

## Why is the move to sustainability so slow? Exploring the relationship between government, business, the public and its impact.

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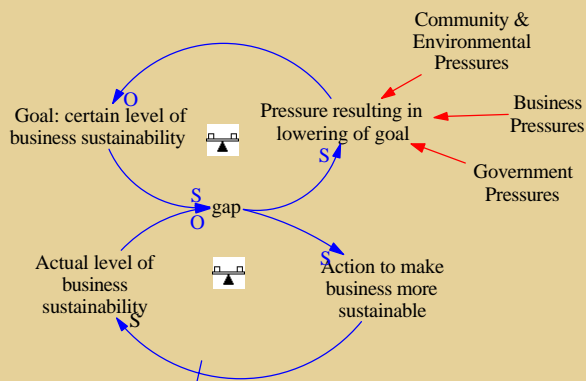
### Summary:

There is a complex relationship between government, business and the public that results in a drifting goals archetype and little progress towards sustainability. This presentation explores the relationships involved and how systems approaches may assist in increasing the speed at which we achieve sustainability.

### Contents:

- Drifting Goals Archetype
- Factors affecting the move to sustainability
  - business
  - political / government
  - community
- How systems tools can help us
  - Rich Pictures and loops
  - Models and Les
- Possible moves forward on sustainability

### Drifting Goals Archetype:

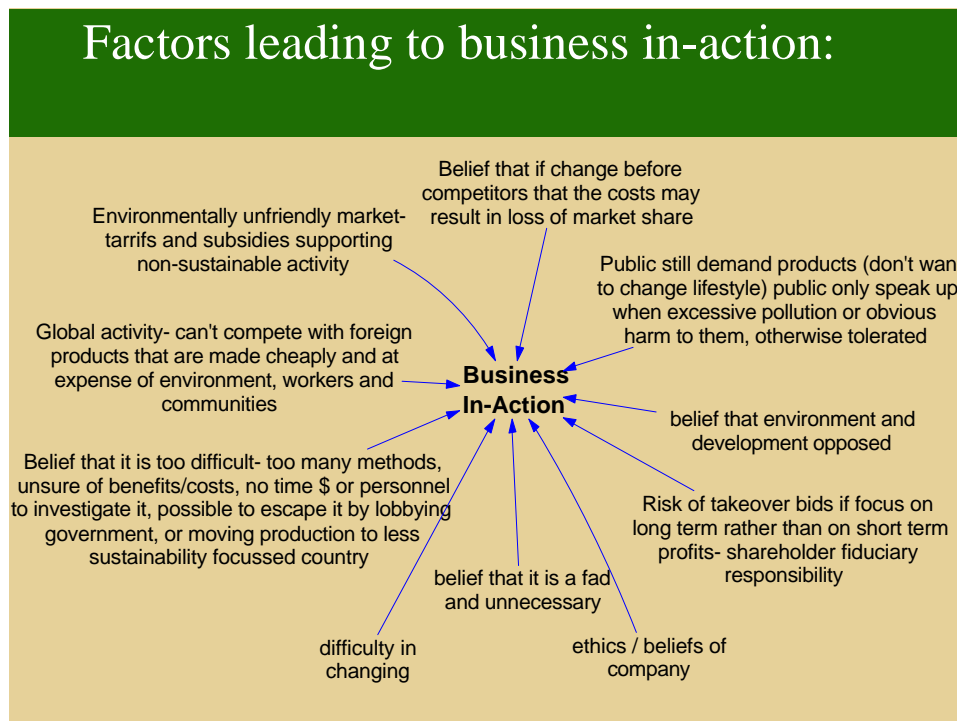


The drifting goals archetype occurs when there is a gap between desired performance, the goal, and current reality. It can be resolved by either taking corrective action or by lowering the goal. It can result in a continual lowering of the goal often without those involved even being aware that it is occurring.

In the case of sustainability there are a number of pressures impacting on the goal, that is on the level of sustainability we are trying to reach. Ideally we should be aiming to be as sustainable as possible but the pressures within the system slow our progress down and make a lowered goal more likely to occur.

I managed an education project that worked with 2000 businesses and 56000 residents as well as local government, state government and non-government organisation representatives. I was amazed to find that none of them understood each others needs or the pressures involved. They each blamed the other for the lack of progress. Even those companies that wanted to change found it extremely difficult. In wanting to understand what was occurring and work out how to improve the process I discovered systems thinking and system dynamics.

The below are some of the factors identified during the project that affect our move to sustainability.



## Unfriendly market/laws:

- **Regulatory System: fragmented, complex, non-uniform, inconsistent enforcement**
- **Conditions preventing sustainability:**
  - taxes on recycled products eg: oil
  - liability of waste exchange
  - subsidies on virgin resources
  - under utilising resources eg: stormwater / greywater
  - externalising costs



### **Regulatory System**

There are currently different rules for business in the different countries around the world. There is also differences within countries, in Australia each state has different laws and their own Environment Protection Authority. Within each state there are also many different pieces of legislation that affect sustainability and different organisations that enforce them. There are also different rules depending on the size of the business- in some cases small business can do things that large business can't. All of this makes it difficult for business to understand what is expected of them and to keep up to date.

There are many other factors affecting the actions that business take towards sustainability including:

### **Taxes on recycled products**

Currently products made from recycled products incur taxes, despite the fact that they were taxed in their original use. This makes it very difficult for a viable reuse and recycling industry to exist. An example of this is the situation faced by Melbourne based Environmental Oil Ltd. If they simply picked up used oil, filtered it, sent the contaminants to landfill and re-sold the filtered product, it would pay no excise. But the goods it produces from used oil incur an excise of 27c a litre, because the oil is converted to automotive diesel(Environmental Manager1997a). This makes their product less viable.

### **Liability from exchanging waste**

In the United States a company might make a good-faith effort to exchange a hazardous material with another company but will continue to be held financially responsible for any future mishandling of that material by the receiving company or any other company.

The effect of this high-risk scenario is that companies are forced to forgo the potential savings from avoided disposal that an exchange could provide, in order to protect against potential future liability(Alaskan Department of Environment Conservation 1995). This issue will clearly need to be addressed if we want to encourage business to exchange wastes.

### **Subsidies on virgin resources**

Dr John Cole, CEO of EMIAA said ‘we are looking closely at the implications of national policy with respect to subsidies for the virgin resource sectors’ he says. The National Economic and Industries Research Institute identified subsidies in one economic form or another amounting to \$13.7 billion a year for natural resource utilisation. “These subsidies encourage a throw away mentality from industry, because it is cheaper to use virgin materials than it is to reincorporate reprocessed materials into the production cycle.”Dr Cole says(Metcalf 1997).

### **Under utilising resources**

Often the impetus to use resources effectively is not pushed by the Government. Items such as use of stormwater, reuse of treated sewage and grey water are either illegal under current legislation, under-funded or not promoted as other sources of water are seen as easier to use. The average volume of stormwater runoff from urban areas is estimated to be in the order of 3 million ML/year, about equal to the amount of water supplied for urban and industrial use(Environmental Manager 1997b).

## The destructive power of business:

**Business, have significant power over politicians and communities through the ability to move their businesses to different locations. They can use this to avoid taking action on sustainability.**

Examples of business power:

South Carolina experience  
with Proctor Silex and BMW



The threat of moving production overseas is very powerful in stopping the move to sustainability. Examples of two companies who have used such power is Proctor Silex and BMW. Proctor Silex established its premises in Moore County, South Carolina after being offered tax breaks, lax environmental regulations and compliant labour. When they wanted to expand their plant, Moore County floated a \$5.5 million municipal bond to finance the necessary sewer and water hookups- even though nearby residents were living without running water and other basic public services. Then in 1990, the company decided that Mexico offered more competitive terms and moved again. It left behind 800 unemployed Moore County workers, drums of buried toxic waste, and the public debts the County had incurred to finance public facilities in the company's behalf.

BMW spent three years assessing offers from 250 localities in ten countries before deciding to place its \$400 million facility in South Carolina. According to Business Week, company officials were attracted by the temperate climate, year round golf, and the availability of a number of mansions at affordable prices. They also liked the region's cheap labour, low taxes, and limited union activity. When BMW indicated that it favored a 1000 acre tract on which a large number of middle class homes were already located, the state spent \$36.6 million to buy the 140 properties and leased the site back to the company at \$1 a year. The state also picked up the costs of recruiting, screening and training workers for the new plant and raised an additional \$2.8 million from private sources to send newly hired engineers for training in Germany. The total cost to the South Carolina taxpayers for these and other subsidies to attract BMW will be \$130 million over thirty years. The trend is clear. The largest corporations are paying less taxes and receiving more subsidies. (From: David Korten "When corporations rule the world" 1995, Kumarian Press and Berrett-Koehler Publishers, USA.)

## The difficulty of the market:

**If companies are not producing returns that the market expects they risk hostile takeover. This makes a long term sustainability focus difficult.**

**Managers wanting to do the right thing face losing their jobs if their companies care more about \$. This forces them to compromise their visions or leave.**

Examples of companies trying hard:

- Stride Rite Corporation
- Levi Strauss

This is a very scary situation described by David Korten. He says that there are many socially conscious managers in existence but the system forces them to compromise their visions or to risk being expelled. He provides several examples of companies that wanted to do the right thing but eventually had to compromise their visions. I will mention two:

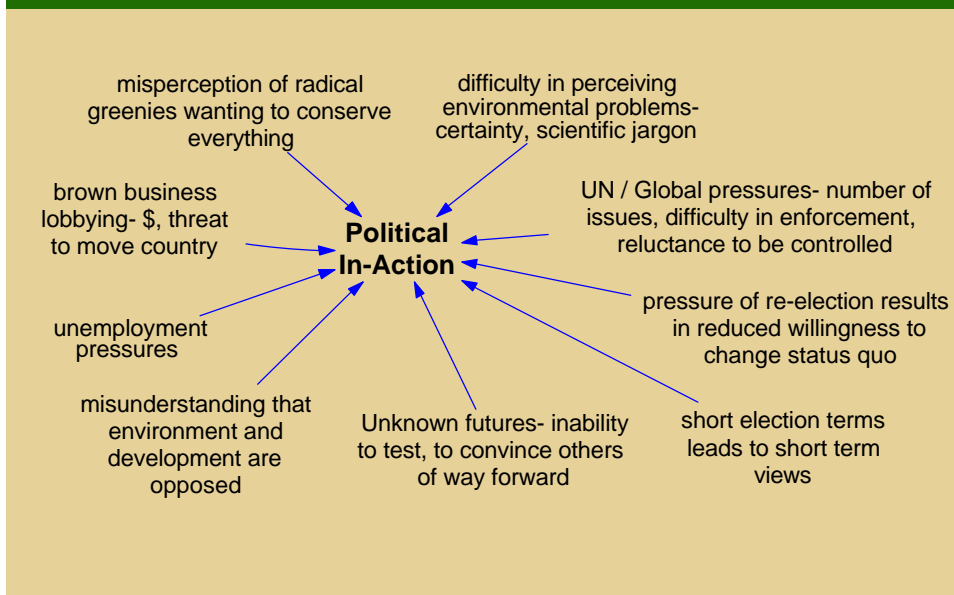
The first is the StrideRite Corporation, a shoe company that makes generous contributions to charitable causes, and had a policy of locating its plants and distribution facilities in some of America's most depressed inner cities and rural communities to revitalise them and provide secure, well paying jobs for minorities. The policy was a strong personal commitment of the CEO. In 1984 a drop in income led the Board of Directors to believe that the survival of the company depended on moving production abroad. The CEO fought them but eventually resigned.

The systemic forces bearing on Stride Rite were enormous. Its US workers averaged \$1200 to \$1400 a month for wages alone, plus fringe benefits. The skilled workers in China who are hired by contractors to produce Stride Rite's shoes earn \$100 to 150 a month, working 50 to 60 hours a week. In addition to moving its plants abroad, Stride Rite moved its national distribution centre for the US from Massachusetts to Louisville, Kentucky to take advantage of lower cost US labor there and an offer of tax abatements from the state valued at \$24 million over 10 years. Stride Rite sales have doubled since 1986, and the price of its stock has increased six fold, making it a favourite on the New York Stock Exchange. If it hadn't made the changes it did, Korten states it is almost certain that it would have been target of a hostile takeover and more severe changes would have been made.

The second company is Levi Strauss, a company widely acclaimed as a leader in the realm of corporate responsibility. They've won awards for unprecedented commitment to non-exploitative work practices in developing countries, they've turned down million dollar contracts in protest of human rights violations and set strict standards for their suppliers. CEO, Bob Haas states that he has made every effort to keep as many of its production jobs in the US as possible, however during the 1980's it closed 58 US plants and laid off 10 400 workers. According to Haas, if the company made its decisions purely on economic grounds, its remaining 34 production and finishing plants would all have been closed in favour of overseas production.

The above two examples show the difficulty companies face in trying to do the right thing socially, environmentally and financially. Even when they want to it is very hard. For this reason Korten also points out that raising awareness of managers is not the answer. Yet this is where we focus most of our attention. This must be very frustrating for managers who feel helpless to make changes. (From: David Korten 1995 "When corporations rule the world" Kumarian Press and Berrett-Koehler Publishers, USA).

## Factors leading to Political in-action:



## Factors leading to community in-action:



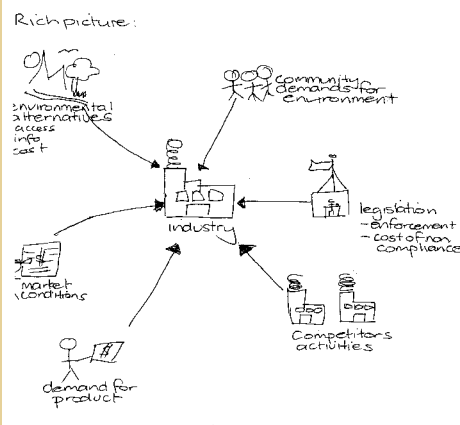
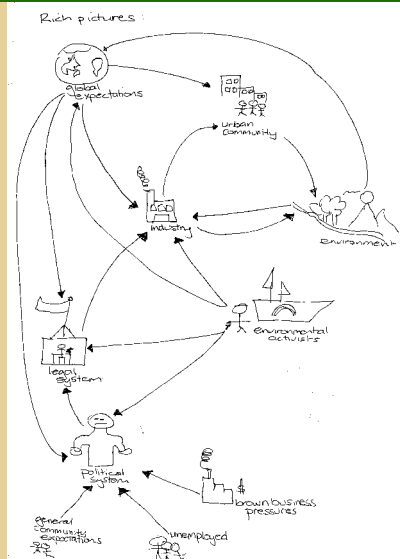
All of the above factors form a complex system surrounding societies move to sustainability. Systems tools can help us in many ways to understand the system and to design more effective education programs and ways forward.

## How systems tools can help us:

- Gaining understanding of factors involved
- Identifying needs and issues of all stakeholders and how these interrelate
- Exploring and changing mental models
- Exploring solution options and their consequences
- Providing tools to enable people to explore in their own time- LEs
- Providing customised tools for different needs
- Providing 'meat' to the argument- data to assist government in policy making and planning

A couple of examples using systems tools are shown below.

### Rich Pictures: a picture tells a 1000 stories

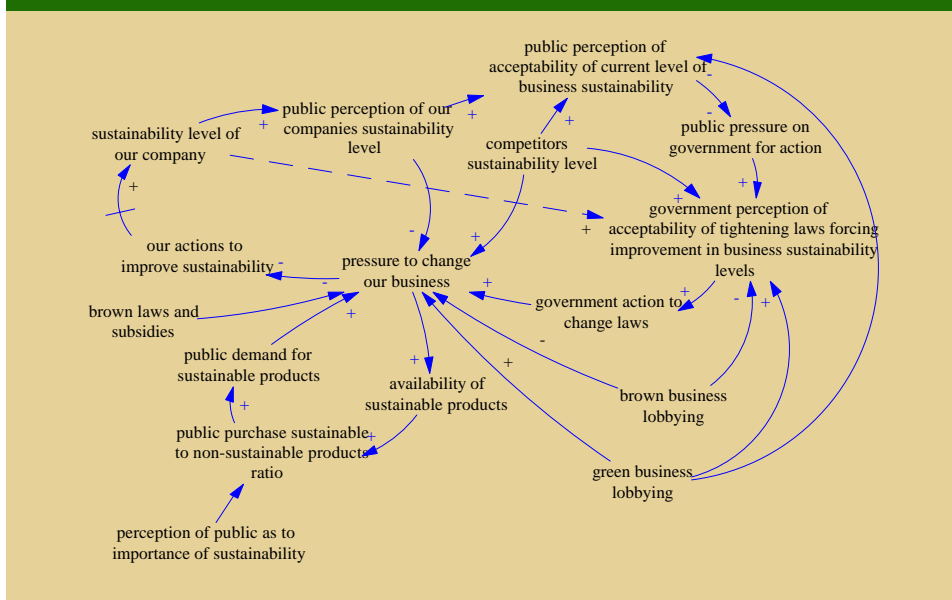


Simple, shows issues

I have found rich pictures a really useful tool to help stakeholders understand the pressures that they all face within the system. They are simple, relatively easy to understand and informal.



## Some example loops:



This set of loops shows part of the complex relationship between community, government and business and its impact on actions towards sustainability. In essence the business moves to become more sustainable when it is pressured to do so either by the community reducing the demand for their products, their competitors taking action, the government tightening the laws or green business lobbying / pressuring them enough. They don't do it before hand for many of the reasons that were discussed earlier.

The Government doesn't want to change the status quo for fear of losing votes or driving business offshore, so they only change the laws when the community pressure them to do so or business itself is demanding it.

The Community wanting to maintain their lifestyles continue to buy the unsustainable business products which reduces the incentive for business to change. In general they trust the Government is doing the right thing and are confused about what sustainability is and isn't or how to tell which company is more sustainable than the other. Only once they decide that sustainability is important and that business and government are not doing enough, will they start pressuring them.

The issue of green business lobbying is very powerful. This is the opposite to the destructive power of big business and is these same companies using their size to demand that their suppliers and contractors meet certain sustainability levels. These businesses can change more easily than Government or the UN who has to depend on the lowest common denominator. They therefore have the potential to really speed up the move to sustainability (Ellyard 1998 and Dunphy & Griffiths 1998). The below are some other possibilities.

## Possible moves forward on sustainability:

- raising awareness of business managers
- help Governments understand the system and to explore the likely outcomes of changes they may make
- convincing global multinationals to go green
- helping business with change management
- designing green products- making it irresistible
- greening the market place

The issue of raising awareness of business managers is where most Government programs focus. Yet as shown today this is a low leverage area as there are many other factors limiting business ability to take action. Simply continuing to tell them that they should will lead to increased frustration for Managers and the belief that Government and environmentalists don't understand their needs.

ST and SD could be used to help Governments understand the system and to explore the likely outcomes of changes they may make. They can use this to convince others of the steps to be taken and minimise risk of losing votes, fear of change / outcomes. We need to help them design laws that support sustainability, to focus on the opportunities it presents and to get consistent laws across the globe.

Convincing global multinationals to go green- turning the power of big business to a positive. As mentioned above they can change more readily than Governments can, they can require their suppliers to be green, they can affect many countries- NGO's / Trade Unions are now working with Green Business to push sustainability and overcome the ability of companies to set up in countries with lower standards. This is very promising.

Design of more effective, cheaper sustainable products to replace existing practices- making it irresistible for business to change- helping them deal with the difficulty of change.

Greening the market place- supporting green investment societies and banks, providing information to the public on how to choose green companies to invest in and green products to buy. These are all areas of focus to increase the speed at which society becomes sustainable.

## Conclusion

- The relationship between government, community and business is very complex
- It sets up a drifting goals situation and limits progress towards sustainability
- Most people do not understand the interaction and blame the other parties
- The structure of the system needs to be changed allowing progress
- Moves towards sustainability are occurring- helping people understand the issues is a first step. Systems tools can help with this.

## For more information :

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