every day. It has done so while honoring its ambitious Vision and Mission statements.^{xxx} Their journey, as expected, includes failures which they do not hide, but share so others might learn. They accept that they don't know now how they are going to accomplish their ambitious goals, but remain hopeful. While some claimed it will take a miracle, Jim Harzfeld, a former Interface executive who was the head of the first Environmental Task Force in 1994, claimed that its business as usual: "People don't realize that it took five or six miracles to get this far; Interface has always been in the miracle business."

We are grateful to Ray and everyone at Interface for being leaders. We wish you long term success as you continue to work to be the first company that, by its deeds, shows the entire industrial world what sustainability is in all its dimensions: People, process, product, place and profits — by 2020 — and in doing so we will become restorative through the power of influence.

Tesla: A thriving vision disrupting the status quo, but chasm warning signs loom
[Insert C, L]

Brave risk-taking pioneer Elon Musk has made his life's purpose to carry multiple industries simultaneously toward his vision of a thriving future. As we think about the chasm of the unknowns that will need to be tamed, disruptive innovations such as the ones he is pursuing will be needed. We are now at Bridge 4 for Thriving, but the company doing the disrupting is strategically behaving like a bad Bridge 1 Startup. Let's briefly review what we can see that is knowable.

Elon Musk thinks and acts on a larger, more cosmic scale than we're accustomed to from entrepreneurs. He has become a household name synonymous with the future and is not shy about promoting his work. Whether he's working on electric vehicles (Tesla) or sending rockets into space (SpaceX), he has obtained hero-worship. He also has accomplished some deeds that keep him in the game while working hard to do industry disrupting innovations within eight industries simultaneously (CBInsights, 2018).

Tesla by the numbers feels like another GE in the making. Tesla has a lot of work to do to improve its image of being able to produce positive results. Tesla is now on its fourth vehicle model and still cannot seem to get the manufacturing angle figured out. The result is institutional investors are leaving. Because Tesla did not follow the Bridge 1 strategy playbook of getting to profitability before taking on the next risk bridge and the next, its ultimate viability will be subject to traditional investor behaviors.

If institutional investors don't continue to buy-into the vision, it is game over and Chapter 11 here we come. As we freshly think back to GE, Tesla also does not seem to have the cash flow yet to stop raising funds. Since the Model 3 was unveiled, the cash reservations for new products have jumped from \$1,000 to \$5,000, \$20,000, \$50,000 and even \$250,000 for the Roadster Founder's Series. It is pretty obvious we are degrading into a quasi-Ponziesque situation where today's reservation monies are building the previously promised vehicles or paying the bills to keep the lights on. That cannot continue (Bailey, 2018, January 16).

There are other chasm warnings that might keep a normal human up at night. Let's look at two. From an inside systems perspective, the history at SolarCity which is now owned by Tesla did

not demonstrate sustainability-aligned values. By 2013, it was the leading installer of solar systems in residential buildings in the United States. Its key innovation, though, was less on the technology side and more on the accounting side. SolarCity pioneered the “solar lease” strategy, which allows homeowners to get their roofs installed for free and pay back the installation costs over time. To grow sales, SolarCity used aggressive sales tactics and savings promises that critics say “bent the truth” of the numbers. Customers, once they realized they wouldn’t be saving as much as they’d been promised, cancelled their installations in droves. That enterprise system hit a cash flow chasm, investors sold and in February 2016, the stock price dropped by a third. Tesla subsequently bought SolarCity giving that startup a cashflow lifeline. And now Tesla’s business purpose shifts to absorb SolarCity. In some ways, it can make sense if as Geoffrey Moore suggests, Tesla is going to attempt to cross the chasm with a more holistic product that makes it easier for mainstream customers to buy.

From a broader systems perspective, two different visions are colliding. Elon Musk’s vision is to disrupt the existing automobile industry. Tesla is a car company working to make the “car company” a thing of the past. Without going further, the alternative reality is that several more established automobile companies are reacting to the same opportunity of electric and autonomous vehicles. Tesla is not the only investment option. Betting on electric vehicles is becoming mass-market and using our sustainability-lens we believe it does make sense. Great Britain and France voted to ban diesel and gasoline auto sales starting in the year 2040. China has made it a point that one in five cars sold in the country should run on some alternative source of fuel by 2025. GM plans to have 20 electric vehicle models on the road by 2023. Volvo has decided to get rid of traditional fuel-powered cars entirely by 2019.

Our sustainability-aligned bridge strategy story ends on an unknown. Elon Musk is hard at work creating the future he wants. He is leading at this moment and like Ray Anderson before him, Radical Industrialists are needed.

■ **Conclusion: *Be hopeful, Do your best, Thrive***

Welcome to the sustainability movement. We thank you for becoming another leader ready to help your enterprise become aware, find its purpose. We trust that you can better appreciate how aligning the enterprise’s strategy with sustainability will guide you along safe, resilient paths. Relentlessly make progress towards your goals and know all progress advances us closer to achieving the SDGs. You know you are not traveling alone. Students have started through programs like Aim2Flourish. Small farmers in Haiti have joined in. Be hopeful as you take the first steps of your journey.

You have been shown the basics of both systems thinking and how to develop a good strategy. Now is the best time to form a diverse team of enterprise leaders, employees and trusted stakeholders and begin to re-imagine your vision for the future you want. Use all or the tools in your toolbox, from SWOTs; to the Lean Business Model Canvas and ROI Workbooks; to the Big Pivot and Future-fit Business Benchmarks. Follow the learning map process and create your enterprise’s epochal story. This will take time. This will be hard work. There will be failures along the way. Don’t get down and lose confidence. Learn, get back to work again. Do your best.

The sustainability movement is stuck. Government is failing its citizens and so business is expected to do more. We’ll give you a few years to build up your stocks, but not much more. Complacency is a blind spot chasm that pulled down many a great company such as GE. Larry Fink and investors will be watching. Accept your responsibility to serve others and make a profit while doing so. Use precaution as you navigate across the chasm of the tragedy of the commons as limited stocks are stressed. Be sure to have fun along the way. Get comfortable with the unknown and formulate the smart bridge strategy that puts you on a path to Thrive.

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