

CORPORATE STEWARDSHIP
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Communicating the Value of Sustainable Development as a Business Concept

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INTRODUCTION

How can the precepts of sustainability effectively be communicated through a company in ways that produce recognition and understanding of the value it can bring to company shareholders and stakeholders? That is a question whose answer has eluded environmentalists, including in-house environmental professionals and activists alike for years. But through time, the concept of sustainable development itself has morphed and matured into a broader concept with a broader audience than it first had when the Brundtland Commission defined it as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” back in 1987. As we can see from other recent definitions that have sprung up in the sustainable development arena, what was once viewed as an ‘environmental’ concept expanded into to a ‘triple bottom line’ concept and now encompasses many more than one or two or even three prongs.

Along the way the language of sustainable development has been changing and becoming more closely aligned with and related to the language of business. That evolution can be seen either as a result of the critical need to find a way to translate sustainable development concepts meaningful, actionable business goals, or as the realization by the business community that sustainability is not a concept foreign to shareholder value. Indeed, it is likely the merging of both and is progress no matter how it is couched. As concepts and definitions evolve, what the concept of sustainable development does is provide a framework or template for pulling together various activities a corporation engages in and viewing them in the broader context of the society in which they are done. So for businesses sustainable development should not be viewed as something new, but as a broad concept that allows a company to take a cohesive approach to its business and think of its ‘old’ activities in new ways. It allows a company to think of its business as more than just business, but as an entity that not only does but *can* have an impact on the environment and society as a whole. Thus, communicating the value of sustainable development serves not only to contribute to sustainability of society as envisioned by the Brundtland Commission, but also enhance the longevity of the corporate entity itself.

DEFINITIONS

Sustainable Development: development that meets the needs of the present without compromising the ability of future generations to meet their own needs (Brundtland Commission Report, 1987)

Stewardship: 2: the conducting, supervising, or managing of something; *especially* : the careful and responsible management of something entrusted to one's care <*stewardship* of our natural resources> (Merriam-Webster Online Dictionary, www.m-w.com, May 2005)

Triple Bottom Line: A business principle that measures corporate performance along three lines: profits, environmental sustainability, and social responsibility. (The Word Spy, www.wordspy.com, May 2005)

Corporate Social Responsibility: 1. A concept whereby companies voluntarily decide to respect the interests of a broad range of stakeholders and contribute to a cleaner environment and a better society through active interaction with all. (Corporate Social Responsibility, by Ramon Mullerat, ABA International Law News, Summer 2003); 2. Business' commitment to contribute to sustainable economic development, working with employees, their families, the local community, and society at large to improve their quality of life. (World Business Council For Sustainable Development, www.wbcsd.com; May 2005)

Corporate Stewardship: ability to integrate a company's economic performance with a sustained contribution to economic, community and social progress (paraphrased from 2005 Corporate Citizenship Awards Nomination Kit, 2005, from the Center for Corporate Citizenship (CCC) found at www.uschamber.com\ccc; May 2005)

Sarbanes-Oxley Act of 2002: (Public Law 107-204) accounting reform and oversight, and financial reporting legislation passed in the wake of Enron and other public company financial reporting scandals.

Transparency: the state of being transparent (Merriam-Webster Online Dictionary, www.m-w.com, May 2005)

Transparent: **1:** having the property of transmitting light without appreciable scattering so that bodies lying **2 a :** *free from pretense or deceit; b :* *easily detected or seen through c :* *readily understood* [emphasis added](Merriam-Webster Online Dictionary, www.m-w.com, May 2005)

The foregoing definitions themselves illustrate the evolution in sustainability thinking. No longer can sustainable development be considered a tree-hugger's phrase, nor is it simply a modern version of 'guns versus butter.' It has even moved beyond the triple bottom line, and forks are no longer de rigueur for cannibals (see Cannibals With Forks, The Triple Bottom Line in the 21st Century Business by John Elkington). Instead, I think of it as almost the center of the wheel of commerce, cinching together the various spokes that are a corporation's activities, the activities that strengthen a corporation so that it moves forward. Different sized companies are as different sized wheels, requiring different numbers of spokes to make them turn smoothly. It is an imperfect analogy to say the least. But for me it clarifies that sustainable development as a business concept can tie together critical, necessary and desirable corporate activities and provide a cohesive approach for business survival.

THE BUSINESS OF SUSTAINABLE DEVELOPMENT

Corporations are in the business of making money, of creating shareholder value. If you are a holder of any shares of corporate stock, you know why shareholder value is important. No one likes to look at their retirement account of any kind and see that its value has diminished. No minus sign is ever so unwelcome.

In the early days of sustainable development, when the concept was mentioned, eyes glazed, seats shifted uncomfortably and meetings ended early in corporations everywhere. The concept itself was not well understood, and could not easily be defined in terms understandable to those more used to financial jargon and charts or spreadsheets. To many, whether within the corporate world or even within the environmental world, sustainable development was seen as an inherent brake on economic development. From a businessman's (or woman's) point of view, anything that slows economic growth or the increase in shareholder value, regardless of any other characteristic it may have, is never a good thing. The challenge then, was to find a way to show the businessman – and his or her shareholder – that sustainable development and economic growth are not necessarily mutually exclusive. In fact, in some ways they can be seen to be inextricably linked.

As communication of that message has been refined, or as the businesswoman has begun to understand the different ways her business can be impacted that perhaps were not always the case, the language of sustainable development has changed. I would argue that sustainable development is becoming, and must become, a business concept, rather than an environmental concept, in order for it to have the impact on corporate behavior that has been the desired goal from the beginning. In other words, a corporation that does not come to understand sustainability concepts will be the one that feels the true brakes on its own economic development.

As companies have experienced the consequences of undesirable corporate behavior, their survival instinct has forced the understanding that embracing sustainability in its social and environmental, as well as economic, context is vital to the sustainability of their own business interests. Without the critical 'license to operate' that is granted or withheld by society in one form or another, a corporate entity will not survive over the long term and can be severely hurt in the short term. Think of Coca-Cola® when its drinks were thought contaminated in Europe, or Shell when its Brent Spar platform was thought to be potentially damaging if disposed of in the sea. Name a hundred other corporate catastrophes, even including the Enron's and Worldcom's of the more recent past. In some ways the term 'license to operate' is just a more corporate way of saying 'the public trust.' Lose the public trust, and end up losing shareholder trust. Then what have you got? In the inimitable words George Bailey screeched at his Uncle Billy in the movie "It's a Wonderful Life", "it means, bankruptcy, and scandal and prison!" And so we have seen.

Although in many ways it is different, I believe the U.S. Sarbanes-Oxley Act of 2002 represents the closest thing to codification of sustainability precepts as evolved into corporate social responsibility and stewardship concepts. It is true that Sarbox or Sox, as it is often called, is heavily focused on accounting disclosures and internal controls. But at its heart is the perceived need to restore that very same public trust that is at the core of the license to operate. It seeks disclosure so that the shareholding public can understand and believe what corporations tell it. It seeks codes of conduct so that corporations themselves have defined rules of behavior to follow, but also so that the public that grants those licenses to operate can see what those rules are. It seeks accountability through certification so that the public can see how well the entity follows its own rules and those imposed on it. And so, in essence it seeks transparency, a clear view into the corporate world to assure society that its own goals and objectives are aligned with those of the entities it allows in its midst. And if truth be told, once a corporation starts looking at its

accounting practices and policies, it can't help but look at its other practices and policies since everything a corporate entity does at the end of the day is meant to generate the revenue that is ultimately (hopefully) turned into shareholder value.

So the language of sustainability is becoming more and more the language of business, by necessity both to the sustainable development movement and to business. And neither side will lose as the battle becomes more a collaboration and the stewards become more diverse.

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