

The c-suite's practical guide to sustainability

Environmental sustainability issues are not going away. The only question now is how to approach them. The new book of IESE's Mike Rosenberg offers a guide.

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How does a book described as a "hard-nosed and clear-eyed approach to environmental sustainability" read? Well, here are the strategic options outlined for businesses grappling with sustainability questions:

- Take the low road.
- Break the law.
- Wait and see.
- Show and tell.
- Pay for principle.
- Think ahead.

Break the law? Let's be clear: As a possible strategy, it is presented "not to recommend or endorse the option in any way but to examine the risks involved in terms of a potential loss of the legal and social license to operate," explains author [Mike Rosenberg](#).

Rosenberg's 2015 book, [Strategy and Sustainability](#), went to press before the Volkswagen emissions scandal exploded, but the author has since [taken to his blog](#) to analyze, strategically, VW's failings, with these options in mind. In his view, Volkswagen pursued both *show and tell* and *break the law* options, a particularly risky combination. VW openly publicized environmental efforts in its "Blue Motion" campaign. Meanwhile, the public has learned of its software to cheat emissions tests, undermining its credibility on sustainability issues. The company's Blue Motion website has since posted a *mea culpa* reading, "We have

broken the most important part in our vehicles: your trust."

Most books about sustainability never entertain the possibility of breaking the law or taking the low road on environmental issues. But this is not most books. It is meant to speak directly to business leaders who cannot ignore issues of sustainability, even if they'd like to. What executives need to do is face the issues strategically, in Rosenberg's view.

"Over the last 60 years environmental sustainability has gone from an afterthought to a critical strategic issue in certain industries and in certain markets," he writes. "To assume that it will all simply go away or somehow 'lose steam' in the future does not seem plausible."

Which road to take

Rosenberg looks at the fundamental differences between two distinct and often opposing logics: the business logic of senior management and the environmental logic of activists, journalists and legislators. Is business a force for good, lifting society's standard of living, or the source of its environmental woes? What time frame is relevant for planning? Do government regulations go too far or not far enough? These are just a few of the questions with very different answers following the two logics.

The purpose of "calling out the differences is not to excuse... but to encourage a deeper understanding," Rosenberg explains. With understanding, strategy that works for business and for the environment is more likely to unfold.

After laying down the groundwork for understanding what is at stake in sustainability efforts from many angles, Rosenberg presents the options already listed above. From *taking the low road*, with minimal compliance, he moves up to strategic options with more corporate engagement. *Thinking ahead* tops the list, although he notes that it is not an easy option.

For example, automotive and other related industries are trying to come to grips with electric cars. Electric cars look likely to have a major impact, but the ultimate outcome will depend on how developments in technology, government regulations and consumer behavior unfold in the coming years.

"Putting all these factors into two or three robust scenarios with a 10-20-year time horizon is the best way to stress test a firm's current strategy and to build the business case to either continue on the present course or take steps toward a different approach," Rosenberg writes.

The final portion of the book presents a framework and recommendations for mapping out a viable sustainability strategy. This entails "doing the math" on sustainability issues, getting the board involved, and developing a plan for implementation that includes all levels of management.

"There is enormous potential for radical improvements in the way society uses natural resources," Rosenberg says. "These improvements, I believe, will not come about through onerous legislation but by business leading the way."

CEOs and senior managers will continue to focus on the evolving demands of shareholders, employees and customers — but that looks likely to bring questions of business strategy and sustainability ever closer together.



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