

Managing complexity

Sustainable development in practice

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Global markets, decreasing government influence and growing "civil regulation" create a growing demand for sustainable business practices. The business community is gradually realising that in order to survive fundamental changes are necessary.

A commendable development, but not easily realised in practice. For sustainable development attendant fundamental changes in society are necessary, changes that can only be brought about by joining forces.

For firms this means engaging in a development trajectory in co-ordination with their stakeholders, in which processes, product portfolios, management practices and decision processes are adjusted to meet the demands of the new society and the 'new' consumer. NIDO, the Dutch National Initiative for Sustainable Development facilitates these collaboration processes between all stakeholders in order to meet the challenge of sustainable development in practice.

The challenge

If future generations are to have the same options to satisfy their needs as our current generation has now, mechanisms ensuring this have to be built into our current practice. This is stressed in both The National Strategy for Sustainable Development, now in preparation, and in the fourth National Environment Policy Plan (NMP4). The NMP4 mentions transitions to a sustainable energy system, a sustainable use of natural resources and a sustainable agriculture. Scientific and technological innovations are vital to make these transitions possible. But technological innovations alone are not sufficient. To achieve real sustainability a more widespread

social transition process is necessary. Environmental issues like global warming and bio diversity are of a global nature. To find solutions, society should change world-wide. The organisation of society should ensure that the interests of sustainable development receive the proper emphasis in decision-making processes. This requires a complex and fundamental process of changes in the community structure. The NMP4 calls this 'System Innovations to Sustainability'. NIDO was initiated by the government in 1999 to facilitate this transition process in practice by bringing various parties together towards concerted action. NIDO is positioned as an independent organisation, with no other interest

than the progress towards sustainable development. NIDO involves industry, government, science, and societal organisations in collaborative processes to realise implementation of sustainable practices. Areas presently addressed by NIDO include CSR (corporate social responsibility), logistics, sustainable product marketing, water management and sustainable outsourcing.

The context of this transition process and NIDO's facilitating role herein is formed by a number of societal developments.

Societal power structure

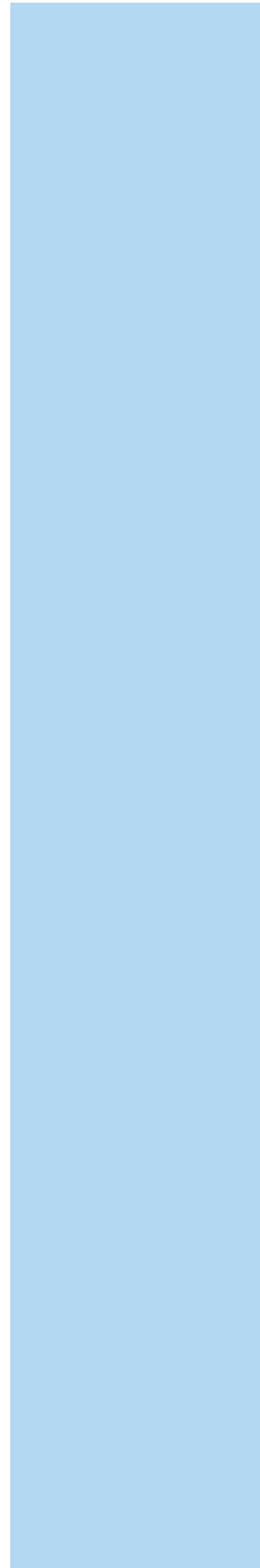
In an ongoing world wide social development the division of roles and power between states, firms, social organisations and consumers is changing fundamentally. This is a complex of more and more closely interconnected developments with far reaching consequences for governments and business community alike.

The globalisation of the economy has had the effect of gradually reducing the power of nation states (Castells, 1997). Because the

production and trading networks of which firms form part operate on a global scale, states are finding it increasingly difficult to retain control over their own economies. This has created tensions between national political institutions and the rapidly globalising business sector and has increased the influence of market forces world wide.

In the Netherlands as well we continue to see a general trend towards a reliance on market forces. In the starting document of the study 'The Economy of the 21st Century'* it is pointed out that there is much more room for a decreasing role of government, herewith enabling employees, consumers and firms to operate effectively in the new economy of knowledge. Within the limits of the frame of reference set by the government, a greater responsibility is relegated to firms.

The rise of digital technology has led to an explosive growth in the opportunities available to firms and individuals for communicating with each other through all sorts of networks. The open structure of networks is giving birth to totally new patterns of communication in society.



People sharing certain interests or values can use the Internet to exchange ideas with like-minded peers all over the world and thus form closely knit, 'virtual' communities. The result is the emergence of a new 'networking' society in which power is vested in new bearers of authority.

At the same time, civil society is undergoing a transformation process. As national states find it more and more difficult to solve global problems such as the greenhouse effect or systematic human rights violations, citizens are increasingly organising themselves into groups that can take action themselves. A new type of regulatory system is coming into being, known as 'civil regulation'. As a result, firms are finding it harder to justify their actions vis-à-vis the rest of society solely on the basis of arrangements they have made with the government (Bragd et al., 1998). Shell's experience with the Brent Spar oil platform shows that the general public can easily take a completely different view from the

government. For this reason, it is increasingly important for firms to communicate openly with all relevant stakeholders, i.e. 'with every group or individual that is able to influence an organisation's ability to attain its goals or that is itself influenced by the organisation in question' (Freeman, 1984).

The fact that consumers are now in a better position to assess the relative virtues and vices of a particular purchase means accordingly that they have also become more demanding and more critical. Firms for their part have access to a growing pool of information on the purchasing behaviour of individual consumers, enabling them to attune their production close to consumer needs. Consumers assume that, in principle, firms operate in accordance with prevailing moral standards and values (see box). If a firm is found to be acting in contravention of these standards, there is a risk that it will be held accountable in public, with consumer boycotts as the ultimate consequence.

Changing values

Many people – Westerners at the forefront – are beginning to attach more and more value to the immaterial side of life such as social well-being and the quality of life. Ronald Inglehart, a social scientist, believes that what we are seeing is the rise of post-materialism (Inglehart, 1977). Once people have attained a given level of prosperity, Inglehart claims, they become less interested in material success and more concerned about the quality of their lives. Winsemius uses the term 'emotional revolution' to describe this change (Winsemius, 1999), claiming that we are gradually climbing higher and higher on Maslow's ladder (1943). This ladder represents a hierarchy in human needs, starting with the satisfaction of basic needs at the bottom and ending with self-fulfilment at the top. The higher one rises on the ladder, the more important qualitative, immaterial considerations become. Aspects of sustainable development may be among these considerations.

Co-development toward sustainability

If the transition to sustainability were to take place in a society with stabilised roles and power structures we would have a guideline in the way other broad issues were regulated. In the present situation however, sustainable development has to be fitted into social relations that in itself are in motion.

The shift in the balance of power between states, firms and households, and the associated changing social attitudes towards the responsibilities held by firms, puts pressure on an increasing number of firms to adopt sustainable business practices. Openness and transparency are the new key words. Sustainable business practice requires that firms establish a systematic link between their financial profitability and their ecological and social performance. Many firms find that wide-range adjustment of processes, product portfolios and management practices is implicated, and that this requires innovations in both business organisation, product design and product and process technology. However, firms cannot change everything at once, and stakeholder priorities are variable and unclear. As a consequence, isolated practical initiatives by individual firms and governments often prove ineffective and insufficiently powerful. To prevent this firms will have to identify an optimal development trajectory in co-operation with their stakeholders. This means that each time all parties involved have to go through a dialogue and learning process in which gradually becomes

clear what parties (may) expect of each other and which role is best fitted to each party. Given the many-
aspected form of sustainable transition, involvement of a great number of relevant parties is required. In this process it is necessary to identify the blockades for change that are rooted in existing institutions, interdependencies, vested interests and transaction practices and to find ways to conquer these blockades. The trusted institutions, patterns of interaction, agreements and co-operations must be left behind if it turns out that they block sustainable development, and new ones have to be instituted.

This process is too complex to be undertaken by any individual player. Therefore the changes required for the transition to a sustainable society can only be brought about by joining forces, engaging in a joint dialogue and transformation process. Conditions should be formulated which parties should fulfil to be credible actors in this process. And the organisation should ensure that all aspects of sustainable development receive the proper emphasis in the joint decision-making process, a path of development leading - also on an international level - to well-balanced social relations. It has to be a social learning process in which the roles of all parties concerned co-develop. This is the challenge of sustainable development.

NIDO: bringing parties together

Intermediators like NIDO help to get these processes off the ground. In the

processes that NIDO supervises, depending on the definition of the problem and the environment, different relevant parties are brought together. Parties join forces in initiatives championed by individual players, such as firms or civil service organisations. They are stimulated to find new solutions through new forms of co-operation and dialogue. Science and technology supply important ingredients for these new solutions: knowledge and transfer of knowledge are always an important

element in these processes. The combined energy of parties involved in these projects also help to define the desired role of societal institutions.

The initial results of this approach indicate that NIDO's facilitation successfully deals with the complexity of the issue and that it leads to structural implementation of sustainable practices in business processes (see boxes).

Because all processes that are supervised by NIDO in turn learn

From Financial to Sustainable Performance

To enhance and support 'sustainable business' initiatives a NIDO programme has been launched under the title 'From Financial to Sustainable Performance'. The starting-point of this programme is a process-oriented approach in which no clear-cut results can be formulated in advance. The programme concentrates on the interface between twenty participating companies and their stakeholders. Progress is made through learning in networks. The process is co-ordinated by change-agents that help to initiate the transformation towards sustainable business. As soon as the initiative can be taken over by industry itself, NIDO withdraws its active support. The programme started in May 2000 and runs till December 2002. Within the programme two projects are carried out: (1) measuring sustainable business and (2) marketing communication about sustainable business. The basic aim of the project 'Measuring sustainable business' is to demonstrate what sustainable business actually means and how companies can produce transparent reports on their ability to implement sustainable business practices. The working party mainly consists of persons from quality assurance departments or from management.

The project 'Marketing communication about sustainable business' aims to facilitate the integration of the triple-P principle (i.e. People, Planet and Profit) into corporate marketing communication strategies. Representatives from marketing departments and communication departments of interested firms made up a working party. The delegates range from multinational firms to small businesses. NIDO asked four experts on marketing communication and trend watching to assist the working party.

The first result of both projects was the measurement of individual firms' levels of sustainability. This was done by using the Sustainability Scorecard that was developed by DHV, the University of Nijmegen and Good Company, assisted by NIDO. From this starting point individual project plans were made. The parties share their experiences with the implementation of those plans and results will be widely distributed.

NIDO also commissioned a number of short-term studies, for instance on marketing communication in relation to corporate social responsibility and on the added value of sustainable business practices.

Consolidate for Sustainability

The NIDO-programme 'Consolidate for Sustainability' deals with two themes, multimodal and urban distribution. In both themes consolidation of flows of transport can contribute to sustainable logistics.

At a regional level the themes are taken up in the provinces of Northern-Brabant and Gelderland. Both provinces are confronted with an extremely heavy burdening of their networks of modalities because of the thriving economic activities and the growing transit trade to the hinterland in Europe from the Amsterdam/Rotterdam area.

from each other, all parties concerned gradually learn to effectively meet the challenge of sustainable development.

The NIDO approach

One of the NIDO projects is aimed at mobilising entrepreneurs in Gelderland. In close co-operation with a sector organisation a number of prominent companies have been convened.

After a goal-oriented inventory of bottlenecks the entrepreneurs try to find solutions in which they can take the lead. This working group now consists of fifteen (big) logistic service providers, a couple of large manufacturers and representatives of the county council. At a later stage the environmental movement will become involved as well.

In the course of 2002 the entrepreneurs will formulate and start a number of concrete projects. NIDO's principal role is to provide contacts with experts and to contribute knowledge about the key factors that determine the success of the project.

Another example of a NIDO-project is the PAO*-course Sustainable Logistics. This two-day course has

been developed by NIDO and is aimed at the staff-members of logistic firms, big manufacturers, the environmental movement, governments and researchers.

The focus is the definition of the concept of sustainable logistics, its possibilities and its application. Some twelve leading experts from various sectors contribute to the course: shippers, logistic service providers, sector organisations, the environmental movement and governments. Subjects are the state of the techniques, the developments for each means of transportation (i.e. cargo-trade, rail-transport, inland shipping), matters of policy and especially the future possibilities for more sustainability in logistics. The course was held once at the TU Delft in January 2002. It is intended to repeat the course in 2003.

* PAO: *Dutch Institute for Postgraduate Education*

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