The Sweet Spot: Where Profit Meets Common Good

By Andrew Savitz and Karl Weber — July 18, 2006

Sustainability, also known as corporate social responsibility, incorporates the idea that companies can become more profitable by doing the right thing.

The term originated around a growing awareness in the late 1980s that nations had to find ways to grow their economies without destroying the environment or sacrificing the well-being of future generations.

Sustainability has since become a buzzword for an array of social and environmental causes, and in the business world it denotes a powerful and defining idea: A sustainable corporation is one that creates profit for its shareholders while protecting the environment and improving the lives of those with whom it interacts. It operates so that its business interests and the interests of the environment and society intersect. A sustainable business stands an excellent chance of being more successful tomorrow than it is today, and of remaining successful, not just for months or even years, but for decades or generations.

Sustainable organizations and societies generate and live off interest rather than deplete their capital. Capital, in this context, includes natural resources, such as water, air, sources of energy, and foodstuffs. It also includes human and social assets—from worker commitment to community support—as well as economic resources, such as a license to operate, a receptive marketplace, and legal and economic infrastructure. A company can spend down its capital for a while, but generally not for long. A firm that honors the principles of sustainability, by contrast, is built to last.

If sustainability is more important today than ever before, it's probably because corporations have, over the past few decades, entered what can only be called the age of accountability. They are increasingly being held responsible not only for their own activities, but for those of their suppliers, the communities where they are located, and the people who use their products. They are being called to account not only by investors and shareholders but by politicians, whistleblowers, the media, employees, community groups, prosecutors, class-action lawyers, environmentalists, human rights advocates, public health organizations, and customers. These stakeholders come from every corner of the world, armed with both the traditional media and that global megaphone called the Internet.

As a result, businesses are being forced to respond to social,

ABOUT THE AUTHOR

This week, Compliance Week begins a three-part series of excerpts from The Triple Bottom Line, a forthcoming book by Andrew Savitz and Karl Weber that examines corporate social responsibility: What it is, how it is helping to shape corporate governance today, and how companies can structure their own CSR programs for maximum benefit.

Savitz, formerly a lead partner in PricewaterhouseCoopers' sustainability practice, is widely considered an expert in the field. In The Triple Bottom Line, he and Weber detail the rise of sustainability within the business world, show how financial success increasingly goes hand-in-hand with social and environmental achievement, chronicle the real problems companies face with CSR, and offer pragmatic suggestions to help managers develop innovative solutions to sustainability issues. Weber is an accomplished freelance writer who has co-authored several business books.

The Series:

The three excerpts will be published as follows:

July 18: "Hitting the Sweet Spot." An introduction to corporate social

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economic, and environmental changes in the world around them.

Just as Nike was transformed by the discovery of children working in its overseas factories, so Wal-Mart is now coming face-to-face with "the high cost of low wages" and McDonald's with obesity.

The vision of a company that renews society as it enriches its shareholders may seem remote, and for most companies it is. But here is a way to think about your company's current operations that might suggest an avenue for moving in that direction.

Think about sustainability as the common ground shared by your business interests and the interests of society. This common ground is what we call the sustainability sweet spot: The place where the pursuit of profit blends seamlessly with the pursuit of the common good.

The best-run companies around the world are trying to identify and move into their sweet spots. And they are developing new ways of doing business in order to get there and stay there.

General Electric has long been considered an environmental scofflaw. It fought the U.S. Environmental Protection Agency for years, trying in vain to avoid responsibility for polluting the Hudson and Housatonic rivers with toxic waste. Jack Welch, GE's CEO and chairman, personally led the attack, which included arguing over settled science and challenging the entire federal hazardous waste cleanup program as unconstitutional, tactics widely considered irresponsible.

When Welch retired, many of the flattering reviews referred to GE's environmental record as his one black eye. Now Jeffrey Immelt, his successor, appears to be plotting a new course—not because he or the company are born-again environmentalists, but because being pro-environment is smart business for GE.

GE's recently announced Ecomagination initiative is a powerful example of finding and working towards the sweet spot. It's "action that goes beyond compliance to benefit both society and the long term health of the enterprise," according to Ben Heineman, GE's senior vice president of law and public affairs.

Ecomagination's main thrust is to create clean technology to help GE's customers reduce their environmental impacts, primarily carbon emissions. GE has announced it will double its annual investment in clean energy technologies to $1.5 billion by 2010 and will also double its revenues from eco-friendly products during the same time period.

Addressing climate change presents GE with a huge business opportunity. GE's wind energy business has already quadrupled in revenues since it was acquired in 2002 from Enron, and its fuel-efficient jet and locomotive engines and natural gas turbines, may prove to be essential to customers needing additional ways to reduce their emissions.

GE has found an enormous overlap between its business interests and the environment. According to CEO Immelt: "It's up to us to use our platform to be a good citizen ... because not only is it a good thing to

responsibility, with examples from Nike and General Electric showing why companies should undertake such efforts.

July 25: "Reporting Your Company's Sustainability." A primer on what factors companies should track to measure their CSR efforts, and how to present them in accordance with the Global Reporting Initiative's guidelines.

Aug. 1: "Case Study: Unilever." The tale of how Unilever, one of the largest consumer products companies in the world, came to embrace CSR and develop a reporting plan specific to its needs.

Oct. 12: Webcast With Savitz: Compliance Week will follow up with author Andy Savitz in a Webcast on Oct. 12, where readers can submit questions directly to him about CSR and its implementation.

Disclaimer

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More On CSR

- CSR Unleashed: The High Price Of Doing Good (May 23, 2006)
- Choosing The Right Leadership, Organization For CSR (May 23, 2006)
- Sustainability Reports Becoming Key To Risk Disclosure (April 5, 2005)

Sustainability Reports

do, it's a business imperative. If this wasn't good for business, we probably wouldn't do it."

Click Here For Examples Of CSR Reports From BP, Dell, HP, Others

GE's Ecomagination embodies the observation by Ian Davies, managing director of the consulting firm of McKinsey & Co., that "large companies need to build social issues into strategy in a way that reflects their actual business importance."

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