



# Sense and Sustainability



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Like the proverbial chicken and egg, climate change and sustainability are inextricably linked; it is impossible to decide which comes first, but urgent solutions are needed. **Ken Hickson** delivers a timely lesson on the four E's of sustainability—energy, environment, economics and ethics.

Climate change is generally accepted by over 90% of the world's scientists as being human induced. Like road accidents or nuclear disasters, it is definitely not an act of God as we still label various "natural" disasters such as earthquakes, tsunamis and floods.

Remarkably, we are seeing scientific

evidence today that points the finger at climate change as the trigger for major geological events. Rising sea levels, dramatically reduced arctic ice and melting glaciers—and perhaps even the extraction of oil, gas and minerals out of the earth—can set off a geological chain reaction leading to earthquakes and tsunamis.

If that is stretching our faith in climate scientists—and prompting a storm of protest from the climate deniers and sceptics—let's just settle for all the other evidence we have that our climate is changing and that the result is an increase in extreme weather events, rising sea levels, higher average temperatures, more out of control bush fires, and the prospect of climate refugees displaced by any of these events.

We have to accept there's a nexus here. Climate and its consequential impact can no longer be separated from all the other essential resources we need: water, food, energy.

### Start of Sustainability

So here's where sustainability comes in.

Man has long exploited the planet's natural resources, but the exploitation, especially in the burning of fossil fuels, really started in earnest with coal and the Industrial Revolution (between 1750 and 1850 in Europe). But our natural resources are finite. The usage at current levels cannot go on. It is not sustainable, especially when there is a preponderance of evidence linking the effects of our energy consumption with climate change.

Arguably, the first person to really put two and two together was Swedish chemist Svante Arrhenius. In a paper he presented in 1895, he came up with the theory of the importance to climate of carbon dioxide (CO<sub>2</sub>) content in the atmosphere, which he labelled "the greenhouse effect."<sup>1</sup>

First, he determined how much cooling might result from halving the earth's CO<sub>2</sub> content during a long period without volcanic activity. Then he turned the equation around to demonstrate what would happen if industrial emissions grew enough to double the amount of CO<sub>2</sub> in the atmosphere. He predicted a warming of about 5 degrees Celsius, which at the time he believed might take another 2000 years to happen.

The Nobel Prize winner for chemistry could not possibly have predicted the rate of industrialisation—or the hell-bent extraction and burning of fossil fuels—which has taken climate change and temperature rise to the brink in 200, not 2000, years.

We need to be clear about what sustainability means.

There may be as many definitions of sustainability and sustainable development as there are groups trying to define it,<sup>2</sup> but all have to do with:

- Living within the limits
- Understanding the interconnections among economy, society, and environment
- Equitable distribution of resources and opportunities.

There is an argument that sustainability is about at least three critical components—people, profit and planet or the "triple bottom line," which was coined by the leading proponent of sustainability, John Elkington.<sup>8</sup> But in my view, sustainability is achieved through four, not three, components. There has to be a balance of four E's: Energy, environmental, ethical and economic factors.

### Why Energy?

It is not sustainable for a company or a country to be totally reliant on the burning of fossil fuels to provide the energy it needs. Burning fossil fuels is damaging the planet through pollution and excess greenhouse gases. We are rapidly depleting the earth's resources, and there must be a more sustainable alternative.

Switching to cleaner, greener and renewable energy, like wind, solar, geothermal, hydro, tidal, wave and biofuels is a must.

Energy efficiency is also a viable and attractive option. In 2007, Google launched a Renewable Energy Cheaper than Coal (RE<C) initiative as an effort to drive down the cost of renewable energy. Google.org's Clean Energy 2030 Plan proposes shifting the global economy from one that depends on fossil fuels to one that is based on clean energy.<sup>9</sup>

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GE's Ecomagination<sup>10</sup> project puts billions into clean energy investments around the world. In October last year, it announced an expansion of its footprint in India to connect with one of the country's fastest growing clean energy developers. The GE unit will invest US\$50 million—its first renewable energy investment in India—to support the development of 500 megawatts of wind projects. It is a small part of GE's US\$6 billion portfolio of renewable energy investments worldwide.

### Why Environment?

We need to sustain life on earth; human life depends on nature. We need biodiversity; plants absorb CO<sub>2</sub>. Clean water and productive land for food are reliant on a healthy environment.

According to the International Union for Conservation of Nature, nature is the unseen dimension of the nexus of energy, water and food, "With its functions integral to the three securities and their inter-dependence, nature is part of the infrastructure needed to manage the nexus and its resilience. Nature helps mediate the nexus links...without healthy ecosystems in well-functioning watersheds, the infrastructure built for irrigation, hydropower or municipal water supply does not function sustainably, and is unlikely to achieve the economic returns necessary to justify investments."<sup>11</sup>

There is an obvious nexus between the environment and energy, water and food—just as there is a strong connection between sustainability and climate change.

It is simply not sustainable on any level to continue to use up the earth's resources—oil, coal, gas – as they are not replaceable or renewable.

Interface, which is the world leader in the design, production and sale of environmentally responsible modular carpets, has issued a call to action for other companies, large and small, to set bold goals in the pursuit of sustainability.<sup>12</sup> Its "Mission Zero" is a commitment to eliminate negative environmental impact by 2020; the company pledges to obtain third-party validated environmental product declarations on all InterfaceFLOR carpet tiles globally by this year.<sup>13</sup>

### Why Economic?

Look at the economies that are out of shape and unsustainable: Greece, Italy, and Spain. There's a need to have a balanced budget. Money might make the world go around, but when it gets out of hand—through overspending or mismanagement, even greed—things come crashing down.

Sustainable development means meeting the needs of the present without compromising the ability of future generations to meet their own needs.

We can no longer pursue profit at all costs. Or growth at all costs. Economic factors—for business, for communities, for countries—must be in balance with the other three.

### Why Ethics?

Usually, we connect with ethics under a kindlier term—social or people factors—but ethical behaviour is as essential for business as it is for nations. That means transparency, compliance, corporate governance and corporate social responsibility.

Ethics impacts on labour policies and trade practices. It means running the business in a way that benefits all stakeholders, not just shareholders.<sup>15</sup>

Nike got into big trouble in the 1990s when it was revealed that their foreign manufacturing plants used child labour to make its running shoes and soccer balls. After initially denying it, Nike had to back-track under pressure from consumer groups and NGOs like Oxfam, who produced evidence from around the world.<sup>16</sup>

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### Ken Hickson's 12 Steps Towards Sustainability in Business

1. Commit to the sustainability journey—This must come from top management who must set principles and plans, set targets and appoint teams.
2. Get good advice—There are good consultants around to advise and assist. The Singapore Compact for Corporate Social Responsibility and the Singapore Business Federation can point you in the right direction.
3. Get certified—Start with a Green Biz Check or an Eco Office certification. You can aim for an ISO standard, in particular the ISO 14001 for Environment Management or the latest ISO 50001 for Energy Management. Go for gold on the Global Reporting Initiative, the UN Compact or the DJSI.
4. Engage an energy auditor—Call on one of the 17 Energy Services Companies accredited by the National Environment Agency (NEA).
5. Become energy efficient—Look into all the ways you could become more energy efficient as an organisation. Look at your utility bills and install effective meters to measure your energy. Look to introduce enterprise sustainability platform into your business.
6. Find the bottom line benefits—It won't take long to discover that becoming sustainable can save and make money for the business. You can get really sophisticated and explore the marginal abatement cost curve developed by McKinsey.
7. Commit to water and waste management—There's money to be made by saving water, reducing waste and recycling too. The Public Utilities Board and the NEA can help you.
8. Set high ethical standards—Be transparent, practise good corporate governance, and be ethical in all your business dealings whether at home or abroad. Take all these areas into account for ethical behaviour: Cultural, personal, professional, political, religious, racial, trade, business, legal, financial, environmental and social.
9. Corporate Social Responsibility—Also called Corporate Sustainability & Responsibility by Dr Wayne Visser, CSR helps an organisation bring together all the necessary and good business practices.
10. Embark on sustainability reporting—Guidelines have been produced by the Singapore Stock Exchange to help listed companies produce reports on sustainability in the same way they would financial reporting.
11. Communicate effectively with all stakeholders—It is essential to communicate within and outside the organisation to demonstrate that you mean business and to showcase your goals and achievements.
12. Commit to environment and community projects—Becoming a good corporate citizen is part and parcel of your sustainability journey.



### Being Clear about Sustainability

Launched in 1999, the Dow Jones Sustainability Index<sup>14</sup> (DJSI) tracks the financial performance of the leading sustainability-driven companies worldwide. Top of the list in different sectors are Adidas, BMW, Coca Cola, Intel, Philips, Samsung (Technology), Siemens, Swiss Re and Westpac, while Singaporean businesses mentioned include City Developments Limited and Keppel Land.

The Dow Jones Sustainability Index defines sustainability as “a business approach that creates long-term shareholder value by embracing opportunities and managing risks deriving from economic, environmental and social developments.” The definition is observed by many of the companies listed in the index.

According to the DJSI, corporate sustainability leaders achieve long-term shareholder value by gearing their strategies and management towards harnessing the market’s potential for sustainably produced products and services, while at the same time successfully reducing and avoiding sustainability costs and risks.

It makes perfectly good commercial sense too. Sense and sustainability go together. Of course, there will be plenty who will scoff and suggest that sustainability is just another

costly exercise dreamt up by “greenies” masquerading as management consultants. But being responsible goes beyond being green. Ethical and environmental, as well as economic factors and energy also figure in the equation.

If companies are smart about the way they produce and distribute their products, they can actually save money—as well as energy, water, waste and other resources—and make more money for themselves and society. A great example of this, WalMart’s supply chain management, is now being taken notice of by many other businesses, including its competitors.<sup>17</sup>

Walmart states quite clearly what it stands for: “To be supplied 100 percent by renewable energy; to create zero waste; to sell products that sustain people and the environment.” Not content to do all it can for itself, it also leads the business world by getting its supply chain on board the sustainability process.

That’s real sustainability in action.

Corporates can well undertake the sustainability journey sensibly by following 12 simple steps (see box on previous page).

Along with sense and sustainability should be success and sustainability. It can work and it does work. We just have to wake up to the issues as well as the opportunities presented by climate change.



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- <sup>1</sup> Svante Arrhenius and the greenhouse effect is reported in my book *The ABC of Carbon* (2009) chapter A, and in many other places. The Nobel Prize winner's biography can be found here, [www.nobelprize.org/nobel\\_prizes/chemistry/laureates/1903/arrhenius-bio.html](http://www.nobelprize.org/nobel_prizes/chemistry/laureates/1903/arrhenius-bio.html).
  - <sup>2</sup> For explanations and definitions of sustainability, [www.sustainablemeasures.com/node/35](http://www.sustainablemeasures.com/node/35).
  - <sup>3</sup> The authors argued that this trend is comparable to mass production, manufacturing quality movement, IT revolution and globalisation. David Lubin & Daniel Esty, "The Sustainability Imperative," *Harvard Business Review*, May 2010.
  - <sup>4</sup> Bill Ford was quoted here, <http://social.ford.com/our-articles/technologies/green/documentary-series-aims-to-help-customers-make-a-greener-shift/>.
  - <sup>5</sup> A summary of the 2011 Gibbs & Soell Study, [www.gibbs-soell.com/wp-content/uploads/2011/04/2011-Gibbs-Soell-Sense-Sustainability-Study\\_40511F.pdf](http://www.gibbs-soell.com/wp-content/uploads/2011/04/2011-Gibbs-Soell-Sense-Sustainability-Study_40511F.pdf).
  - <sup>6</sup> The essentials from the 1987 Brundtland Report, [www.un.org/documents/ga/res/42/ares42-187.htm](http://www.un.org/documents/ga/res/42/ares42-187.htm).
  - <sup>7</sup> "A New Era of Sustainability," UN Global Compact-Accenture CEO Study 2010, [www.accenture.com/SiteCollectionDocuments/PDF/Accenture\\_A\\_New\\_Era\\_of\\_Sustainability\\_CE](http://www.accenture.com/SiteCollectionDocuments/PDF/Accenture_A_New_Era_of_Sustainability_CE).
  - <sup>8</sup> John Elkington's "triple bottom line" first appeared in his book *Cannibals with Forks: The triple bottomline of 21st century business* (New Society Publishers, 1997). For more on him and his work go to, [www.johnelkington.com/activities/books\\_archive.asp](http://www.johnelkington.com/activities/books_archive.asp).
  - <sup>9</sup> An update on Google's work by the Breakthrough Institute, [http://thebreakthrough.org/blog/2011/06/google\\_energy\\_innovation\\_can\\_h.shtml#moreO\\_Study.pdf](http://thebreakthrough.org/blog/2011/06/google_energy_innovation_can_h.shtml#moreO_Study.pdf).
  - <sup>10</sup> GE is investing heavily through its Ecomagination project, [www.ecomagination.com/](http://www.ecomagination.com/).
  - <sup>11</sup> "Putting Nature in the Nexus," International Union for Conservation of Nature report 2011 Bonn Conference, [http://cmsdata.iucn.org/downloads/nexus\\_report.pdf](http://cmsdata.iucn.org/downloads/nexus_report.pdf).
  - <sup>12</sup> The Interface sustainability progress report, [www.interfaceglobal.com/Sustainability/Our-Progress.aspx](http://www.interfaceglobal.com/Sustainability/Our-Progress.aspx).
  - <sup>13</sup> This started at the top—by founder Ray Anderson—who set the highest possible standards for life-cycle analysis, for supply chain management, as well as production and distribution. Sadly, Anderson died last year, acclaimed as a global leader in sustainable business practices.
  - <sup>14</sup> The Dow Jones Sustainability Index, [www.sustainabilityindex.com/07\\_html/indexes/djsiworld\\_keyfacts.html](http://www.sustainabilityindex.com/07_html/indexes/djsiworld_keyfacts.html).
  - <sup>15</sup> In an article on ethics, "Ethical Issues in Practising Public Relations in Asia," *Journal of Communication Management*, Volume 8, Issue 4 (2004), [www.emeraldinsight.com/journals.htm?issn=1363-254X](http://www.emeraldinsight.com/journals.htm?issn=1363-254X), I pointed out areas of importance for professionals and business people operating in different countries. These included cultural practices, personal, professional, political, religious, racial, trade, business, legal, financial, environmental, and social.
  - <sup>16</sup> An update on the Nike case study, <http://business-ethics.com/2010/01/24/2154-nike-corporate-responsibility-at-a-tipping-point/>.
  - <sup>17</sup> According to Walmart's corporate data, "We provided our more than 100,000 global suppliers with a brief survey to evaluate their own sustainability. The survey, taken by our top-tier suppliers by October 1, 2009, represents a key step toward enhancing transparency in our supply chain. We are continuing to roll out this assessment in our international markets," [http://walmartstores.com/pressroom/news/9706.aspx?rss=All\\_Press\\_Releases](http://walmartstores.com/pressroom/news/9706.aspx?rss=All_Press_Releases).