

What's good for the goose... Implications of sustainable development for non-profit management

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List of abbreviations

GDP	gross domestic product
HREOC.....	(Australia's) Human Rights Commission
IT	information technology
MMSD	Mining, Minerals and Sustainable Development project
NPO.....	non profit organisation
SD.....	sustainable development
SDI.....	sustainable development indicators
SOTA	sustainability opportunity and threat analysis

Abstract

The management of many firms has changed in response to sustainable development's integration of social, economic and environmental perspectives, putting increased emphasis on the 'triple bottom line'. These changes are advocated by academic writers, government initiatives and non-profit organisations. Governments also have modified their policies and programs in response to sustainable development. But there is considerably less attention to what sustainable development means for the operation of non-profit organisations. This thesis studies what implications sustainable development has for the management of non-profit organisations. The dearth of material directly examining this issue is addressed by considering what can be learnt from firms' responses to sustainable development, analysing the similarities and differences between management of firms and non-profits, and then identifying various management tools to assist non-profit management wanting to engage with sustainable development. Significant among these tools are the balanced scorecard, attention to supply chains, and the use of frameworks derived from risk management and project evaluation.

1 INTRODUCTION

Sustainable development (**SD**), or meeting today's needs without compromising the future, has gained significant status over the last two decades. Business and government have modified their approaches and priorities to give greater attention to SD. In particular, earlier approaches that failed to consider social and environmental *in addition to* economic perspectives have been discarded for broader, integrated management approaches. Does SD also have implications for attention to operations of non-profit organisations (**NPOs**)? Just as business needs to address its social and environmental impacts, is there also a need for NPOs to address their economic and environmental impacts?¹

Most analysis of SD and organisations has been in relation to firms or government,² and the international consensus on SD is directed primarily at governments. From all this material, is any of it applicable to NPOs? The question merits attention for two reasons. First, NPOs are a significant and growing economic force in many countries,³ and activities of this magnitude should be examined to determine their consistency or otherwise with SD. Second, NPOs have significantly different characteristics to government and firms⁴ meaning that SD responses of government and business may have only limited use for NPOs wanting to better address SD issues in their operations.

SD, management, and NPOs are three concepts with broad and contested content.⁵ A more traditional academic engagement with the area would be to focus on specific content within each, eg. to study environmental impacts in supply chain management for a mineral industry association. Such an approach would enable more detailed analysis and result in more directed conclusions. However it would also avoid the broader issue which is the question of this thesis: does SD have fundamental implications for all NPO management? By examining and summarising the main ideas/concepts *within* each of SD, management and NPOs, this thesis aims to identify some frameworks and approaches relevant to most NPOs. The thesis pulls together diverse areas of study to consider SD in NPO management, on which there is a dearth of attention. This exercise is undertaken always keeping in mind the diversity of these concepts and that management does not deal in scientific 'truths' of 'if you do X then Y will always result'.⁶ So the resultant conclusions are more guidance (for further research) and priorities (for current management) rather than proposing a list of commandments.

1.1 Methodology

The research for this thesis ranged widely across various disciplines (management, law, economics, public policy, ecology, accounting, auditing) and sources (academic writing, government & parliamentary reports, laws and court decisions, NPO materials, company reports, conference papers). It was also informed by the author's experiences with NPOs (in Australia, Thailand, United Kingdom, Switzerland and Spain) but, understandably, these personal experiences cannot base a Masters' dissertation and so are not reference

A literature review showed that NPOs, just like firms and government, often refer to SD in their output. There is copious material on how firms/governments should address SD, and analysis of their efforts in doing so. But this is largely absent in relation to NPOs and SD. The various materials are examined

1 and also the social impacts of what the NPO is advocating, on populations *other than the NPO's target group*, including future populations.

2 See 5.1 *Overview*.

3 '[NPOs] account for 8 to 12 per cent of non-agricultural employment in many developed countries and even larger shares of formal employment in many developing regions': UN 2003, 3; see more generally in 4.1 *Overview of NPOs*.

4 Significant differences are NPOs '(i) **Not-for-profit character**....Non-profit entrepreneurs are often driven by social or ideological impulses, not primarily pecuniary ones; ... (iii) **Governance structures**. ...Non-profit boards are not publicly elected and are rarely paid. ...[and] are therefore different types of units to manage; (iv) **Revenue structure**. ...requires different revenue-raising strategies and different orientations to the market...[and]; (v) **Staffing**. The staffing of non-profit organizations is also different, often including substantial numbers of volunteers': UN 2003, 4. See more generally in 4 *MANAGEMENT DIFFERENCES: PROFIT -v- NON-PROFIT ORGANISATIONS*.

5 On the differing understandings of SD, see 2.1 *Basic definitions and content*; and for NPO variabilities, see 4.1 *Overview of NPOs*; as for management - 'Managerial activities or interpretations of basic functions may differ from culture to culture': Katsioloudes 2006, 5.

6 see, eg. Dobson 1999, 4-5; and on the vagaries of social science more generally: Moses & Knutsen 2007, 3.

throughout this thesis, but from a methodological viewpoint, the lack of analysis of SD implementation by NPOs presented a problem. This prevented many usual methods of thesis research (eg. case study, surveys, comparative studies). Also, given the broad and contested content of the topics of study, a more constructivist approach was taken, accepting that there will be differing perceptions and interpretations of events and concepts.⁷

Preliminary reading, particularly of management and public policy literature, revealed the prevalence of material on SD implementation by firms, and so this thesis took the following course.

- (a) **Understand SD's basic concepts** (chapter 2). This draws from the international agreements of the last 20 years which present the basic concept of SD. Despite (ongoing) protest about SD's ambiguity, there is consensus over sufficient points to provide clear direction. The chapter concludes noting SD's confronting implications for society and also academic analysis.
- (b) **Study SD's implications for firms** (chapter 3). The copious (academic and industry) writing on firms' management responses to SD are examined in detail. This chapter looks both at broader (industry or market-wide) forces as well as the situation within any firm. A range of management tools which have been used to respond to SD are examined, from internal management (eg. value chain) through to external (eg. supply chains) and also frameworks which endeavour to capture both (eg. balanced scorecard). The chapter concludes by examining corporate strategy and its role in how a firm can address SD in its decision-making.
- (c) **Outline key management differences between NPOs and firms** (chapter 4). The management and policy literature shows broad agreement that firms and NPOs share many management dynamics. However there are some key differences, or NPO fundamentals, which are studied and outlined in this chapter. The perennial difficulty of 'measuring' an NPO's performance is examined with the help of the logframe approach.
- (d) **Identify SD tools that can be used by NPO management** (chapter 5). This chapter notes the dearth of writing or guidance on how NPO management might engage with SD, and then draws together what can be learnt from the previous three chapters: what SD involves, how have firms engaged with this, and what similarities/differences must be accommodated in comparing NPOs and firms. This informs the identification of how an NPO's management might begin to address SD in its strategy, daily management, and supply chains.

As will be apparent from the above, this thesis engages with both positivist questions ('what currently exists') and normative questions ('what should occur'). The author has meticulously sought to separate these questions throughout this thesis, and ensure the reader is never confused as to which types of questions are being addressed. It would have been easier to remain largely or wholly within just one framework (positivist or normative) but that would have little practical value in understanding SD's interaction with NPO management.

An empirical study was not undertaken for two significant reasons. Firstly, the dearth of basic frameworks and understandings of SD's implications for NPO management presents a significant difficulty for empirical research at this time. Anyone wanting to examine actual NPOs' management and operations with respect to SD would have little guidance as to what they should look for/ask about. As the area gains more attention, empirical research will become easier and more important. The second reason for avoiding empirical research for this thesis is that, even were there suitable frameworks to enable that, the author's resources and timeframe prevented a sufficiently rigorous study being undertaken. The field of SD and corporate social responsibility/reporting already suffers from over-emphasis on superficial studies which assume that examining an organisation's reports and website enables conclusions to be drawn on the organisation's actual conduct and operations.⁸ This thesis makes no pretensions to offer a thorough empirical account of what NPOs do, but rather to determine what NPOs *could* do to better address issues of SD in their management and operations.

⁷ Moses & Knutsen 2007, 10-11 & 195-196.

⁸ Southalan 2008, 11.

2 SUSTAINABLE DEVELOPMENT OVERVIEW

2.1 Basic definitions and content

To analyse the implications of SD for management, we must firstly clarify what SD involves. The common understanding of SD is '*meeting the needs of the present without compromising the ability of future generations to meet their own needs, [which] should become a central guiding principle of...Governments and private institutions, organizations and enterprises*';⁹ as outlined in international agreements negotiated through the United Nations in 1987¹⁰ and 1992 (Rio Declaration¹¹ and Agenda 21¹²). Since then, SD has become a significant influence and guide on how governments and other parties plan and conduct their activities. There is no universal consensus on exactly how SD is to be achieved - the international texts provide broad principles and leave the details and commitments for later definition¹³ - and its implementation varies in different countries.¹⁴ However the intergovernmental agreements identify aspirations and policies which have direct relevance to non-governmental parties like business and NPOs. This is reinforced by the burgeoning academic writing of the last two decades which has largely reflected the developments at the intergovernmental level¹⁵ and emphasises the need for all parties to address SD.

Sustainable development was not 'discovered' only two decades ago. The problem of balancing humans' use and conservation of resources has been pondered for thousands of years.¹⁶ Over half a century before the Rio Declaration, Keynes observed: 'The political problem of mankind is to combine three things: Economic Efficiency, Social Justice, and Individual Liberty'.¹⁷ There exist various, conflicting, approaches on how this problem can be 'solved', with commentators preferring moral, environmental, or economic priorities in pronouncing how SD *must* operate.¹⁸ This thesis, however, leaves those debates for others and uses only what can be drawn from the current international consensus¹⁹ in the agreements explained above.²⁰

Even limiting an understanding of SD to what the international agreements say, the concept(s) therein described attract(s) much criticism, with many commentators expressing surprise or indignation when their analysis suggests that SD will not provide the best outcome for the environment,²¹ or most efficient intergovernmental relations,²² or whatever interest their commentary seeks to advance. These criticisms ignore the essence of sustainable development: it is not promising the best outcome for any particular interest - rather sustainable development requires a *balance* of economic, social and environment aspects to meet the needs of today and the future. Sustainable development emphasises the importance of an integrated approach: any proposals by government, business or NPOs, and any responses to these, should address economic performance, social equity, **and** environmental impact.²³

9 UNGA 1987, preambular para [2].

10 WCED 1987, ch 2, [1].

11 *Rio Dec* (1992), [3].

12 *Agenda 21* (1992), ch 1, [1].

13 eg. Bosselmann 2008, 35-36; Miller & Twining-Ward 2005, 6-7.

14 Some matters will be irrelevant in some areas (eg. marine issues to land-locked states), and some matters will have critical importance (eg. AIDS infection and responses in some African countries - in most OECD countries, AIDS infection and responses is a relatively insignificant issue at a national level): see Pintér & o'rs 2005, 14.

15 Lafferty & Meadowcroft 2000, 14.

16 eg. Ideas of sustainability in various societal practices and approaches can be traced back thousands of years: Bosselmann 2008, 11-16. Almost since earliest writings of many, people have been considering how to balance conservation and resource usage: Miller 2005, 4.

17 Keynes 1931, 344.

18 Miller & Twining-Ward 2005, 8. For examples, see Bosselmann 2008, (preferring an environmental or ecological understanding, eg. 'For developed states there is no free choice between three equally relevant political objectives, but only one political goal: any use of natural resources has to be sustainable. Other goals like economic prosperity and social justice are secondary in a sense that they can only be pursued without threatening the Earth's ecological systems': Bosselmann 2008, 41); Crowson 2002 (advocating a financial/economic basis).

19 see Connor & Dovers 2002, 29.

20 A similar approach is taken by Lafferty & Meadowcroft 2000, 17. Future emphasis may change (Connor & Dovers 2002, 34), but it seems more sensible to operate on the basis of the current consensus.

21 eg. Bührs 2007, 2; Mackey 2009, ; Bosselmann 2008, 34.

22 eg. Magsig 2008, 42; Stone 2004, 300-301.

23 eg. Harris 2005, 43; MA 2003, 2; French 2001, 397; Cordes 2000, 1-48; Esty 2001, 74. Some commentary also adds a fourth dimension of 'institutional capacity', eg: ELC 2008.

Certainly SD is difficult to define²⁴ and different interpretations of SD are slowing its progress.²⁵ But this should not lead to despair and abandonment of SD - that would simply leave larger problems for others²⁶ - but to find ways to apply what can be applied from the current consensus and to identify those aspects still too ambiguous which need greater elaboration. The main principles arising from the international consensus on SD have been summarised as follows:²⁷

- **Conservation of biodiversity and ecological integrity** – recognition that the “carrying capacity” of natural systems should not be damaged or exceeded, and that human and environmental systems are inextricably linked together.
- **Inter-generational equity** – ensuring the prosperity of future generations by leaving a healthy environment and stock of resources.
- **Intra-generational equity** – ensuring that current resources are shared fairly, human rights respected, and the pressing issues of world poverty are addressed. This requires citizens' awareness and participation about environmental decision-making,²⁸ therefore encourages measures promoting transparency and broad public participation.²⁹
- **Internalisation of environmental values and natural resources** – the “polluter pays” principle, whereby the full social and environmental costs of activities should be identified and allocated to those responsible in order to prevent wasteful use of natural resources.
- **Precautionary principle** – not using scientific uncertainty to justify avoiding action where significant environmental damage might result.
- **Global perspective** – recognition that the world is a large system, and that problems should not be shifted from one location to another.

These points may seem somewhat amorphous but they do provide clear guidance on many things. Uncertainties about SD's exact boundaries and obligations do not prevent the easy identification of various activities which are clearly inconsistent with SD.³⁰

A final point on terminology. Frequently 'sustainable' is used in a way that conflates *perpetual* with *sustainable development*, eg. "If we keep production costs low, our business will be sustainable". One of the criticisms of SD is that this confusion (deliberate or accidental) leads to the concept being used to support varied (and sometimes inconsistent) objectives.³¹ The response to that, however, should not be to discard SD but to encourage more care with terminology and question others where they appear to be conflating different concepts.³² In this thesis, the words *sustainable* and *sustainability* will be used

24 'Defining SD in general...continues to be challenging at least for the following reasons: [1] absence of general scientific consensus on many of its specific components and the required quantities and qualities of these components; [2] dependence on often context-specific conditions; and [3] dependence on what is being valued, and to what extent, by human society today and human societies in the future.': Pintér & o'rs 2005, 16.

25 '[T]he gulf between developers, economists, politicians and environmentalists in their differing interpretations of the concept of sustainable development creates an unfortunate barrier to its effective implementation': Miller & Twining-Ward 2005, 8.

26 See discussion in 2.2 *Responses & implications*.

27 Unless otherwise noted, the following list is from CSR 2003, 3.

28 *Rio Dec* (1992), [10].

29 *JPI* (2002), [128] & [139].

30 Edwards 2009, 5-6. So this means 'an interdependent concern with: promoting human welfare, satisfying basic needs; protecting the environment; considering the fate of future generations; achieving equity between rich and poor; and participatory on a broad basis in development decision making. While these points may appear vague, they are not without content: indeed, they are sufficient to make out ...[ideas and activities] which do not correspond to the Brundtland-UNCED usage [of sustainable development]': Lafferty & Meadowcroft 2000, 19.

31 Sustainable development has been used to bolster support for inconsistent positions, and means different (and inconsistent) things to different sides: Kellow 2007, 113; 'The concept of SD is probably suffering from its success as a buzzword. So frequently adopted by so many groups with wildly varying agendas - from [environmental groups] to the coal industry - the term might seem to be well on its way to becoming meaningless': Nelson 2004, 215; The vagueness of SD in Rio and since has been used to promote all sorts of objectives purported to be desirable eg. sustainable economy, sustainable growth; but these often don't have any bearing to the original meaning of sustainability: Bosselmann 2008, 40.

32 There are laws/guidelines which prohibit misleading claims about SD, eg. Aus Gov 2008b, 14; *Guidelines for Environmental Claims* (2000), 7-8; ASA - *Shell* (2008) (Shell breached UK advertising code in relation to a claim about 'sustainable').

synonymously for *sustainable development* and all that requires and involves.³³ When talking about something that continues (or is desired to) without end, this thesis will use *perpetual*, *perpetuity* or similar.

2.2 Responses & implications

Sustainable development, as specified in international agreements, is primarily directed at nation states but it has always been understood that other actors have important roles in progressing SD, and since 1992 many governments and companies have embraced the concept. SD's emanation in international agreements has been followed by SD being enacted in parliamentary legislation,³⁴ furthered in government initiatives,³⁵ enforced against governments³⁶ and against companies.³⁷ These developments show an acknowledgement by business, government, and wider society that earlier approaches and perceptions needed adjustment. Some NPOs have been established with a specific focus on SD, either for a particular area (eg. the International Council on Mining and Metals, the World Business Council for Sustainable Development) or in general (eg. the International Institute for Sustainable Development). Many other NPOs use SD as a tool in their work advocating change in government or companies.³⁸

In a way, SD is 'the new black' - something you can dress in, intending to make yourself more attractive. And, to extend the analogy, there are countless fashion critics and designer labels ready to produce/critique the new SD 'clothes' worn by firms and government. But NPOs have largely been ignored, and so we do not know whether their SD clothing might be like Cinderella's lost slipper or the Emperor's New Clothes.

Ten years after the Rio Declaration, the international community (including NPOs and business) met in Johannesburg, with the resultant intergovernmental agreement re-emphasising the gravity and the need for all parties' attention:

*Fundamental changes in the way societies produce and consume are indispensable for achieving global sustainable development. All countries should promote sustainable consumption and production patterns... Governments, relevant international organizations, the private sector and all major groups should play an active role in changing unsustainable consumption and production patterns*³⁹

The call for 'fundamental changes in the way societies produce and consume', and *for all parties to address this*, is not just diplomatic flourish. The lack of progress on SD is starkly apparent from the following graph which plots two measures for each country.⁴⁰

- **Ecological Footprint**, which is a measure of the area needed 'to provide...the resources which a nation's population consumes and to absorb...the wastes it generates, using prevailing technology and resource management'.⁴¹ Ecological footprint is used by various governments as one measure of SD.⁴²
- **Human Development Index (HDI)** which is a rough indication of the nation's average standard of living, from 0 (worst) to 1 (best), measuring: life expectancy, literacy, education levels, and per-capita wealth.⁴³

Graphing these two statistics against each other gives *some* indication, for each country, of the resources used to provide its standard of living.⁴⁴

33 Note that several writers consider 'sustainability' to be the key concept and that SD is only a derivative or procedure by which to achieve sustainability (eg. Porrit 2006, 21-22; Bosselmann 2008, 11; Robinson 2004, 370). However, the approach in this thesis is consistent with other writers, which simply takes SD as the understandings specified in the current international texts, eg. Lafferty & Meadowcroft 2000, 20.

34 See examples in Appendix 1.

35 Various government initiatives and progress in relation to SD are described in Connor & Dovers 2002, 35-36.

36 eg. *Planning Minister -v- Walker* (2008) at [56].

37 eg. *ASA - Shell* (2008).

38 eg. ATSIJSC 2004, 12; IUCN 2004, 30; see also Bradbrook & o'rs 2008, 528-529.

39 *JPI* (2002), [19].

40 The following observations on human development index and ecological footprint and drawn from Southalan 2010, .

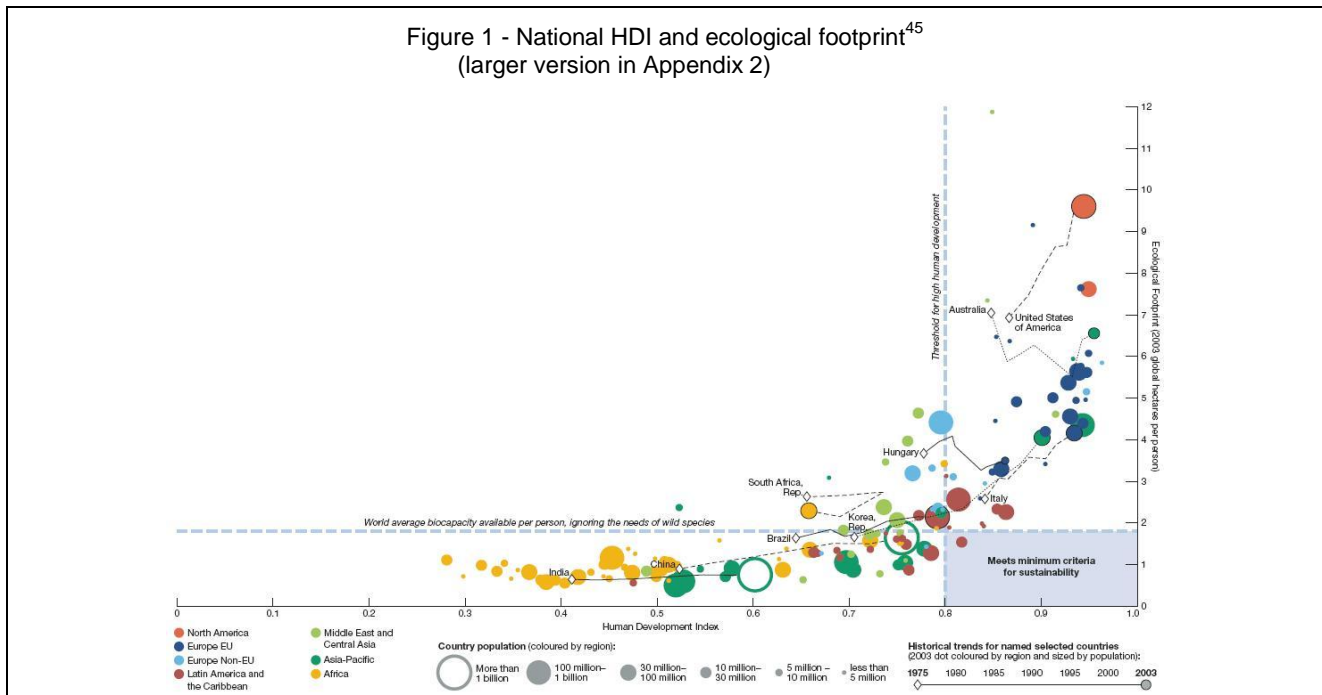
41 Wackernagel & o'rs 2005, 4.

42 eg. NSW Gov 2006, 1.1; Welsh Gov 2008, 47.

43 UNDP 2008.

44 There are various reasons to caution against drawing any firm conclusions from this graph: (1) footprints vary, as energy use must, dependent on geographical and climatic conditions (Schmidt-Traub 2009, 75); (2) using national 'averages' means that variations within each country may be distorted or disguised (eg. Baer 2009, 5); and (3) footprint is only one indicator of SD - other indicators are necessary to fully appreciate economic and social aspects (Edwards 2009, 9).

Figure 1 - National HDI and ecological footprint⁴⁵
(larger version in Appendix 2)



This graph is divided into quadrants by lines marking global carrying capacity (ie. what is perpetually maintainable at a planetary level) and high HDI (ie. a level where the general population has acceptable life expectancy, literacy, education and per capita growth). Two significant realities become apparent.

- Most countries with high HDIs achieve this using considerably more than their global 'fair share' of resources.⁴⁶ They do this through unsustainable use of their own resources⁴⁷ and through use of other countries' resources: the environmental impact of producing many goods consumed in the global North occurs in the global South.⁴⁸ This confirms the recent observation that perhaps we should not think of the world as divided into 'developing' and 'developed' countries, but more accurately comprising 'developing' and 'over-developed' countries.⁴⁹
- Similar HDIs are achievable with different ecological footprints. This can be seen in the few countries for which progress is shown over the last quarter century (those with a 'tail', labelled by the country's name). China and India have increased their HDI massively with little increase in ecological footprint; the USA is opposite. Italy has a similar HDI to the US, achieved with less than half the footprint. Accordingly, 'reducing consumption [*and associated environmental impact*] in these countries...does not necessarily imply a reduction of human well-being', even though many parties (including NPOs) 'continue to equate increased consumption with quality of life'.⁵⁰

There are various measures and indices (in addition to the ecological footprint) used to gauge SD issues,⁵¹ particularly at broad governmental or national levels. These show that urgent action is needed but they are often less use in guiding specific management decisions within any given organisation.⁵² Accordingly, they are not considered further in this thesis. What is necessary for this thesis, however, is to outline some key responses and implications of SD as drawn from the international agreements. Awareness of these dynamics helps in considering how SD can shape an organisation's perspectives and actions.

45 WWF 2006, 19.

46 Bührs 2007.

47 'Studies show that two-thirds of the Earth's ecosystem services are in decline. Nature provides essential resources to the system of production-consumption, including provisioning services, or products, such as timber and fish, and regulation services, such as climate control, pollination, irrigation and flood regulation. ...[and] 60% [of these ecosystem services] are being degraded or used unsustainably': WBCSD 2008, 10.

48 Rice 2007, 1374 & 1383. '[P]ositive improvements in the lives of many people around the world are counter-balanced by alarming information about the state of the environment and the continuing burden of poverty and hunger on millions of people': GRI 2006, 2. 49 Pickett 2009.

50 Bührs 2007, 6; see also Vic Gov 2008, 16.

51 See, eg. EF 2009; Figge & Hahn 2009; Kuosmanena & Kuosmanena 2009; Bührs 2007; Hille 1999. Indicators of SD are addressed in more detail, below, in 3.3 *Indicators*.

52 Pintér & o'rs 2005, 6-7.

- SD is not a silver bullet. Through its broad inclusion of 'equity, participation, prudence, welfare and environmental concern...[SD] signals a shift in the manner which problems are defined'.⁵³ This suggests that new approaches may be needed for persistent problems, but also that new problems may exist where they hadn't been perceived before.⁵⁴
- Society's and organisations' move toward positions more consistent with SD will not happen easily or quickly. '[T]he required shift in values and institutional arrangements to integrate across social, economic and ecological concerns may itself be an intergenerational issue...[certainly taking] decades'.⁵⁵ A number of writers use the comparison with concepts like justice/fairness or democracy/participation,⁵⁶ noting that SD is similar in having no easy universal definition but still providing sufficient clarity to be relevant in guiding governments and others.⁵⁷ SD encourages longer-term thinking about impacts and strategic direction.⁵⁸ That reframing of objectives can be a significant challenge for all organisations (firms, government and NPOs): 'Most organisations are not designed to focus on system issues and improvement. Their performance management systems tend to be driven by short-term imperatives, in response to pressure from external stakeholders with short term vested interests'.⁵⁹
- There is a relative dearth of law requiring broad SD initiatives by individual organisations.⁶⁰ However having no legal obligation is the situation in many aspects of management. Management frameworks and processes are adopted not because the law says that have to be, but because they are considered the best way achieving objectives. Accordingly, the lack of specific SD law directed at firms is of limited relevance to how management should engage with SD.
- What SD requires will change as scientific knowledge increases. Advances in science have given greater awareness of human-environment relationship. A decade ago, doubt was expressed about the ability to measure human resource use. Calculating the land and resources required for flora and fauna is easy for biologists, but humans' adaptability and technology was seen to make this impossible: 'Figuring out the carrying capacity of the earth for human beings...is an art so dark that anyone with any sense stays away from it'.⁶¹ There have been considerable advances since that statement, in measuring the impact of human activity: not just impact on the environment but also on other humans (both current and future populations). The ecological footprint (above) is just one example. Recent research is progressing quantification of seven planetary boundaries⁶²: (1) CO² concentration in the atmosphere, (2) ocean acidification; (3) stratospheric ozone; (4) biogeochemical nitrogen; (5) phosphorus cycle; (6) freshwater use; and (7) biological diversity.⁶³ As these measures become better quantified, SD demands governments and all organisations consider these aspects in their operations.

53 Lafferty & Meadowcroft 2000, 16.

54 'Promoting sustainability requires multiple...strategies...and, moreover, ones that unsettle and disturb the existing institutional system. It is not apparent that modern societies have appreciated that, let alone attempted it': Connor & Dovers 2002, 227.

55 Connor & Dovers 2002, 221. '[S]ustainable development is still a young and unfinished concept, and had had to establish itself over the last 20 years or so at precisely the time when those political philosophies which would have given it more space (social democracy and democratic socialism) were giving ground to today's dominant, neo-liberal free market ideology': Porritt 2006, xv.

56 eg. Bosselmann compares 'sustainability' as a concept with how 'justice' is understood. Both are simple (in that many people have a 'common sense' feeling of what is, and what is not, fair and what is sustainable) and both are complex (in that there is no uniformly accepted definition). You can't define the concept without further reflection on other values and principles. As with justice, SD may be that an ideal that can never be perfectly achieved: Bosselmann 2008, 9-10; Connors & Dover compares sustainability to 'other deep social logics such as democracy, justice and human rights' those authors posit as part of a moral rationality for global civilization, but SD has yet to attain the recognition and status of 'its natural partners' [the other 'logics' mentioned above?]. This will require both broad normative change and purposive institutional change: Connors & Dover 2002, 1.

57 There are criticisms about the variety of meaning for sustainable development, and assertions that it has become meaningless (eg. Collins 2007, Esty 2001,). But these criticisms 'confuse the idea with the term. While the term may have been misused, the idea remains and continues to influence our thinking about the future': Bosselmann 2008, 9. Bosselmann here writes specifically of 'sustainability' rather than 'sustainable development', but given the understanding taken in this thesis of sustainable development, Bosselmann's observation applies equally here.

58 de Wit & o'rs 2006, 492.

59 Barber & o'rs 2001, 2.

60 As yet there are no binding requirements that States need address domestic over-consumption: Weidner 2005, 7-8. There is international and domestic law addressing specific issues (eg. environmental protection, minimum reserve requirements for banks, compulsory education, workplace occupational health & safety); but there is no legal obligation to further SD at a broader level: Searcy 2009, 2.

61 McKibben 1998, 356.

62 Planetary boundaries are defined as 'non-negotiable planetary preconditions that humanity needs to respect in order to avoid the risk of deleterious or even catastrophic environmental change at continental to global scales': Rockström & o'rs 2009, 4.

63 The scientists identified two other boundaries which they are not yet able to quantify (about extent of chemical emission and atmospheric aerosol loading): Rockström & o'rs 2009, , 4.

One of the key ideas of SD is the emphasis on integration. Earlier paradigms which focused simply on one issue (eg. only on financial return, or only on environmental quality) or ignored future effects, are not conducive to the broader interests of an ongoing society. This has been accepted by governments at an international level, eg. 'we commit ourselves to...promote the integration of the three components of sustainable development - economic development, social development and environmental protection - as interdependent and mutually reinforcing pillars'.⁶⁴ It also has a more domestic and grounded relevance: '[SD] is about far more than "the environment". It presents a suite of interrelated and significant challenges: protecting ecological life-support systems; reconciling ecological, social and economic imperatives in the long term; correcting grossly inequitable levels of human development; developing precautionary approaches to interventions in natural systems; creating participatory modes of policy and management; and using innovative policy tools'.⁶⁵

Integration is SD's most important aspect but also its most challenging.⁶⁶ For organisations, SD's integration means a wider range of stakeholders and interests to consider and balance.⁶⁷ This is more difficult than earlier management and operations: 'working toward sustainability takes a lot of ingenuity and...courage. It is not easy, because sustainability is always property of a community within a larger context'.⁶⁸ Integration requires a broader and better understanding by managers and decision-makers,⁶⁹ with often little guidance on how this integration might be achieved:

*Sustainability lies squarely across individual disciplines [and so] it easily slips through the gaps. There is neither a discipline focussing on sustainability issues nor an ethos of interdisciplinary research surrounding them. Obsessed with economy-related outcomes, most research institutions, including industries, are blind eyed in this regard.*⁷⁰

3 BUSINESS and SUSTAINABLE DEVELOPMENT

Business has increasingly been expected to address the social and environmental implications of its activities,⁷¹ and many firms have adjusted their management and operations to respond to SD.⁷² It is useful to examine firms' engagement with SD for three reasons. First, *some* business management tools can also assist NPOs wanting to engage with SD issues. Second, there is much more academic writing on SD and business than there is for NPOs,⁷³ some of which explains the difficulties that can arise and (more importantly) potential responses. Last, whether realistic or pessimistic:

*solutions have to be made to work within the embrace of capitalism. Like it or not (and the vast majority of people do), capitalism is now the only economic game in town ... [This suggests we should seek to harness the strengths of what capitalism] while simultaneously challenging our dependencies upon today's particular model of capitalism.*⁷⁴

64 JPI (2002), [2]; see also Agenda 21 'Integrating environment and development at the policy, planning and management levels ... The overall objective is to improve or restructure the decision-making process so that consideration of socio-economic and environmental issues is fully integrated and a broader range of public participation assured': Agenda 21 (1992), ch 8, [3].

65 Connor & Dovers 2002, 203.

66 Don't confuse mere integration of economic, social and environmental approaches with SD: 'Integrating policies is an important step towards it, but only the first step': Bosselmann 2008, 1. There is a difference between integrating policies ('possible merely through law, administration and governance') and integrating the subject matters that the policies are concerned with (this is 'a lot more complex - what is involved [eg.] when the natural *environment* and human *development* are to be integrated? There are ethical choices to be made, for example, treating the natural environment as a basis and limitation for human development or human development as a basis and limitation for the natural environment': Bosselmann 2008, 27.

67 Matos & Hall 2007, 1084-1091.

68 Capra 2009, 51.

69 'The managerial pressures of sustainable development...[present] a rich mix of technical and nontechnical issues': Matos & Hall 2007, 1091. '[A]s societal expectations shift from environmental issues to broader sustainable development concerns, isolated attempts to reduce environmental impacts are destined to provide less than optimal solutions or even counter-productive outcomes. The managerial challenge is thus to explore the interdependencies amongst parameters in an attempt to find [the best available solution]'. And it is better to have a broader understanding rather than a really detailed focus just on one aspect: Matos & Hall 2007, 1098.

70 Bosselmann 2008, 3.

71 de Wit & o's 2006, 492; Hubbard 2009, 178; Searcy 2009, 9.

72 eg. Scherrer & o's 2007, 459; Searcy 2009, 1; Blackburn 2007, 2.

73 Palme & Tillman 2008, 1350.

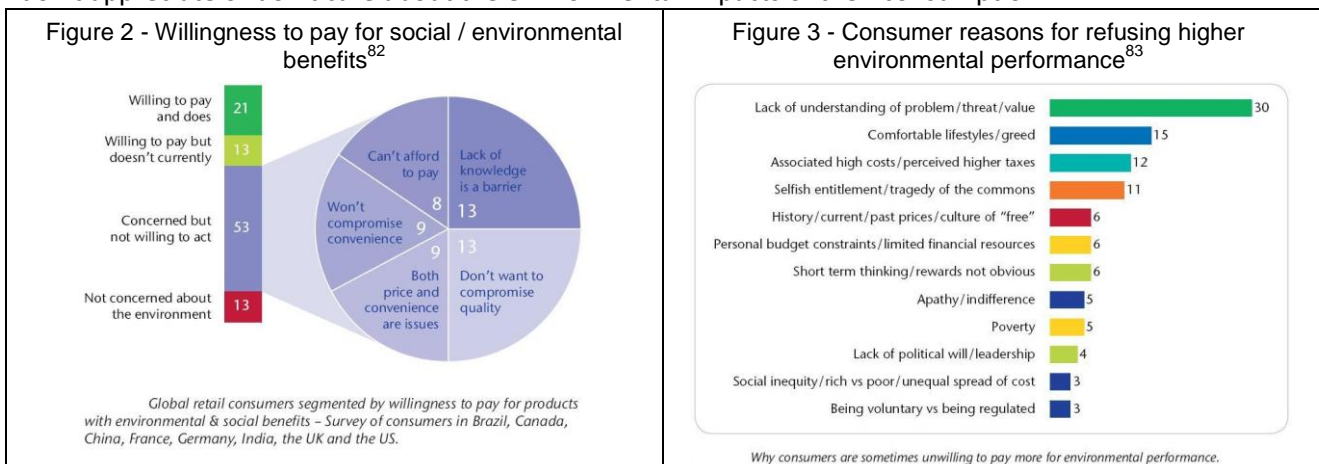
74 Porritt 2006, xiv.

3.1 The 'business case'?

Some commentary evangelises a 'business case' for SD,⁷⁵ suggesting that firms will automatically change to operate more consistently with SD. But the predominant opinion is that this is not a pre-determined result but needs encouragement and incentives⁷⁶ and that many traditional objectives and practices in firms militate against SD.⁷⁷

There are various obstacles to SD having greater, or faster, influence on organisations (including here not just firms, but also NPOs). These dynamics should be kept in mind when seeking to further SD's application to any particular organisation. The varied, and sometimes contradictory, understanding of what SD means inhibits its acceptance into common management practice.⁷⁸ And where management does consider social/environmental aspects, this may not be through any interest to minimise impacts and maximise benefits but solely to gain increased advantage over competitors.⁷⁹ Whether such an approach is consistent with SD depends on the competition - if the industry 'norm' involves considerable social and environmental impacts, a 'competitive' position need only be something slighter better and can thus still be far from 'sustainable'. Clearly, SD requires consideration of environmental and social aspects in ways other than simply comparing with what others are doing. This does not mean, however, that progressing toward SD is something which firms can achieve on their own.

There are vested interests in continuing the status quo,⁸⁰ including where insufficient attention to externalities means that producers *and* end-users are ignoring (and even benefitting from) impacts being suffered by others.⁸¹ What people *demand* in relation to SD is frequently different to how they actually *act* in practice. The following diagrams show that many people are not 'walking the talk' (left diagram) and also the reasons which contribute to that (right). The right diagram shows that nearly half of consumers either don't appreciate or don't care about the environmental impacts of their consumption.



75 eg. Penney & o'rs 2007, 158-159; Wahba 2008 ; Hopkins & Crowe 2003; see also descriptions in Zadek 2007, 17-18 (talking specifically here about 'corporate responsibility' but given that is understood as addressing a firm's social and environmental performance, these observations are also relevant to SD).

76 eg. Schmidheiny 1992; von Weizsäcker & o'rs 1998; Capra 2009; Bonini & o'rs 2008; Bonini & Oppenheim 2008; WBCSD 2008.

77 '[R]esistance to change should not be underestimated. With pressure already on costs, timescales and human resources, there will be little appetite for additional initiatives or activities that do not have clear links to value creation': de Wit & o'rs 2006, 503.

78 See McNabb 2007, 19 (making the same point about knowledge management). The lack of consideration of sustainable development as relevant can be seen by its absence in the index of various contemporary management texts such as Hitt & o'rs 2005, or Katsioloudes 2006.

79 eg. 'Companies must start to recognise the environment as a competitive opportunity': Porter & van der Linde 1995, 114; 'few companies have engaged operating management in processes that identify and prioritise social issues based on their salience to business operations': Porter & Kramer 2007, 12.

80 Schmidheiny 1992.

81 von Weizsäcker & o'rs 1998, 189-191.

82 WBCSD 2008, 17.

83 WBCSD 2008, 18.

3.2 Business management tools for sustainable development

There are a range of management structures and tools in business which have either developed in response to SD influences or existed anyway and can be used to address SD issues. In some ways firms are better placed to address SD's dynamics, than are government agencies or NPOs, because of the commercial fixation and habit of measuring and managing the firm's resources and activities. Where firms already have various management tools in place, it is sometimes relatively easy to change the model to also consider environmental and social aspects,⁸⁴ in addition to the traditional sole focus of costs. A range of typical (business) management tools and issues are described below.

- (a) A **SWOT analysis**, looking at (the firm's) Strengths, Weaknesses (and the wider) Threats and Opportunities relevant to the firm's objectives,⁸⁵ can assist in designing the firm's strategy.⁸⁶ The critical issue is whether the firm's objectives are consistent with SD - if not (eg. simply 'to be the lowest cost producer' or 'to gain increased market share') then the SWOT analysis can hinder SD progress.
- (b) **Environment/context appraisals** focus attention on the macroeconomic situation, political & legal environment, and socio-cultural environment.⁸⁷ These can bring in SD externalities that may have been traditionally ignored in management focus.
- (c) Equally important is to understand and manage the firm's internal processes and there are range of tools which assist here such as the **internal factor evaluation matrix**⁸⁸ and the **McKinsey Seven S framework**,⁸⁹ but probably the two most common tools are the *balanced scorecard* and *value chain*, which are explained in the following two paragraphs.
- (d) The **balanced scorecard** helps translate the firm's 'strategy into a comprehensive set of performance measures that provides the framework for a strategic measurement and management system'.⁹⁰ This was originally designed to address commercial objectives⁹¹ but has been extended to be used in SD contexts⁹² as shown in the following diagrams.

84 eg. The 'BSC [balanced scorecard] immediately lends itself to the potential to measure intergenerational sustainability... the BSC is already recognized and in place. It is clearly easier to build on it pragmatically than to throw it out and start with another new model.'; Hubbard 2009, 185.

85 Hitt & o'rs 2005, 214-216.

86 eg. Katsioloudes 2006, 17.

87 eg. Hitt & o'rs 2005, 77-79; Katsioloudes 2006, 76-77.

88 This is 'a basis for identifying and evaluating relationships among...[a firm's] functional areas' [103-104].

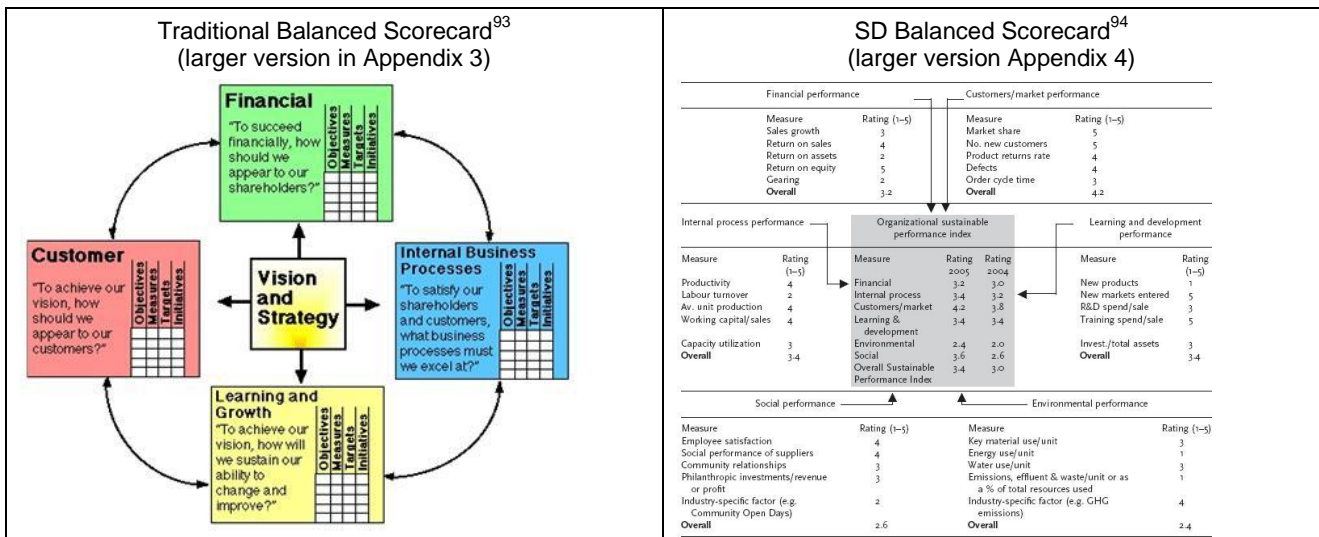
89 This suggests an organisation comprises seven elements which are inter-related: [1] strategy - actions aimed at gaining advantage over competition, improving against customers, or allocating resources; [2] structure - a firm's formal internal organisation to conduct its work; [3] systems - operational processes for who work gets done; [4] style - what management does rather than what it says; [5] staff - corporate demographics rather than just individuals; [6] skills -the capabilities of the organisations; and [7] shared values - guiding concepts and belief of organisation and its members. The first three are the hard elements 'practical and easily identifiable...found in statements, plans and charts' (105); whereas the last four are soft elements 'less easily discerned and less tangible...determined by the people at work in the organisation and [therefore] difficult to anticipate or influence': Katsioloudes 2006, 105-107.

90 Kaplan & Norton 1996, 2.

91 Kaplan & Norton 1996, 2.

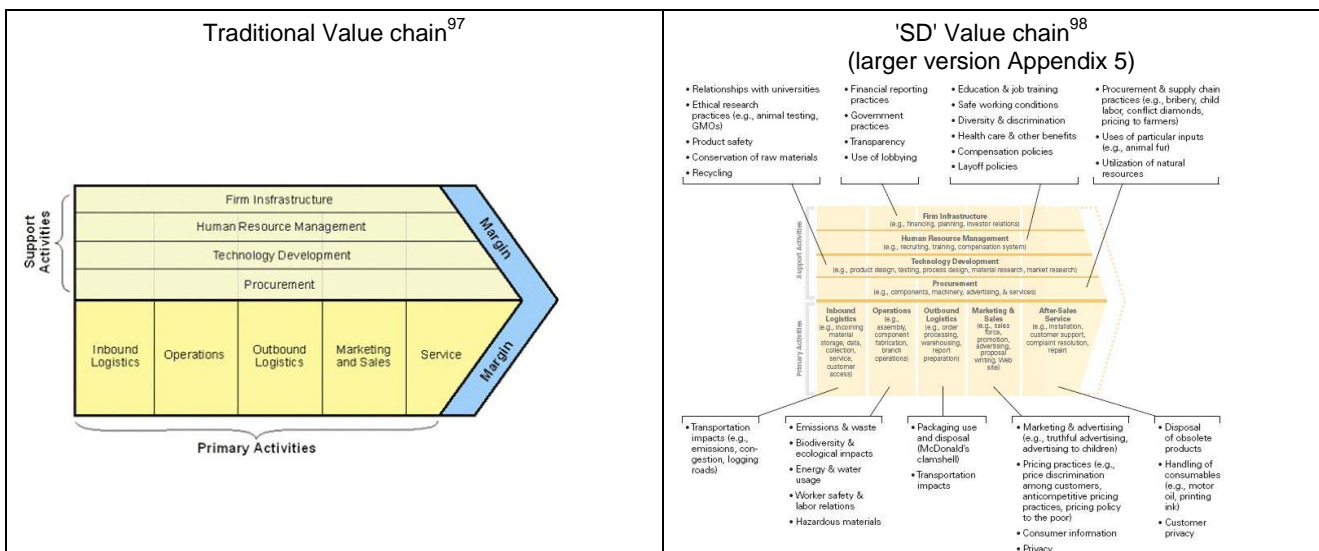
92 eg. Searcy 2009, 3 & 6.

Figure 4 - Balanced Scorecards



(e) The **value chain** analyses a firm's organisation to enable understanding of how all its organisational activities interact, including primary *and* support activities.⁹⁵ This tool could equally help consider the activities and SD aspects of an organisation, including an NPO. Even its creator, Michael Porter, urges the broader application of the value chain,⁹⁶ and examples are shown in the following diagrams.

Figure 5 - Value chains



(f) SD initiatives can be better supported by **adaptive management**,⁹⁹ as opposed to traditional command-control management because the latter struggles with complex, non-linear process.¹⁰⁰ Again, however, the potential for adaptive management to further SD will only occur to the extent that the managerial direction is given to consider these aspects.

93 eg. JISC 2009, an example of the balanced scorecard described in Kaplan & Norton 1992.

94 Hubbard 2009, 189.

95 Katsioloudes 2006, 108-110.

96 eg. explaining how attention to organisation's resource productivity throughout the value chain can produce greater reduction in environmental impact, rather than simply trying to address a manifestation like external emissions and discharges: van der Linde & Porter 1995, 107.

97 eg. Shahid 2008, an example of the value chain described in Porter 1985.

98 Porter & Kramer 2006, 86. Note, however, that this title of 'SD' value chain is not used by Porter.

99 A summary of 'the aims of adaptive management' is 'as follows: [1] To continually find better ways of meeting goals; [2] Identify key gaps in understanding; [3] Improve understanding of ecosystem responses, thresholds and dynamics, in order to adapt practices to fit changing social values and ecological conditions; [4] Gain reliable feedback about effectiveness of alternative policies/practices; [5] Encourage innovation and learning; [6] Pass on information and knowledge gained through experience; [7] Foster an organizational culture that emphasizes learning and responsiveness; and [8] In some cases, adaptive management may also help detect cumulative, long-term, large-scale and emergent effects of actions': Miller & Twining-Ward 2005, 20-21.

100 Miller & Twining-Ward 2005, 20.

- (g) Attention to the development and use of the firm's internal resources is addressed in **corporate governance**¹⁰¹ and **human resource management**¹⁰². There is increasing attention of how corporate governance **systems** are integrating SD aspects.¹⁰³ Simply writing and promulgating policies and procedures will have limited influence on staff, and this is the same for SD initiatives because it requires initiatives to ensure that staff understand and want to achieve the SD aims. '[T]his means translating SD into something that is tangible and relevant to both business teams and individuals...[through] Communications – raising basic awareness and understanding; Training and learning – developing working knowledge and skill'.¹⁰⁴
- (h) The increasing flood of data and information produced by the IT revolution¹⁰⁵ has led to **knowledge management** frameworks to help focus attention on information aspects, particularly: the creation, acquisition, integration, distribution, and application of knowledge 'to improve the operation[al] effectiveness and competitive advantage of an organization'.¹⁰⁶ To put it pithily: 'Knowledge management is providing the right information to the right people at the right time'.¹⁰⁷ This is especially critical given the deluge of information produced by modern IT and the internet - what is needed is a way to get these three 'rights' (information, person, time) *while screening out irrelevant information* to ensure it doesn't distract.¹⁰⁸ That information deluge means there needs to be better differentiation between information that matters (here, for SD) in any given decision-making context and information that is less important or even irrelevant.¹⁰⁹
- (i) **Accounting practices**, which assist in **internal management** and also **external reporting**, have served as a basis for SD initiatives. This can be seen in developments such as social accounting¹¹⁰ and 'corporate social responsibility' and reporting¹¹¹. The main SD reporting framework for organisations is the Global Reporting Initiative (**GRI**).¹¹² While GRI helps provide SD information, a deficiency with firm-wide reporting like GRI is that this doesn't provide information (and therefore help management) in relation to particular sites or activities.¹¹³ One possible remedy is greater use of indicators, and examples here include firm's measuring and reporting on: greenhouse gas emissions, employee turnover, charitable donations, taxes paid, lost time injury frequency.¹¹⁴
- (j) A **supply chain** is the path through which a product, and its components, pass from original producer to final purchase/receipt by the end-user.¹¹⁵ Supply-chain management is not new and historically was addressed within a firm's 'logistics' or 'operations management'.¹¹⁶ Regardless of nomenclature, the process has always been a key area of attention for a firm,¹¹⁷ with management aiming to control the costs and delays in the firm's supply chain.¹¹⁸ However supply chain management isn't simply about minimising costs and delays - more recent emphasis encourages firms to address the energy-efficiency of their supply chain,¹¹⁹ and also social and environmental impacts involved throughout the

101 'The literature on corporate governance systems follows four main approaches – agency theory, the legalistic perspective, resource dependence, and class hegemony; their theoretical origins are, respectively, economics and finance, corporate law, organizational theory and sociology, and Marxist sociology.'; Ricart & o'rs 2005, 25.

102 eg. '[N]ot every strategy is or should be driven by a firm's human resources. However it is hard to think of a strategy that can be effectively implemented without the proper management of its human resources': Hitt & o'rs 2005, 527.

103 Ricart & o'rs 2005, 24.

104 de Wit & o'rs 2006, 497.

105 McNabb 2007, 20.

106 Albers & Brewer 2003, 1.

107 Albers & Brewer 2003, 1.

108 There is increasing interdependence produced by globalisation (McNabb 2007, xii) and the IT expansion has exponentially increased the amount of information available, but this also creates more 'noise' through which advocacy organisations need to cut if their product is to influence.

109 Pintér & o'rs 2005, 3.

110 eg. Zadek 2007.

111 eg. UNCTAD 2008; Baughn & o'rs 2007; Aus Gov 2005.

112 GRI 2006.

113 CSR 2003, 6.

114 eg. Searcy 2009, 7.

115 Various academic definitions of supply chain are provided in Hugos 2006, 3.

116 Hugos 2006, 3

117 Supply chain management needs good understanding of all the elements comprising your supply chain (eg. 'personnel, operational processes, products, clinical practices, organizational culture, technological infrastructure') if you're going to develop a strategy of best use: Cunnigham 2006, 32.

118 eg. see Cunnigham 2006, 32.

119 eg. McKinsey 2009.

chain¹²⁰. 'Corporations are increasingly considering supply chain issues as a part of their overall sustainable development program'.¹²¹ The importance of supply chain management depends on the product and market. Where these exhibit little change, a firm might survive without detailed knowledge of its supply chain dynamics. But where the market can change rapidly, an organisation needs comprehensive understanding of its supply chain¹²² both up and down-stream.

3.3 Indicators

Most SD management techniques require some way of measuring or understanding the organisation's performance in relation to SD principles.¹²³ This is invariably done through the use of sustainable development indicators (SDIs).¹²⁴ A typical range of SDIs is outlined below.¹²⁵

Figure 6 - Example of SD Indicators¹²⁶

Economic	Social
Gross Domestic Product	Poverty rate
Trade Balance	Life expectancy
Intensity of energy use	Literacy rate
Environmental	Institutional
Greenhouse gas emissions	R & D Expenditures
Percent of forested land	International cooperation
Water quality	Disaster preparedness

It will be immediately apparent that indicators at this general level will have limited use to an individual firm. There are (sustainable?) forests of paper written about SD measurement and SDIs, addressing issues like their complexity,¹²⁷ accuracy,¹²⁸ reporting,¹²⁹ and standardisation.¹³⁰ It is developing area,¹³¹ with much still unsettled and being debated - evidenced by the ongoing work on SDIs at the International Institute for SD¹³² and the multi-year SDI program of the UN's Commission on SD.¹³³ Because of the still developing nature of SDIs, it is difficult and also somewhat fruitless to focus on specific indicators for this thesis. It is sufficient here to make some general observations, including that:

- much of the SDI work at the international level is directed at country-level indicators,¹³⁴ and therefore has limited material relevant for SD management within any individual organisation;
- SDI and measurement involves identifying and reporting on the positive *and* negative aspects of the organisation's activities,¹³⁵
- it is important to ensure that SDIs are actually *used* in decision-making and not simply some 'window dressing' that is added after a decision is made;¹³⁶

120 eg. Matos & Hall 2007 ; Srivastava 2007.

121 Searcy 2009, 9. Attention to the supply chain can assist in maximising the product's value to society: 'the value...to society is maximized when the various stakeholders along the value chain undertake activities that enhance the [product's] durability and recyclability': ICMM 2006, 1. An example is making suppliers aware of (and compliant with) a code of conduct used by the firm: Searcy 2009, 10.

122 Hugos 2006, 2.

123 'To integrate...sustainable development (SD) into the way a company does business, it is important to clarify what SD means ...into specific "local" actions and a "local" language': de Wit & o'rs 2006, 491.

124 Searcy 2009, 1; Pintér & o'rs 2005, 2.

125 There are further (and more detailed) examples of SDIs in UK Gov 2009 and Aus Gov 2006.

126 ELC 2008.

127 eg. Pintér & o'rs 2005, 5.

128 eg. Kuosmanena & Kuosmanena 2009 ; Figge & Hahn 2009.

129 eg. Adams & Frost 2008 ; KPMG & University of Amsterdam 2005; Kolk 2004.

130 eg. Hubbard 2009, 182-183.

131 And the mere identification or development of relevant measures is only the first step: 'how a more equal right to environmental space (including natural resources) can or should be translated into practical terms, institutions, policies, and mechanisms is a question that has hardly started to be addressed, let alone to be implemented': Bührs 2007, 17.

132 IISD 2010.

133 Specifically directed under *Agenda 21* (1992), ch 40.

134 eg. UN 2007a.

135 eg. 'Social performance is defined as: all the ways in which we impact the communities and societies in which we operate, both positive and negative.': de Wit & o'rs 2006, 495.

- SDIs, combined with traditional management accounting, has enabled firms to measure the per-unit impacts of their operations (and reduce this);¹³⁷ and
- there has been less progress on 'social' aspects of SD,¹³⁸ because economic and environmental variables are more easily identified, complementary, and measured.¹³⁹

3.4 Corporate strategy and sustainable development

Corporate strategy is the process by which firms decide their broad objectives and how their performance will be monitored - it is the firm's medium-to-long term planning.¹⁴⁰ Approaches to corporate strategy can be classified into four groups¹⁴¹ according to their objectives and process: classical, evolutionary, systemic and processural.¹⁴² Practitioners analysing industry explicitly use multiple approaches because 'there is no universal model or theory of strategy able to cover all types of strategies for all sectors'.¹⁴³ The two corporate strategic approaches most relevant to assessing SD are *classical* and *systemic*. These approaches both see strategy as a deliberate and planned process, rather than emerging from the context in which the business finds itself.¹⁴⁴ This is very much the case for SD objectives which are based on long-term perspectives and planning, meaning that emergent strategies and analysis have little applicability.

Where the classical & systemic approaches differ is in relation to the objectives they seek to achieve. The *classical* approach is the conventional approach to strategy.¹⁴⁵ It sees business as based around competition, with profit determining a firm's success and how it should operate,¹⁴⁶ and suggests there is a formulaic path to business success.¹⁴⁷ Within such a framework there is little opportunity for SD objectives, but given the prevalence of the classical approach, familiarity with its premises is important.¹⁴⁸ The *systemic* approach emphasises, and responds to, the wider environment in which business operates, particularly societal factors which are seen to legitimately influence a firm's objectives and operations.¹⁴⁹ The systemic approach gives greater attention to what is termed 'non-economic' action - behaviour that is motivated not by profit maximisation but to achieve other ends.¹⁵⁰ This is more likely to accommodate SD initiatives.

A complexity in any firm's strategy process, if wanting to address SD, is how to determine the firm's priorities: 'All options cannot be chosen simultaneously, but sound reasons should underlie why they are not being taken'.¹⁵¹ SD has not made this process any easier. Because SD is so wide-ranging, it seems as if it would support almost anything that benefits humans or the environment and discourage anything which may prejudice anyone.¹⁵² Where a firm has various options, each with positive and negative ramifications for the environment, economy and society - how is the firm to choose between them? Two frameworks

136 Pintér & o'rs 2005, 3.

137 WBCSD 2008, 22.

138 Difficulties in trade-offs and most decision are made on basis of economic or environmental considerations because social too hard to deal with: Matos & Hall 2007, 1090.

139 'This arises from a variety of reasons: [1] there are convergences of economic and environmental aims (eg. waste reduction, energy efficiency); [2] measuring and reporting on many environmental criteria is more objective than is possible with social criteria; [3] public health & safety aspects of production are usually the first [SD]...issue addressed by business and its critics; and [4] environmental impacts are more amenable to technical solutions, as opposed to the difficult cultural/political engagement usually required for social indicators': Southalan 2008, 3

140 Morden 2007, 614-615. 'There is not much agreement about strategy...[and a recent textbook] admits we simply do not know what strategy is or how to develop a good one': Whittington 2001, 2.

141 Note, however, that another approach (eg. Mintzberg) is to group approaches to strategy into nine schools related to the underlying discipline of each 'school': Volberda & Elfring 2001, 3-8.

142 Whittington 2001, 9-10.

143 Luis-Manso & o'rs 2004, 3.

144 Whittington 2001, 2.

145 Rose & Elphick 2002, 52.

146 Porter 1985, 258.

147 Rose & Elphick 2002, 4. Porter, the archetypal classical strategist, sees five forces as determining a firm's ability to earn returns on investment: the threat of substitutes, suppliers' bargaining power, buyers' bargaining power, the rivalry among existent competitors, and the entry of new competitors: Porter 1985, 258.

148 eg. the explanation, in 3.1 *The 'business case'?* about approaching social/environmental impacts solely from the perspective of what competitive/financial advantage it can bring the firm is an example of the 'classical approach' of corporate strategy.

149 Whittington 1993, 4.

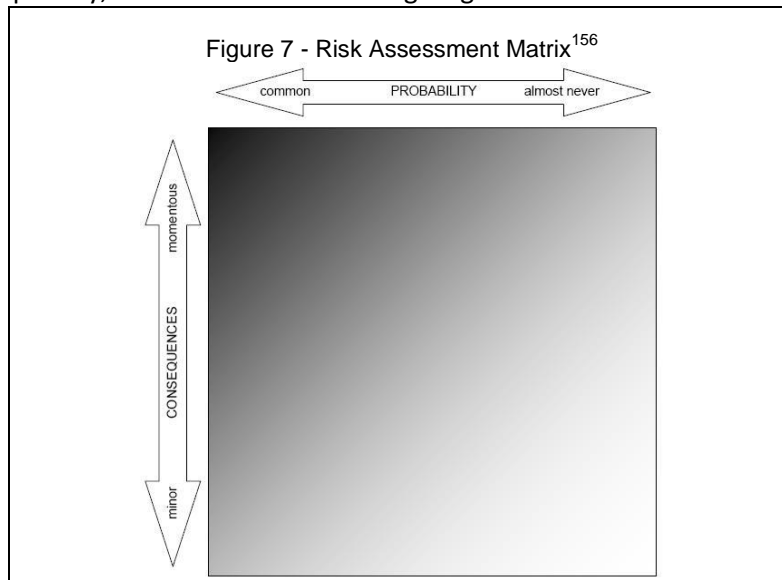
150 Granovetter 2005, 35.

151 Katsioloudes 2006, 3.

152 eg. Hubbard 2009, 177.

developed to help in this regard are life cycle assessment (guided by complexity theory & modularization)¹⁵³ and the *Sustainability Opportunity and Threat Analysis (SOTA)*.¹⁵⁴ SOTA is examined in more detail here to demonstrate the basic processes involved.

SOTA is essentially a risk-management framework to help firms evaluate the full range of threats and opportunities of the SD performance of their activities.¹⁵⁵ This uses a risk assessment matrix to identify priorities. A risk assessment matrix plots the probability of an event against its consequences, to identify the areas of greatest priority, as shown in the following diagram.



The darker the shade, the greater the priority: these are events which are more likely and have significant consequences if they occur. This guides management in many areas of operation. For example, a firm will be zealous in developing and maintaining procedures to address risk of injury/death by workplace machinery, but will put less priority/procedures toward the risk of clothes being stained by orange juice. Unlike normal risk assessment, the SOTA framework uses 'risk' to analyse both positive and negative events.¹⁵⁷

SOTA involves identifying, under broad headings, the SD opportunities and threats that could arise from the firm's operations. The following example is for a resources company, but demonstrates the SD headings adequately for any business.

- **Project Profitability** - *Financial returns to the firm, measured in terms of expected impacts on net present value.*¹⁵⁸
- **Resource efficiencies** – *How well are we conserving scarce resources and making our processes more efficient? What are the implications of current consumption patterns?*
- **Emissions and pollutants** – *What are the main emissions from the site that have the potential to cause environmental damage both locally and globally?*
- **Land use and biodiversity** – *What are the impacts of the mine on local land use and biodiversity? How can the operation make a positive impact? What risks exist in the rehabilitation processes?*
- **General waste streams** – *What are the main types of waste from mining and processing? What are the impacts of waste disposal practices? What opportunities exist to reduce the amount of waste, and re-use or recycle more?*

153 '[M]odularization [is] a process that... helps decision-makers and designers deal with... complex systems... [It] consists of identifying parameters, their role in the completion of the design and the degree of interdependences': Matos & Hall 2007, 1085. Matos & Hall describe an example of life cycle assessment in oil and gas operations.

154 CSR 2003.

155 CSR 2003, 1.

156 Adapted from ACT Gov 2005, for an example of a common risk assessment matrix, see Appendix 6.

157 CSR 2003, 7.

158 CSR 2003, 34.

- **Local disturbances** – What environmental issues directly affect neighbouring communities? What changes has the operation caused?
- **Workplace management** – How does the operation impact on the people who work there? Are there specific health and safety impacts? What opportunities exist to assist employees in managing work/home conflict issues?
- **Community interactions** – How does the mine affect the community, local and otherwise? Are there any health and safety concerns? What benefits to the community have arisen from the presence of the mining operation?
- **Other stakeholder impacts** – What impacts arise from interactions with other stakeholders? How has the operation engaged with stakeholders in the broader community?
- **Local and regional economic impacts** – What are the impacts of the economic activity associated with the mining operation at a local and regional level?¹⁵⁹

Under each of these headings, possible events are identified along with the probability and consequences of each (with threats being assigned a negative number in terms of their consequence).¹⁶⁰ Each event can then be weighted in terms of priority, using a risk assessment matrix.¹⁶¹ The results enable the firm's management to see where overall priorities should be, and to allocate resources and procedures to address those SD threats and opportunities of greatest priority. A full example of working through the SOTA process is provided in Appendix 7. An important point to note is that this process is not something envisaged for management to conduct on its own, but needs broad input from within *and outside* the firm¹⁶² - consistent with SD concepts of participation in decision-making.

3.5 Summary

Firms' attention to areas broader than just financial return has increased over the last two decades. SD measures and initiatives commonly start with environmental impact, but many then broaden into wider areas.¹⁶³ SD initiatives do not have to start on any particular subject or at any particular level in an organisation but wherever they begin, usually only progress slowly and through increased awareness and practice.¹⁶⁴

The various management tools and SDIs outlined above can help the difficult task of translating management-board and strategic directions to consistent 'on the ground' practice throughout the firm's operations.¹⁶⁵ The various techniques and guidance emerging from management practice and writing provide examples of 'operationalising' SD in firms, including through: communications, training, internal advocacy, having SD knowledge as part of core competencies required for key positions, reviews and remuneration tied to SD performance, incorporating non-financial indicators into the Balanced Scorecard, or requiring 'sign-off' that social and environmental impacts have been considered in management decisions.¹⁶⁶ More holistic approaches are proposed in the SOTA (explained above) and life cycle assessment. None of these initiatives or tools have universal acceptance as 'the' way that management should engage with SD, but they do show examples in which firms are already connecting broad SD principles to specific contexts and activities,¹⁶⁷ and also ways in which that progress can be furthered.

These initiatives represent encouraging progress by firms to address SD concerns. While firms have considerable impact, there is much that needs to be done by government and NPOs. The following quote, criticising consumption levels and calling for firms *and others* to address this, provides a suitable lead-in to

159 from CSRSM 2003, 12-13.

160 eg. CSRSM 2003, 25.

161 eg. CSRSM 2003, 26-27.

162 'External stakeholder input – a key part of the SOTA process is recognising the range of stakeholders involved and incorporating their viewpoints into the process in some form. Impacts that affect neighbours and local communities are clearly part of the sustainable development equation, as are interactions with other groups such as regulators.': CSRSM 2003, 17.

163 Searcy 2009, 5-6.

164 de Wit & o'rs 2006, 503. These authors explain that, while progressing SD is not a linear process, moving an organisation's operations to be more consistent with SD often occurs through various stages: [1] Sensitising: becoming receptive to corporate responsibility leading to a level of awareness. [2] Discovering: experimenting through small initiatives and concrete projects. [3] Embedding: linking in with structural and system aspects of the organisation. [and 4] Routinising: linking corporate responsibility to the company's core-competencies.': de Wit & o'rs 2006, 503.

165 eg. particularly relevant to the SD context, see Searcy 2009, 1; Scherrer & o'rs 2007, 459.

166 See descriptions in Searcy 2009, 6-7; and de Wit & o'rs 2006, 497-499.

167 CSRSM 2003, 3.

the next section. The quote is not from an environmental organisation, but the World Business Council for Sustainable Development:

*Current global consumption patterns are unsustainable. ...[E]fficiency gains and technological advances alone will not be sufficient [T]o bring global consumption to a sustainable level; changes will also be required to consumer lifestyles, including the ways in which consumers choose and use products and services. We recognize the need for business to play a leadership role in fostering more sustainable levels and patterns of consumption, through ... innovation, marketing and communications, and by working... with consumers, governments and stakeholders to define and achieve more sustainable lifestyles.*¹⁶⁸

4 MANAGEMENT DIFFERENCES: PROFIT -v- NON-PROFIT ORGANISATIONS

To consider SD's implications for NPO management needs an understanding of both these concepts. The fundamentals of SD were explained earlier. This section briefly overviews NPOs, examining their contrasts and similarities with firm management, and then summarising with key 'realities' of NPO management.

4.1 Overview of NPOs

The phrase 'non profit organisation' includes a hugely diverse range of bodies in terms of size, activities, objectives and formality.¹⁶⁹ To envisage a 'typical' NPO is meaningless¹⁷⁰ but it is possible to identify some common characteristics,¹⁷¹ which are that an NPO is:

- a formal **entity**, ie. exists as an identified body and not simply a network or collection of similar-minded parties;
- **not for profit**, in that it doesn't aim to produce profits, and any profits that occur are used for the organisation's future work – they cannot be distributed to members,¹⁷²
- institutionally **separate from government**;
- **self governing**, in that it is not under the effective control of another party; and
- **non-compulsory** for people to join or contribute money/services – some NPOs have formal membership but others do not.¹⁷³

Some commentary proposes additional characteristics, arguing that certain organisations are not NPOs because they do not provide certain services,¹⁷⁴ or advocate the interests of members which are commercial.¹⁷⁵ These distinctions can be relevant for some purposes of study but the focus of this thesis, on NPO management for SD, means these differences needn't be addressed here. Examples of common NPOs include 'sports and recreation clubs, art and cultural associations, private schools, research institutes, hospitals, charities, religious...and faith-based organizations, humanitarian assistance and relief organizations, advocacy groups and foundations and charitable trusts'.¹⁷⁶

168 WBCSD 2008, 5.

169 Gray & o'rs 2006, 323.

170 Gray & o'rs 2006, 323.

171 The characteristics listed in the text are from UN 2003 (p18-20) unless otherwise noted. There are many definitions and ways of thinking about NPOs, with a different approach being to avoid defining what an NPO is and instead understanding their existence and operation more on a continuum (eg. Musa 2008, 6-11). Musa proposes a table plotting various NPOs on two axes: extent of government connection and scope of operations (replicated in Appendix 8). Such a continuum can help analysis of NPO operations by clearly showing the kind of context that difficult organisations may face. For instance a university or hospital may expect more direct government funding (and control) than a religious body; a humanitarian organisation will have more broad targets than a local sports club.

172 Dalton & Lyons 2005, 7-8.

173 Dalton & Lyons 2005, 12-13.

174 see Unerman & O'Dwyer 2006a, 309.

175 eg. professional bodies and industry associations (Gray & o'rs 2006, 326); see also Beder 1997, 23 (criticising 'front groups that promote the corporate agenda but pose as public interest groups').

176 UN 2003, 3.

In many countries, NPOs provide the majority of community services, and in aggregate are a substantial employer and contributor to national GDP.¹⁷⁷ Many services traditionally provided by government are now performed by NPOs,¹⁷⁸ creating a different relationship between the NPO and government and also increasing NPO responsibilities to those recipients of the services.¹⁷⁹ There is also perceived to be increasing competition between NPOs.¹⁸⁰

4.2 Profit -v- non-profit management

The obvious, and key, distinction is the role of money. A firm's sale of goods/services to the market provides both revenue and information: sales show what is, and what is not, valued by the wider community as 'appropriate' use of the firm's resources.¹⁸¹ The lack of market removes this as an option for measuring NPO output/efficiency,¹⁸² thus encouraging the search for other ways to understand NPO performance.¹⁸³ It also means that NPOs totally depend on outside revenues, usually from government/funders¹⁸⁴ because equity finance is prevented by the prohibition on profit distribution.¹⁸⁵

Most NPOs' external funding is from parties who are not the recipients/beneficiaries of the NPO's activities. This can cause significant management problems trying to address the interests of recipients and funders because these interests often don't coincide.¹⁸⁶ In NPOs 'norms for efficiency, effective performance, allocation, and the like, are often missing or disputed. In some instances, the beliefs held by [funders or government regulators can become the norms]' and the lack of empirical comparison (eg. market performance or competitors' actions) may make for problematic norms being set or agenda/initiatives being pursued by staff or stakeholders'.¹⁸⁷

There are varied opinions on the similarity between firms and NPOs,¹⁸⁸ and some key NPO management dynamics are outlined in the next section, but many of the NPO management problems and tools are identical to those of firms.¹⁸⁹ Clearly firms and NPOs have very different objectives, but they nevertheless share the same management functions: planning, organizing, controlling and directing.¹⁹⁰ It is these management aspects and their relevance to SD which is examined here.

4.3 Management fundamentals of NPOs

To realistically appraise SD and NPO management requires familiarity with the context within which NPOs operate. This context is outlined below, which contains some broad generalisations and some points may be irrelevant to some NPOs because of their size,¹⁹¹ membership,¹⁹² or particular activities. As noted above,

177 WA Plmnt 2000, 6. In Australia, NPOs provide the majority of community services; organise and control most sport, religious and cultural events; and contribute about 3.3% to GDP: Dalton & Lyons 2005, 8; see also Aus Gov 1995, 1-28. The USA's non-profit sector is 'by far America's largest employer, with 80 million Americans giving on average nearly five hours to one or more non profit organisations': Katsioloudes 2006, 592; see also Malani & o's 2003, 181. In Western Australia, NPOs provide many services including 'emergency accommodation, family and children services, employment and advocacy': WA Plmnt 2000, p3.

178 eg. Jordan 2005, 5; Unerman & O'Dwyer 2006a, 307; Gray & o's 2006, 323; WA Plmnt 2000, 1. There has been a huge increase in NGOs development work, eg. in 25 years from 1970, ODA grew from 0.2% through NGOs to 10%: Musa 2008, 2.

179 WA Plmnt 2000, 4

180 Weerawardena & o's 2009, 1.

181 McNabb 2007, 4 & 22; Katsioloudes 2006, 249.

182 Hughes 2003, 76; Katsioloudes 2006, 249.

183 Gray & o's 2006, 333.

184 Katsioloudes 2006, 60. Most NPOs get funds from: philanthropy, public sector payments (incl grants and contracts); fees & charges. Perhaps up to half to 40% of NPO is from public sector: WA Plmnt 2000, p5.

185 UN 2003, 4.

186 eg. Jordan 2005, 9; Katsioloudes 2006, 249.

187 Katsioloudes 2006, 255.

188 see Nowell 2009, 1

189 eg. McNabb 2007, xi; ACCPA 2009; 'The basic principles of effective management are relevant in all organizations, but the specific characteristics of an organization affect how these principles are applied': Hitt & o's 2005, 12

190 On management functions, see Hitt & o's 2005, 26; on similarities between NPO and firm management, see Hughes 2003, 45-46; Lynn 2001, 14.

191 Size determines how you operate, with smaller firms having little demarcation between functions – at the very smallest, everyone mucks in: Emerald 2004, 524. Size of the organisation controls its capacity to take advantage of IT advances: McNutt & Boland 1999, 437.

192 A particular NPO's structure or activities can make accountability more or less of an issue: 'Where there is greater distance between those running the [NPO]...and its key stakeholders, issues often arise in relation to the direction of accountability': Unerman & O'Dwyer 2006a, 310.

many of the management dynamics of firms are faced equally by NPOs, but the following NPO 'peculiarities' also exist.

- (a) Many NPOs depend on **volunteers** for their workforce (sometimes) and management board (usually). This contributes to a higher turnover of personnel¹⁹³ which brings management issues including training, corporate memory, and resource availability.¹⁹⁴
- (b) In addition to volunteers, NPOs (more so than firms) have a **workforce motivated by intrinsic factors** such as indentifying with the organisation's particular objectives. While this has advantages in attracting and retaining staff where financial and work conditions might otherwise be a disincentive, it also has disadvantages in making worker dissatisfaction harder to address.¹⁹⁵ One commentator observed that NPOs 'are less able to devise incentives for staff performance'¹⁹⁶ but NPOs need to (and some do) find different ways guide/measure conduct, which may include: ideals/standards in place of traditional goals; greater use of collaboration and external support and networks; and greater involvement of staff in strategic planning.¹⁹⁷
- (c) NPO **strategy development** has some important distinctions from firms, and efforts to simply replicate business strategy¹⁹⁸ have often failed.¹⁹⁹ There is no generally accepted theory of NPO behaviour.²⁰⁰ Funders and government structures can limit what an NPO can do, with some NPOs restricted to certain areas and activities.²⁰¹ NPO management often has to plan with limited data on its operations because of the inability to obtain that.²⁰² NPOs are warned against fixating on the traditional corporate strategic objective of efficiency because it can lead to counter-productive results, eg. efficiency in a library would encourage keeping books shelved and in a medical centre: on minimising patient intake. Instead, it is 'suggest[ed] that equity in dealing with clients and provision of services is more important than efficiency in public organizations'.²⁰³
- (d) NPO **management** is seen to have considerably greater autonomy and influence on the organisation than is the case for firm management.²⁰⁴ A firm's management is subject to control and intervention by shareholders and the market which will regularly and strongly critique management's decisions and activities. These are not present in NPOs. An interesting reflection can be drawn from psychology studies which show that 'programmed conflict is useful in improving the quality of strategic decisions...[but that while] conflict improves decision quality'²⁰⁵ - regular shareholder/market interaction arguably provides that 'programmed conflict' for firms. This is absent for NPOs. NPO management boards, not being chosen by the organisation's owners (as NPOs don't have 'owners' like a firm's shareholders) can often 'resemble self-perpetuating oligarchies'.²⁰⁶ This dynamic is also reflected in the observation that NPOs 'are much more likely to follow whatever quirky ideas dominate the opinions of their CEO'.²⁰⁷ If the CEO/management of an NPO do not consider SD a significant issue, this can have a more pervasive and immovable influence than if it were in a firm.

193 Katsioloudes 2006, 257.

194 The cost of recruiting, training and supervising volunteers can be substantial: Bowman 2009, 493. See, more generally on volunteer management: Farmer & Fedor 1999, 353-354 & 362-363.

195 Akingbola 2006, 1708-1709; see also Fogel 2009 (in relation to volunteer motivation and management) and Curran 2005, 34-38 (on human resources dynamics in NPOs more generally).

196 McNabb 2007, 523; Glaeser 2003, 2.

197 Katsioloudes 2006, 263-266.

198 'NGOs professionalise: under pressure from management gurus they increasingly adopt corporate strategies': Gray & o'rs 2006, 325. See description of other calls for NGOs to increase their entrepreneurialism in Weerawardena & o'rs 2009, 1.

199 Some NPOs simply adopt commercial firm's strategy processes, which was understandable 'given the rhetoric concerning the discipline of competition... and the various inefficiencies of the non-profit sector. Unfortunately, though, the models adopted had a limited perspective on strategy': Katsioloudes 2006, 246.

200 Malani & o'rs 2003, 181 & 211.

201 Musa 2008, 14; funding can influence/shape the possibilities for non-profit work Dalton & Lyons 2005, 12.

202 Data on operations is often not available, sometimes NPOs 'prohibited from diverting funds from service provision to data collection on the intensity, distribution, and other features of the service delivery' (253). There are other reasons why less data is available on NPO services, and 'as a result, strategy must be developed with little or no supporting data'. This is considerably different from a firm which may have 'considerable market data (eg. sales by region) and strong market signals about success or failure (eg. sales changes following the introduction of new products)': Katsioloudes 2006, 253.

203 Katsioloudes 2006, 262.

204 eg. Glaeser 2003, 2-4.

205 Schweiger & o'rs 1986, 66-67. Interestingly, the authors also noted the programmed conflict which may improve decision can also 'weaken the ability of a group to work together in the future', p67.

206 Glaeser 2003, 14.

207 Glaeser 2003, 5.

(e) NPO **accountability** has been a hot topic for at least the last decade.²⁰⁸ There are essentially three accountability questions: (1) effectiveness - assessing the quality and quantity of the services/activities done by NPO, a concern mostly of donors who are looking at productivity and how their money is spent; (2) independence/reliability - about the NPO's internal governance, and (3) legitimacy - who is the NPO actually representing.²⁰⁹ Much of this debate is not directly relevant to questions of SD and NPO management, but instead focuses on why and how NPOs should be politically accountable.²¹⁰ There are, however, two aspects of relevance for SD. The first is that communication is critically important as a *two-way process* (between management/decision-makers and the NPO's membership/beneficiaries) for any effective progression of NPO objectives;²¹¹ which accords with SD's emphasis on participation²¹². The second aspect is a summary of points of importance for NPOs' governance and options: 'In order to ensure their legitimacy, governance, and system of operation, NGOs need to follow the following guidelines:

- ...emphasize their mission and objectives clearly and ensure... their programmes and operations are ...within these premises...;
- ...improve human resource [within the NPO through training, integration]...;
- ...monitor, evaluate, and review [their] services and activities;
- networking and alliance-building ...to ...maximize the use of available resources to achieve common goals.²¹³

It is noteworthy that many of these points resemble what was shown as important in progressing SD in firms' activities, outlined earlier. These initiatives may equally help SD in NPOs and are examined in more detail in 5 *SUSTAINABLE DEVELOPMENT and NON-PROFIT MANAGEMENT*.

4.4 Understanding NPO performance

Issues of efficiency/productivity are more complex in NPOs (and government). An old management adage says *what gets measured gets managed* but you rarely hear its obvious flipside: *what gets mismeasured gets mismanaged*. NPO objectives and activity, because they are not directed at a single direct objective (making money), present far more difficulty to 'measure' and therefore manage.

Some commentators suggest NPO management should simply emulate firms and focus on efficiency and productivity²¹⁴ or competitiveness²¹⁵. However it is critical to understand the wider aims that NPOs usually seek and the other impacts on those aims. The difficulty that NPOs face is that their broad objectives are often matters beyond their control, with the dynamics perhaps best described from the following diagram (terms are explained in the following paragraphs).

208 eg. Dalton & Lyons 2005, 1-3; Marr & o'rs 2009, 3; Unerman & O'Dwyer 2006b, 350; UN 2007b; Johns & Roskam 2004; Ebrahim 2003a ; Clifford 2007; Jordan & van Tuijl 2007.

209 Jordan 2005, 7-8.

210 eg. Jordan 2005, 13 (encourages self-regulation); Unerman & O'Dwyer 2006a, 308 & 316 and Miller & Twining-Ward 2005, 90-91 (where NPOs are conducting activities previously done by government); WA Plmnt 2000 (potential to improve NPO services).

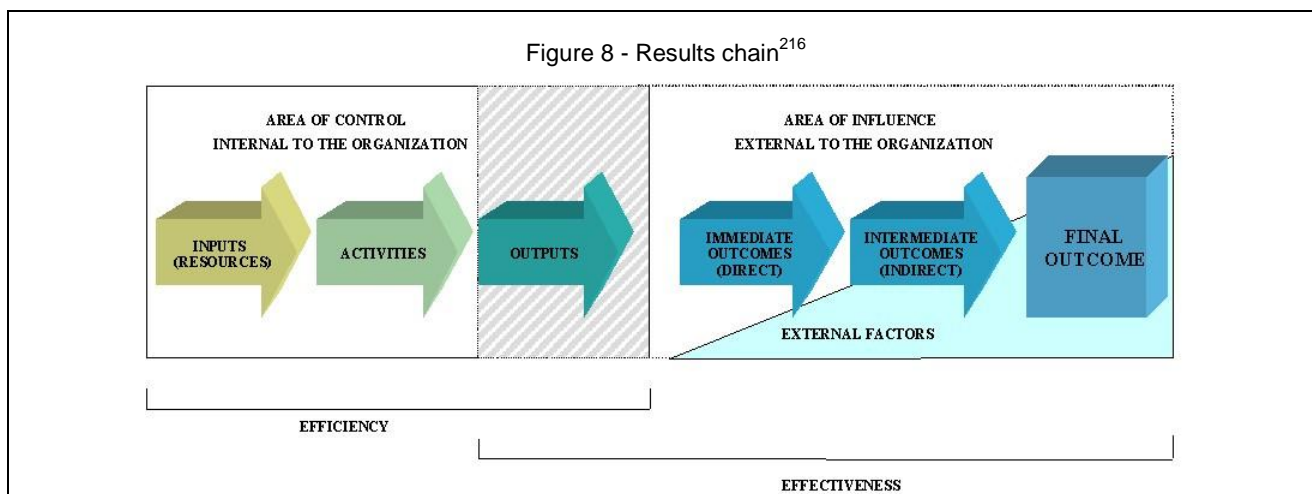
211 '[I]n larger organisations, th[e]...two-way process... [of] communication ...to ensure that the experiences and concerns of members are transmitted to the decision-makers in the organisation...[as well as] keeping members informed of relevant developments and the actions of those who represent the association...is central to the legitimacy of the advocacy organisation': Dalton & Lyons 2005, 14-15; see also Marr 2009, 4. '[A]dvocacy organisations depend on a solid reputation for credibility and legitimacy. For some organisations this will depend on the objectivity and quality of their research; for many, it will depend to varying degrees on the credibility of their claims to represent a particular set of interests, or to understand the views of a wider constituency': Dalton & Lyons 2005, 13-14.

212 eg. *JPI* (2002), [128] & [139].

213 Musa 2008, 13.

214 eg. 'For many years now charities have been encouraged to become more...professional, more efficient. In other words rather more like their commercial counterparts': Marr & o'rs 2009, 3.

215 eg. Glaeser 2003, 2 & 43.



An NPO *should* have control over its inputs, activities and outputs. But it is very difficult to attribute any broader societal change (final outcome) to a specific NGO initiative because of the other impacts or influences that also exist (external factors).²¹⁷ Consider an example of an NPO that wants to help illiteracy in artisanal miners in an area. The NPO may conduct community education classes (activity) and the illiteracy rate may change (final outcome) but how do we know whether any change is because of the NPO's classes? What if there was a contemporaneous influx of foreigners (which may contribute/cause adult comprehension rates to decrease) or if the period is ten years after a very successful local school opened and its graduates are just beginning to enter adult life (which may cause illiteracy rates to decrease)? For the NPO manager, external factors like these make it difficult to analyse the conduct of its activities (the classes): are these running well, could they be improved, should more resources be used, could more be achieved with the current resources?²¹⁸ The difficulty of measuring NPO performance is well documented.²¹⁹ The fact that any particular initiative was 'successful' provides little broader knowledge without understanding the external factors around the final outcome.²²⁰

There are a range of tools which NPOs (and government agencies) use to address this difficulty in relating their activities with the desired final outcome. These include results-based management,²²¹ a balanced score card approach,²²² outputs-outcomes framework,²²³ and logical-framework approach - with this last method being explained in more detail here. The logical-framework approach or **logframe approach**²²⁴ is a

216 Can Gov 2002.

217 Barg & o's 2006, 3.

218 '[A]s we go higher up the [results] chain, to intermediate and high-level outputs, measurement and particularly attribution get harder, due to the presence of other influences': Barg & o's 2006, 4.

219 eg. ICHRP 2009; Davies & o's 2005 (assessing here more specifically about difficulty in measuring impact of academic research and writing).

220 ie. 'why the institutional arrangement had the observed effect in its particular social, economic, environmental and institutional context': Connors & Dover 2002, 20.

221 Results-based management 'is a life-cycle approach to management that integrates strategy, people, resources, processes, and measurements to improve decision making, transparency, and accountability. The approach focuses on achieving outcomes, implementing performance measurement, learning, and adapting, as well as reporting performance': CIDA 2009 (which also provides an overview of how this works in practice).

222 eg. 'Balanced scorecards organize performance measures by organizational drivers—including financial, customer, and internal business processes as well as workforce learning and growth—to help measure performance, make improvements, and assess how well organizations are positioned to perform in the future. Although the plans and scorecards themselves are not intended to resolve or prevent problems, [government] officials intend to use these tools to monitor agency performance, identify developing problems and corrective actions to improve business practices, meet customer needs, and set funding priorities. ... The balanced scorecard is a private-sector concept ...to assess organizational performance and is used by several government agencies.': GAO 2004, 2.

223 eg. Can Gov 2003; NZ Gov 2009, 49-59.

224 It is also known as logframe analysis or LFA: 'LFA or "Logframe" was one of various management techniques urged on and accepted by NGOs [non government organisations], to varying degrees over the past two decades. It was introduced to American NGOs by USAID in the early 1970s, as a means of developing greater precision in goals, objectives, inputs, outputs and 'objectively verifiable indicators' of achievement. Over the next 20 years, it became the tool most favoured by Northern governments in organizing their own bilateral projects, and in ensuring that NGOs, at least when working on larger government-assisted projects, conformed to their own 'professional' management standards and techniques: ICHRP 2003, 96 (some parts of that quote ICHRP drew from Smillie, I, 1995. *Alms Bazaar: Altruism under fire — non-profit organisations and international development*, Colchester (GBR): Intermediate Technology Publications.

tool that helps...sort out the rationale, or expected chain of causes and effects, of a project [through ensuring] that:

- (a) activities are directed towards clearly stated goals,
- (b) important assumptions about external factors are taken into account,
- (c) the goals can be logically derived from the activities, and
- (d) indicators are identified for monitoring.²²⁵

A logframe is rarely used for a whole organisation, but instead to plan and assess the specific projects/activities that the organisation conducts. A common logframe is shown below.

Figure 9 - Basic logframe table²²⁶

Intervention logic	Objective verifiable indicators	Means of verification / measurement	Assumptions
Goal or 'Intermediate outcome(s)'	What indicator(s) will show that your project has contributed to the Intermediate outcomes and Final Outcome?	Where will you find that information?	Assumptions about relationship between Intermediate outcome(s) and the Final outcome.
Purpose or 'Immediate outcome'	What indicator will show that you have achieved your desired Immediate Outcomes?	Where will you find that information?	What key factors must hold true for the Immediate outcome to contribute to the Intermediate outcome(s)?
Outputs What will be achieved by the activities (cell below) that will enable the purpose (cell above) to be achieved	What indicator will show that the outputs have been produced?	Where will you find that information?	What key factors must hold true for the outputs to result in the achievement of the Intermediate outcome?
Activities The activities that will produce the outputs (cell above) provided that you have the inputs shown (cell on the right)	Inputs List the resources (and costs) that you will need in order to produce the activities (cell on the left)	Where will you find the information showing that the activities have been carried out?	What key factors must hold true to enable the activities and inputs to produce the outputs?

In understanding the workings and processes in the logframe, it is important to understand the specific definitions it uses for the various terms.²²⁷

- Activities What the project does (eg. literacy training for artisanal miners).
- Final Outcome The broader societal change that the NPO wishes to contribute to (eg. increase in democracy, enjoyment of human rights). Sometimes termed 'Higher goal'
- Indicators It is not always possible to find indicators that completely capture the outcome or quality being monitored; often approximate indicators need to be used. It has been suggested that indicators should 'pass' the SMART test (*Specific* – clear and concise; *Measurable* - quantifiable; *Achievable* – practical & reasonable; *Relevant* – to users; and *Timed* – range or time limit).²²⁸
- Inputs The resources, including management, required to deliver project outputs (this includes human resources).
- Intermediate outcome(s) The wider objectives to which the project is intended to contribute (eg. changes in governance, law and order, institutional performance). Sometimes termed 'goal'.
- Outputs The actual goods/services delivered by project activities. 'Well defined outputs bring added value to the project activities. Thus a value-added output from training activities is improved knowledge or application of a skill, not number of people trained; the output from building rural roads is number of people with improved access, not miles of road constructed'.²²⁹

225 Poate & o'rs 2000, 12.

226 Developed from ICHRP 2005, 50 and Poate & o'rs 2000, 12, but adjusted to use similar terminology to *Figure 8 - Results chain*, on p34.

227 The definitions following in the text are drawn from Poate & o'rs 2000, 13, unless otherwise noted.

228 Aus Gov 2004, 13.

229 Poate & o'rs 2000, 13.

Immediate outcome	The central objective of the project/activity in terms of sustainable benefits to target beneficiaries (sometimes termed 'purpose'). A project should have a single targeted outcome, to avoid competing objectives in the project design.
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The logframe approach and other methods are used by many governments and some NPOs to help plan and manage their activities. There are, however, continual reports of the problems that government staff have in understanding and applying these frameworks,²³⁰ and the perverse results where outputs are inappropriately measured as indicators of success.²³¹ Given that governments have considerably more resources and years of practice in using these tools, it would be unrealistic to expect anything quick or perfect for NPO use. However these tools do help in management and strategy planning for NPOs. Relevant to SD, *the logframe approach helps NPOs identify the various stages in their planning and activities that they should consider in assessing SD's implications*. It would be disingenuous for an NPO to assert that it works to contribute to a goal/final outcome consistent with SD, or furthering SD, if the NPO has not determined whether all the necessary intermediary steps are consistent with that. The logframe approach assists in that regard.

NPOs are urged to use monitoring to assist their operations.²³² While this is true, unless the monitoring is sensibly applied within a logframe or similar approach, the monitoring may tell little about the NPO's work. There needs to be a distinction between monitoring changes in the final outcome and actually understanding the effects and use of the NPO's work. This is not to say that NPO outputs should be ignored; because the manner of their provision will be good, bad, or indifferent and may need management.²³³ It is simply to emphasise that outputs should not be the predominant focus by which an NPO's 'success' is measured.

5 SUSTAINABLE DEVELOPMENT and NON-PROFIT MANAGEMENT

Sustainable development is a concept requiring attention by all parts of society and its message (demanding broader, integrated and longer-term perspectives) is not only for business and government but also for every NPO.²³⁴ SD is, however, relatively new: there is little written about its implications for NPOs²³⁵ and what has been written is still largely at a conceptual/theoretical stage rather than empirical.²³⁶ There is no shortage of NPOs demanding change in government and business practices to better progress SD. But SD is not something that will simply be delivered by government or business. SD 'requires broad normative change and purposive institutional change'²³⁷ and 'active and creative input from all sectors of society'²³⁸ - NPOs are needed *in this process*, not just as observers/referees of it.

The final section of this paper suggests various areas and methods in which NPO management can understand and improve SD by *and within* the NPO's own operations. However in making these suggestions, the author is very much aware of the limitations under which many NPOs operate (explained

230 eg. Can Gov 2000, 19.113-19.116; Aus Plmnt 2003, 4.34.

231 eg. Ritter 2009, 126-127 & 153 (criticising the choice of particular indicators as measures of 'success'). More fundamentally, a critique of the outputs/outcomes framework is made in Barber, stating 'The output-focussed measurement paradigm supports management behaviour that ignores delays and subtle feedback loops, since it permits relatively convenient and rapid corrective action directly upon outputs. Increasingly, management systems also reward this behaviour by linking quantitative measures of output to remuneration. This further drives rapid short term solutions': Barber & o's 2001, 3; see also Smith 1995, 280.

232 'NGOs can use monitoring to conduct assessment, improve their advocacy and campaigning, as well as strengthen their justification for involvement [in public/gov't deliberations and decision-making] around the world': Miller & Twining-Ward 2005, 88.

233 eg. 'Outputs. In addition to reporting on effectiveness in achieving outcomes, output performance information relates to the quality, quantity and price of agency outputs (i.e. goods and services produced by an agency). The aim is to demonstrate that an agency has addressed the government's purchase requirements in an efficient way, demonstrating overall value for the community': Aus Gov 2004, 51.

234 eg. Blackburn 2007, 431; de Vries & Petersen 2009, 1016.

235 Palme & Tillman 2008, 1350.

236 The one exception is Blackburn 2007, 432-439 (looking at the SD reporting of three NPOs). Weerawardena & o's 2009, have a recent article on sustainability of NPOs, but this approaches 'sustainability' as simply meaning 'in perpetuity' rather than incorporating the full range of SD which is the focus of this thesis.

237 Connor & Dovers 2002, 3.

238 Lafferty & Meadowcroft 2000, 435; see also Brodhag & Talière 2006, 136.

in chapter four). That context demands a constant awareness that academic and management theories will have limited relevance for NPOs if they cannot accommodate the realities of the human interaction occurring in NPO management and activities. Accordingly, the following section might best be introduced with a self-directed warning about armchair critics:

*Monday's Experts always know what's best.
Always tell you what you should've done
Monday's Experts always knows what's cooking.
How the game was lost and how it could have been won²³⁹*

5.1 Overview

Three critical areas for a firm's move toward SD are: corporate strategic management, board-level decision-making, and supply chain management.²⁴⁰ There seems little reason why these areas are not also important for NPOs wanting to understand the SD implications of their operations, and so these are addressed in sections 5.2 to 5.5 below. This is done while acknowledging that there are many other areas of NPO operation which will have significance for SD which are beyond the scope of examination here, such as: change management,²⁴¹ stakeholder engagement,²⁴² cultural differences,²⁴³ strategic marketing,²⁴⁴ organisational culture,²⁴⁵ or partnerships with government or firms²⁴⁶.

As noted earlier, NPOs often face more complexity than firms because NPO objectives usually relate to broader societal dynamics. For instance a firm's main objective might have been to generate revenue, which has been broadened through SD to ensure that activity toward this objective also considers impacts/benefits in relation to social/environmental perspectives. Consider an NPO working on health issues - its advocating of particular measures (eg. greater assistance for AIDS sufferers, increased geriatric care, vaccination for measles, family planning) if followed will likely reduce other services that the health system can provide.²⁴⁷ Accordingly, the NPO should have some idea of the relative costs and benefits of the measures it is calling for, and the effect of these on other parts of society. This brings us to perhaps the hardest aspect of SD for NPOs: integration.

5.2 Integration of SD into NPO strategy

SD's most fundamental, in terms of unsettling, implication for NPOs is in relation to their broad strategy: what is it the NPO wants to achieve? As confronting as SD has been for many firms, criticising a sole focus on one objective (money) it has the same message for NPOs: any aim to simply improve one issue without regard to its broader implications is no longer acceptable. Wider perspectives are needed,²⁴⁸ of other areas (ie. economic, social *and* environmental perspectives), other populations, and what the future will likely involve for both these matters.

Although SD demands a broader perspective, there is a delicate balance for each NPO to weigh between framing its objectives so widely that they become ineffectual²⁴⁹ and so narrowly that they not only ignore SD aspects but also other opportunities to advance areas the NPO wants to achieve.²⁵⁰ The ideal situation will likely be quite specific objectives but acknowledgement and action that these are to be advanced in

239 WPA 1992.

240 Searcy 2009, 1.

241 There is a vast amount of material written on managing change (eg. Hitt & o'rs 2005, 39-65) including specifically in relation to NPOs (Ebrahim 2003b).

242 eg. Östensson 2000.

243 eg. Baughn & o'rs 2007; Aus Gov 2007.

244 eg. Katsioloudes 2006, 269-307.

245 eg. Curran 2005.

246 eg. McNabb 2007, xiv.

247 eg. Williams 1985, 326-327 (discussing the methods of measuring the benefits from various medical procedures and how priorities could be allocated within a limited resource pool).

248 eg. Blackburn 2007, 431; there is criticism of single issue organisations and advocacy as 'reducing the autonomy and deliberative power of government institutions': Jenkins 2006, 307.

249 '[I]f we are not careful, RBAs [human rights based approaches] can be overly broad, and organizational missions can become diffuse; we ill-serve struggling people by being ineffectual — or worse, carelessly un-strategic and, therefore, counterproductive': Yamin 2008b, 50.

250 A NPO's 'narrow conception of [its] role can [result in it] miss[ing] opportunities to act': Katsioloudes 2006, 252.

ways consistent with SD. The following comment was made in relation to business advocacy but applies with equal legitimacy to the approach any NPO advocacy could usefully take:

[B]usiness advocacy, if properly controlled and practised, may help pluralistic society to reach policy decisions and function more effectively by contributing to mutual understanding between government departments, national and international institutions and various interest groups concerned. Indeed, the rational[e] for any business advocacy campaign is not exclusively to achieve benefits for the business organisation or its members but also to serve the public interest. Advocacy should defend business interests, but – to be sustainable in long term- it also should maintain a harmony between private and public concerns.²⁵¹

Sustainable development demands greater awareness of resource availability and use, and is demonstrating the longer-term inconsistencies. The graph of ecological footprint earlier²⁵² showed that hardly any society is achieving basic living standards within limits consistent with SD. NPOs cannot ignore this reality in their strategy. Many governments do not have enough resources to ensure immediate and full realisation of all human rights; so the dedication of resources to a specific area is often removing these from elsewhere.²⁵³ The question of resources, and their allocation, is probably the most difficult area of government policy. Macroeconomics' focus on broader systemic issues, and the deliberate ignoring of individuals' plight may seem callous or even amoral from a human rights perspective. But it is not so clear cut, as Brinks & Gauri illustrate:

[I]n Costa Rica, a...decision by the...Supreme Court led to an 80 percent reduction in mortality rates among AIDS patients. The other side of the coin, of course, is that the public health system now spends 8 percent of its medication budget to treat 0.012 percent of its patients. ...[D]id [this]...lead to a net improvement in health outcomes or human welfare? ...Neither the critics nor the advocates of the justiciability of SE [social and economic] rights have persuasively tackled, let alone answered, this question.²⁵⁴

There is no shortage of wisdom about NPO advocacy needing to address issues of resources and priorities.²⁵⁵ This is, unfortunately, not accompanied with equally amounts of sage/useful advice on how to address the various complexities. Government's fiscal policy and expenditure decisions involve reconciling conflicting interests, so there is rarely a 'perfect' solution. Consider an NPO seeking to advocate improved government services. There will inevitably be possibilities for improvement, therefore an NPO approach that goes looking for deficiencies (eg. 'does everyone have access to tertiary education?', 'are any cultural practices impeded?', or 'does the government provide free drinking water?') will simply create a long list of deficiencies with little guidance as to priorities.²⁵⁶

NPOs' work and advocacy, where it demands greater resources from government for proposals, has some obligation to put that within a broader context and ideally justify its consistency with SD. Even if the NPO does not do so as part of its work, it is an exercise which any representative government will have to take:

*[Regardless of whether] the debate over fiscal space [ie. gap between government revenue and spending - the ability for the government to address any new initiatives] may have emerged in terms of the perceived value of spending on health, education, or infrastructure, **it is necessary to assess the scope for higher spending within the context of a comprehensive and forward looking fiscal and budgetary framework. Governments have an obligation to weigh the relative merits of spending across different sectors.**²⁵⁷*

251 Kostecki 2005, 11.

252 See Figure 1 - National HDI and ecological footprint, p10.

253 eg. Rubenstein 2004, 852-853; Unerman & O'Dwyer 2006b, 355.

254 Brinks & Gauri 2008, 342.

255 eg. 'for human rights frameworks to contribute meaningfully to development and public health practice more generally, they must also add something to the much messier questions of priority-setting and resource allocations. Otherwise, calls for rights-based approaches to health and development amount to little more than sloganeering': Yamin 2008a, 8; '[A] human rights approach gives little or no guidance in terms of prioritizing allocative decisions or making trade-offs, and cannot easily analyse the sometimes perverse consequences of a redistributive policy': Alston & Robinson 2005, 7; see also Yamin 2009, 49; Robinson 2005, 35; UNDP 1998, foreword.

256 eg. Grindle 2004, 536 (here making this point about analysis of good governance, not human rights, but the logic applies equally).

257 Heller 2005, 4-5 (emphasis added).

The last point in relation to integration is that SD will require some NPOs to re-assess the tools and assumptions they are using for their work. For example human rights NPOs use human rights standards as the basis on which they analyse situations and advocate change. Most of these standards were developed in the 1940s-1960s, long before awareness of resource limitations, environmental protection and SD. Some of the human rights standards require adjustment in light of these more contemporary understandings.²⁵⁸ Recent guidance from human rights treaty bodies has started to address the potential inequities in unequal application of resources, but only in relation to health spending,²⁵⁹ water access²⁶⁰ and housing²⁶¹. In these, and various other areas, NPOs will need to broaden their disciplinary skill-set and resources if their framework and approaches are to be consistent with SD. The NPO will need to be able to understand the wider issues that SD's broader and integrated approach requires. For example, in relation to health 'it is public health [writing and analysis] and not an immutable principle of human rights which suggests under what circumstances a government should be held accountable for specific conducts (that is, process indicators) or results (that is, outcome indicators) relating to an aspect of health'.²⁶²

5.3 Strategic planning and timeframes

Aside from questions about the width of an NPO's focus and integration in determining its objectives, there are other aspects which an NPO should address in its strategy from a SD perspective. For NPOs, strategic planning will likely generate the most productive results when conducted using tools such as the logframe approach and SOTA which help identify and prioritise achievable goals for the NPO's work. Coupled with SDIs, these can be a useful tool for strategising effective programs consistent with SD.²⁶³

A dilemma which may well arise is the time-frame which an NPO should adopt for its strategy. It has been observed that NPOs suffer from 'problems of short-termism (which arise from a tendency to only focus on the "politics of protest")'.²⁶⁴ This frequently results in NPO strategies tending to be more reactive than firms, which can take broader planning decisions about changing resources and direction.²⁶⁵ On the other hand, if an NPO is being too proactive, this can crystallise opposition which may be counterproductive to the NPO achieving its aims.²⁶⁶ Indeed, at its most serious, this can lead to an NPO's demise. The Mining, Minerals and Sustainable Development (MMSD) project in Australia was project-managed by a local NPO who conducted a thorough two-year process and report. Its funders, however, did not like the result and shortly after defunded the NPO bringing it to an end:

*The disturbing part of this process came after [the MMSD project]: rather than building on these considerable accomplishments, key supporters of AMEEF [the NPO] decided, for reasons that have never been clear, to withdraw their support from the organization, which then went out of existence. The decision lacked the ideal level of transparency and made it clear that some in the Australian mining industry were simply unable to accept any information that did not fit their rather rigid views.*²⁶⁷

5.4 Daily management

The heading 'daily management' is used not because of any general acceptance of the term but simply to emphasise the distinction from strategy. An NPO's management team needs to address these two distinct processes (strategy and management) in considering SD and the NPO's operation. Strategy was addressed above - the issue here is the actual conduct of the NPO's work. These two processes obviously need to inform each other, but the message from this section is that regardless of what the NPO strategy is (and its

258 Southalan 2010.

259 *Gen Comm 14* (2000), [19] & [52] (avoid resourcing misallocations causing some groups to have inadequate health care).

260 *Gen Comm 15* (2002), [14] & [37] (prevent water hoarding by societal elites), and [25] (encourage public education against wasting water).

261 *Gen Comm 4* (1991), [11] (avoid benefiting already advantaged social groups with housing, at the expense of others).

262 Yamin 2008a, 8-9.

263 'SDIs are essential for designing strategies and specific interventions that address real priorities, that take interactions between sustainability issues into account, and that help identify weaknesses. Although politically often a challenge, SDIs help improve accountability...of specific sustainability initiatives...': Pintér & o'rs 2005, 9-10.

264 Gray & o'rs 2006, 337.

265 Katsioloudes 2006, 261.

266 Katsioloudes 2006, 261.

267 Danielson & Digby 2006, appendix 1, 18.

consistency or otherwise with SD) there are important areas of the NPO's 'daily' management which are also relevant. Indeed, given one writer's description of internal management as 'factors over which you might have greater, or at least more immediate, control',²⁶⁸ this will be the area where the NPO actually advances or impedes SD.

Again, references to SDIs abound in the literature relevant to SD and NPO management.²⁶⁹ SDIs should have informed the strategy formulation in the NPO, but they also have a role in daily management, through 'Incorporating [SDIs]...into individual and [team] unit reviews',²⁷⁰ and to 'help improve accountability...of specific sustainability initiatives'.²⁷¹

Management needs to find ways to translate the NPO's strategy and SD into the attitudes and priorities of staff. Just as with firms, attention needs to be given to staff development and 'soft-wiring' issues so that decisions and initiatives to further SD are not simply 'organisational policy' but actually what the NPO does in practice. This will often be a far harder process in NPOs because of the different motivations of the work force and membership, and NPO management needs to be aware of prevalent attitudes to SD among staff (paid and volunteer) and membership. Many of the initiatives used to further SD within firm workforces also have relevance for NPOs.

NPO management can use various management tools to monitor the progress across their organisation in relation to SD, for example the balanced scorecard and the value chain. It has been suggested that the value chain has little use for organisations operating outside the market,²⁷² but this must be queried. Certainly a value chain which examines only production costs will be of little value, but the SD Value Chain outlined earlier provides a useful tool for NPO management wishing to address SD aspects in their operations.

A useful conclusion on 'daily management' is provided by a report on NPO accountability, emphasising the importance of continual monitoring. This is equally relevant to management and SD in NPOs:

*Measuring effectiveness generally requires an organisation to become more self-conscious, even introspective, about its role and influence. It means agreeing targets – which may be revised, possibly repeatedly, in fast-changing situations – and creating systems for monitoring and evaluating the impact of activities in relation to those targets. It also implies monitoring unintended effects of activity (which may be negative, either for people the organisation seeks to defend or for others). Finally, it means keeping an eye out for effects that an organisation did **not** have because it did **not** take action or did **not** use its influence when it could have done.*²⁷³

5.5 Supply chains

Management of supply chains, and how an organisation produces and disseminates its goods/services is seen by some as the lynchpin of an organisation:

*amateurs talk strategy and professionals talk logistics*²⁷⁴

*Without successful implementation, an organization's strategy is really nothing more than a fantasy.*²⁷⁵

This applies equally to NPOs and to implementing SD within NPO operations. All the planning and theory in the world counts for nought if it isn't delivered through the organisation's processes (supply chain). Understanding and addressing SD aspects of a supply chain requires awareness of the full system within which it operates. The following is adapted from a mining industry report about the industry wide 'value chain' of a mineral product²⁷⁶ and helps identify SD issues that will exist in an NPO's supply chain:

Map your key materials flows, applications and responsibilities

268 Katsioloudes 2006, 99.

269 eg. Pintér & o'rs 2005, 9-10; Searcy 2009, 12-14.

270 Searcy 2009, 12-14.

271 Pintér & o'rs 2005, 9-10.

272 Emerald 2004, 520.

273 ICHRP 2009, [152].

274 Hugos 2006, 2.

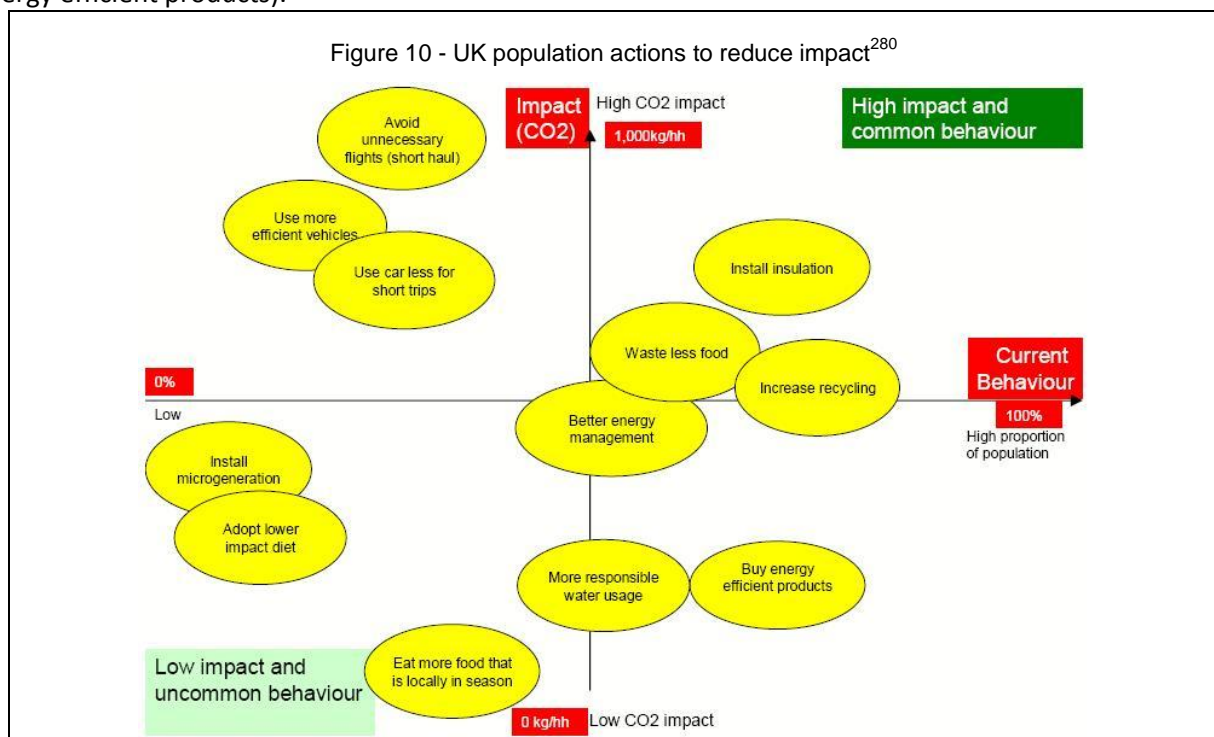
275 Katsioloudes 2006, 19.

276 ICMM 2006, 14.

Begin with a 'big picture' summary of main inputs to your services/material (from ideas right through to key end-users), priority end-uses, suppliers, and actors along the life cycle – particularly those who affect the ultimate use and end of life of the services/material. The main objective in undertaking this mapping exercise is to better understand who is involved in your supply chains. This activity can help identify where you may have direct control over activities, where you may have a shared responsibility and where other actors in the supply chain need to take the lead.²⁷⁷

NPOs, just like firms, should understand and consider the *end-user's* needs in supply chain management rather than simply assessing matters from the organisation's perspective of what it can obtain and what it wants to supply.²⁷⁸ Some SD aspects in the supply chain are easily measured (eg. lower energy usage) but others are not (eg. increased reputation and its effect on the NPO's influence and impact).²⁷⁹

What action should be considered in relation to SD aspects of an NPO supply chain (ie. to reduce impacts and increase benefits)? A recent UK report demonstrates that many people avoid the more significant changes (eg. less short haul flights, and car use) and adopt 'easier' but less beneficial changes (eg. recycling, energy efficient products).



This serves as a useful warning for NPOs (as it does government and business): are there activities in how the NPO currently does its work, or elsewhere in its supply chain that could be improved from a SD perspective? Using energy efficient products and increasing recycling may make people feel as if they contributing but it makes little difference if the NPO or staff are avoiding more significant changes. There are many opportunities to use technology to obviate the need for much travel. With the continual improvement in IT applications, matters which traditionally involved people having to meet face-to-face have growing possibilities through computers and internet connection (eg. web-conferencing, product dissemination).

Even where an NPO identifies an area where improvements could be made, it is not always within its power. In this respect here are similarities between many NPOs and small business: limited resources to dedicate to specific strategy and review analysis; and less control over various parts of their operation

277 Familiarity with your supply chain 'help[s] identify key partnerships and actions that will improve the overall...performance' of your material': ICMM 2006, 13.

278 Emerald 2004, 522. Supply chain/life cycle issues are important for maintaining the social licence to operate: ICMM 2006, 3.

279 ICMM 2006, 11.

280 UK Gov 2008, 6.

where they are dependent on larger firms/parties over which they have negligible influence (eg. land-lords, large suppliers).²⁸¹

6 SUMMARY

This is very much *not* a conclusion. If there is one thing this thesis shows, it is that NPO engagement with SD is only beginning. There is little documented evidence of, or writing on, NPOs modifying their operations to address SD. But these are changes still confounding many firms and government, who have far more resources and advice on how to go about the process.

Reflecting on what can be learnt from firms' progress in relation to SD, it is possible to summarise areas that an NPO's management should consider in understanding and addressing the NPO's operations in terms of SD. As indicated in the opening paragraph of this thesis, this essentially involves aiming to integrate environmental protection, social equity *and* economic growth into the NPO's decision-making and operations. That aim may be furthered through the following ways.

Use / investigate

- Use SD balanced scorecard approach to determine strategic and management decisions
- Understand and respond to staff perceptions and culture, thus ensuring that SD measures are not simply a 'policy on paper'
- Use SD value chain to understand and measure the organisation's internal processes in providing its goods/services
- Consider SD issues throughout the NPO's external supply chains, both up- and down-stream
- Examine and implement SDIs to measure economic, social and environmental aspects of the NPO's processes and output
- Consider SOTA and logframe planning to determine SD priorities for the NPO, ensuring stakeholders (internal and external) are involved

Avoid / address

- Deciding priorities by comparison with similar organisations because they may have little relevance to SD
- SD and initiatives simply being something used for public relations and reporting but not actually influencing and guiding the NPO's management and operations

A salutary example is provided by the most recent Annual Report of Australia's Human Rights Commission (HREOC). Although it is an independent statutory body, the Commission shares many similarities with NPOs in terms of objectives and management dynamics. The Commission has wide-ranging powers and remit (eg. requiring and reporting on issues of criminal procedure, disability discrimination, indigenous rights, maternity leave and many other areas of government responsibility). The Commission's report stated:

²⁸¹ eg. Blackburn 2007, 431 & 432.

While human rights principles are fundamentally embedded within the principles of ecologically sustainable development (ESD²⁸²), HREOC's activities do not explicitly contribute to ESD nor impact directly on the environment other than through its business operations in the consumption of those resources required to maintain the operations of HREOC.

HREOC uses energy saving methods in its operations and endeavours to make the best use of resources. Purchase and/or leasing of 'Energy Star' rated office machines and equipment with 'power save' features is encouraged, and preference is given to environmentally sound products when purchasing office supplies.

HREOC has implemented a number of environmentally friendly initiatives to reduce the environmental impact from its operating practices. Major energy consuming services such as air conditioning and lighting are switched off outside work hours. In addition waste paper, cardboard, printer cartridges and other materials are recycled subject to the availability of appropriate recycling services. HREOC also uses new generation low mercury triphosphor fluorescent tubes.

During 2007-08 HREOC and staff participated in the Earth Hour initiative which was held on Saturday 29 March 2008.²⁸³

This demonstrates a very limited understanding of SD and what it means in the organisation's work processes and output.²⁸⁴ But the Commission is far from alone because the situation is similar in other government agencies, with a report *a decade earlier* noting:

*to date the incorporation of ecological sustainability into [government] policy has been ad hoc, incomplete and tentative. **The central problem is that Australian governments have yet to put in place a comprehensive, integrated and far-sighted way of promoting the ecologically sustainable management of natural resources in agriculture. ...[T]here are flaws in the design and execution of policies directed at natural resources and environmental protection.**²⁸⁵*

It is worth repeating the point: firms and government have had more time, more resources, and more guidance in how to address SD in their management and operations. Clearly, there is still much work to do on SD management in NPOs. The putting 'in place a comprehensive, integrated and far-sighted way of promoting' SD in NPO management is a project for which there are various tools and ideas but few examples.

This thesis has identified various tools to assist NPO management engage with the implications of SD. The next stage, for NPOs wanting to address sustainable development in their management and operations, is to use the ideas and tools identified here, and for that to be examined, analysed and improved.

282 Ecological sustainable development is the term the Australian Government uses for SD: Aus Gov 1998, 54; for more detail on ESD and SD, see Edwards 2009, 6.

283 Aus Gov 2008a, 170 (emphasis added).

284 It is an example of Searcy's observation that organisation's SD initiatives often begin simply with addressing environmental impacts, see 3.5 *Summary* above.

285 Aus Gov 1998, 5 (emphasis added).

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8 APPENDICIES

Appendix 1 Examples of sustainable development concepts in national law

(see footnote 34 and related text)

Australia

*Environment Protection and Biodiversity Conservation Act*²⁸⁶

Section 3A

Principles of ecologically sustainable development

The following principles are principles of ecologically sustainable development:

- (a) decision making processes should effectively integrate both long term and short term economic, environmental, social and equitable considerations;
- (b) if there are threats of serious or irreversible environmental damage, lack of full scientific certainty should not be used as a reason for postponing measures to prevent environmental degradation;
- (c) the principle of inter generational equity--that the present generation should ensure that the health, diversity and productivity of the environment is maintained or enhanced for the benefit of future generations;
- (d) the conservation of biological diversity and ecological integrity should be a fundamental consideration in decision making;
- (e) improved valuation, pricing and incentive mechanisms should be promoted.

*Blue Wedges v Environment Minister*²⁸⁷

Justice North, para [87]

The focus of the principles of ecologically sustainable development referred to in ss 3A(b), (c) and (d) is on environmental rather than social matters. For instance, in relation to the principles of intergenerational equity referred to in s 3A(c) the focus is on maintaining or enhancing the quality of the environment, not on protecting or enhancing social activities per se. If there were social matters which might be affected by a proposed action, ensuring that future generations do not carry an inequitable cost in terms of the quality of the environment would of itself ensure that the impact of the proposed action would be minimised. In the present case, the Minister formed the view that there would be no significant effect on the protected matters taking into account the principles of ecologically sustainable development. Thereafter, there was no

occasion to apply those principles to the limited social matters identified by the Minister for mention.

Brazil

*Decreto 1160*²⁸⁸

"This law creates the *Comissão Interministerial para o Desenvolvimento Sustentável* (CIDES) [Interministerial Commission for the Sustainable Development] to advise the President of the Republic in the adoption of measures related to the national strategies needed for a sustainable development, pursuant to the 'Agenda XXI'."

China

*Prevention and Control of Environmental Pollution by Solid Waste Law*²⁸⁹

Article 1

General Provisions

This Law is enacted for the purpose of preventing and controlling environmental pollution by solid waste, ensuring human health, maintaining ecological safety and promoting the sustainable development of the economy and society.

Japan

*Fundamental Law for Establishing a Sound Material-Cycle Society*²⁹⁰

Article 3

Establishment of a Sound Material-Cycle Society

The establishment of a sound material-cycle society must be made, by encouraging actions on this to be taken autonomously and positively according to their economic and technological possibilities, with the purpose of realizing the society of sustainable development, by fostering sound economic development with reduced environmental load.

²⁸⁶ EPBC Act (AUS).

²⁸⁷ *Blue Wedges -v- Environment Minister* (2008) at [87] per North J.

²⁸⁸ *Decreto 1160* (BRA).

²⁸⁹ *Prevention & Control Env. Pollution* (CHN).

²⁹⁰ *Basic Law for Sound Material-Cycle Society* (JPN).

Nigeria

*Niger-Delta Development Commission (Establishment etc) Act*²⁹¹

Section 7(1)

The Commission shall-

- (a) formulate policies and guidelines for the development of the Niger- Delta, area,
- (b) conceive, plan and implement, in accordance with set rules and regulations, projects and programmes for the sustainable development of tie Niger-Delta area in the field of transportation including roads, jetties and waterways, health, education, employment, industrialization, agriculture and fisheries, housing and urban development, water supply, electricity and telecommunications;

Philippines

*Decree Further Strengthening the Philippine Council for Sustainable Development*²⁹²

[The Philippine Council for Sustainable Development was established 'to ensure that the commitments made in the Rio de Janeiro Declaration are fulfilled and to realize the country's sustainable development goals']

Section 4

Powers and Functions of the Council

- To act as the coordinating mechanism with the United Nations Commission on Sustainable Development (UNCSD) and the Governing Bodies or Secretaries of other related multilateral conventions, through the Department of Foreign Affairs (DFA);
- To establish guidelines and mechanisms that will ensure that the sustainable development principles, as embodied in the Rio Declaration, Agenda 21, and the Philippine Agenda 21, are integrated in the formulation of national, regional and local development policies, plans and programs;
- ...

United Kingdom

*Planning Act*²⁹³

Section 5

National policy statements

- (1) ...[A] national policy statement ... (b) sets out national policy in relation to one or more specified descriptions of development .

...

- (3) Before designating a statement as a national policy statement for the purposes of this Act the Secretary of State must carry out an appraisal of the sustainability of the policy set out in the statement.

...

- (7) A national policy statement must give reasons for the policy set out in the statement.

- (8) The reasons must (in particular) include an explanation of how the policy set out in the statement takes account of Government policy relating to the mitigation of, and adaptation to, climate change.

...

Section 10

Sustainable development

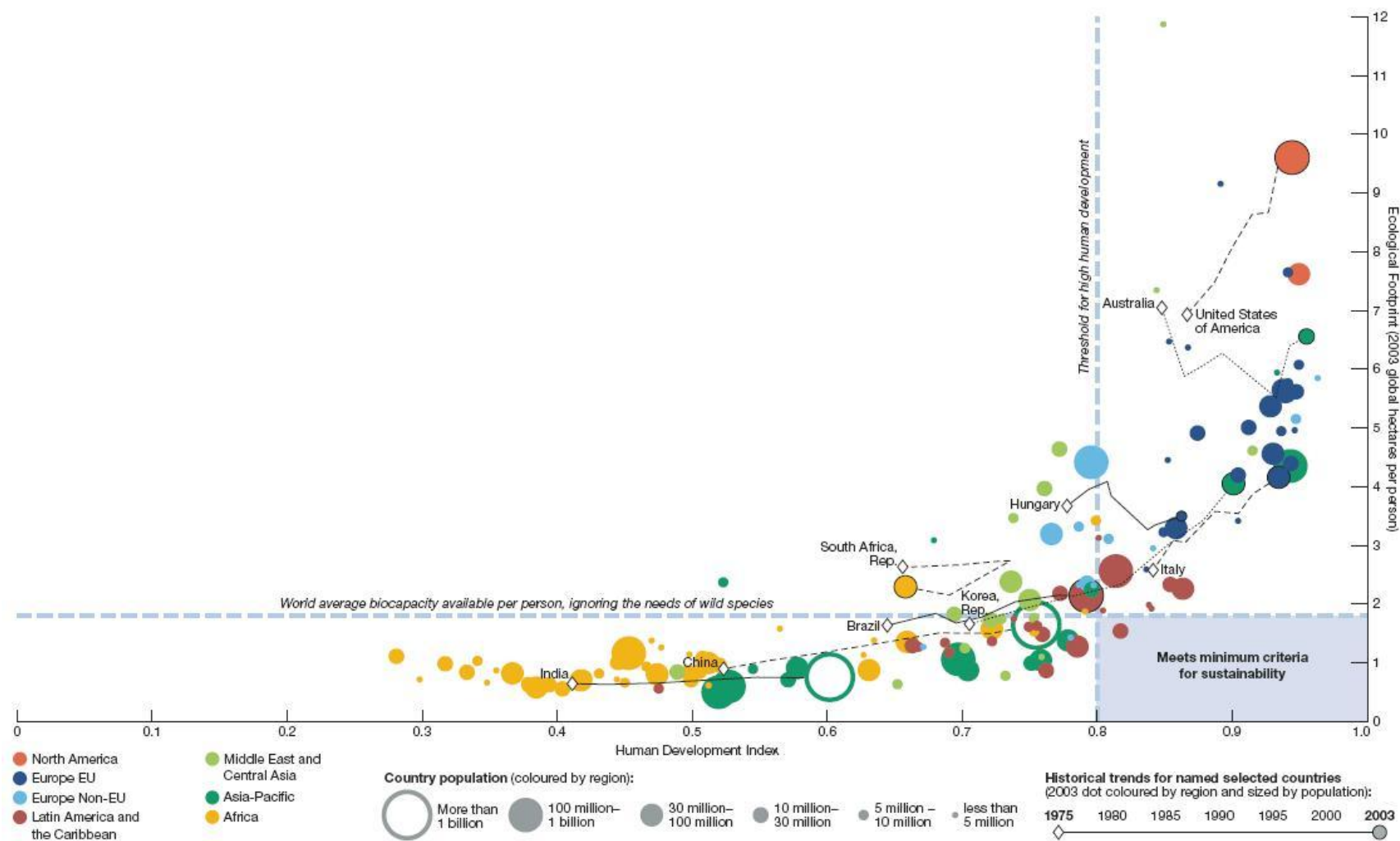
- (1) This section applies to the Secretary of State's functions under sections 5 and 6.
- (2) The Secretary of State must, in exercising those functions, do so with the objective of contributing to the achievement of sustainable development .

²⁹¹ *Niger-Delta Dev. Comm. Act (NGA).*

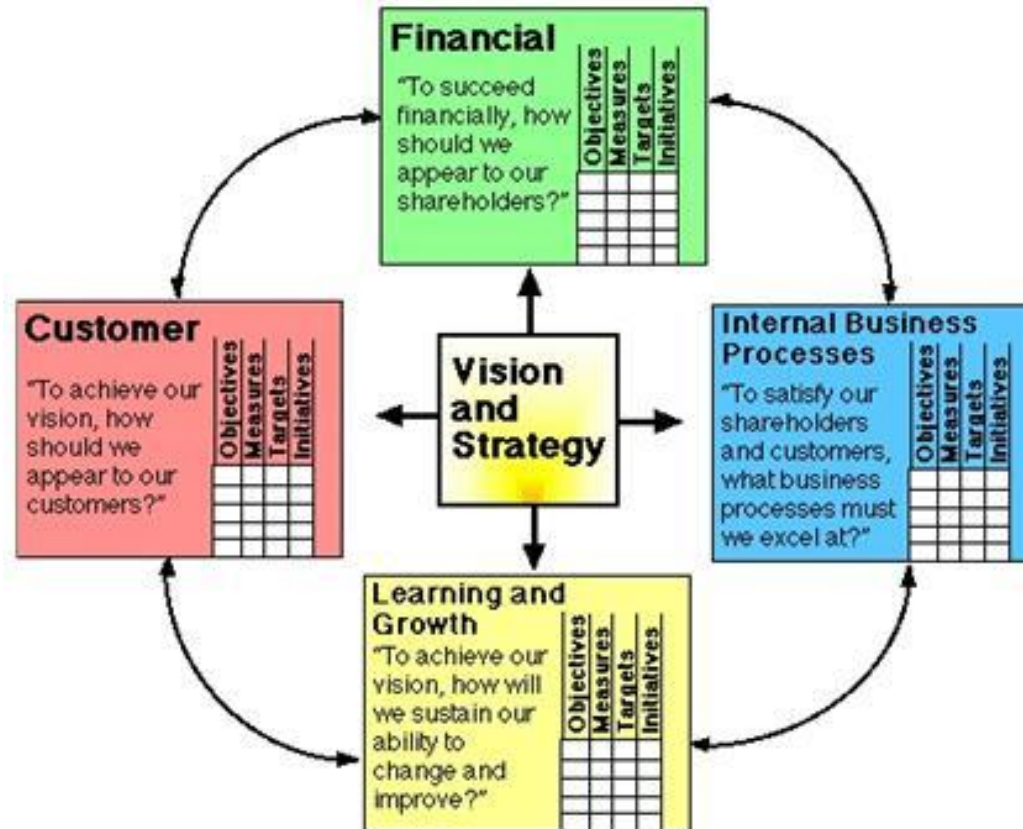
²⁹² *Further Strengthening Council for Sus Dev (PHL).*

²⁹³ *Planning Act 2008 (GBR).*

Appendix 2 National HDI and ecological footprint (see p6)



Appendix 3 Traditional Balanced Scorecard
 (see footnote 93 and related text)

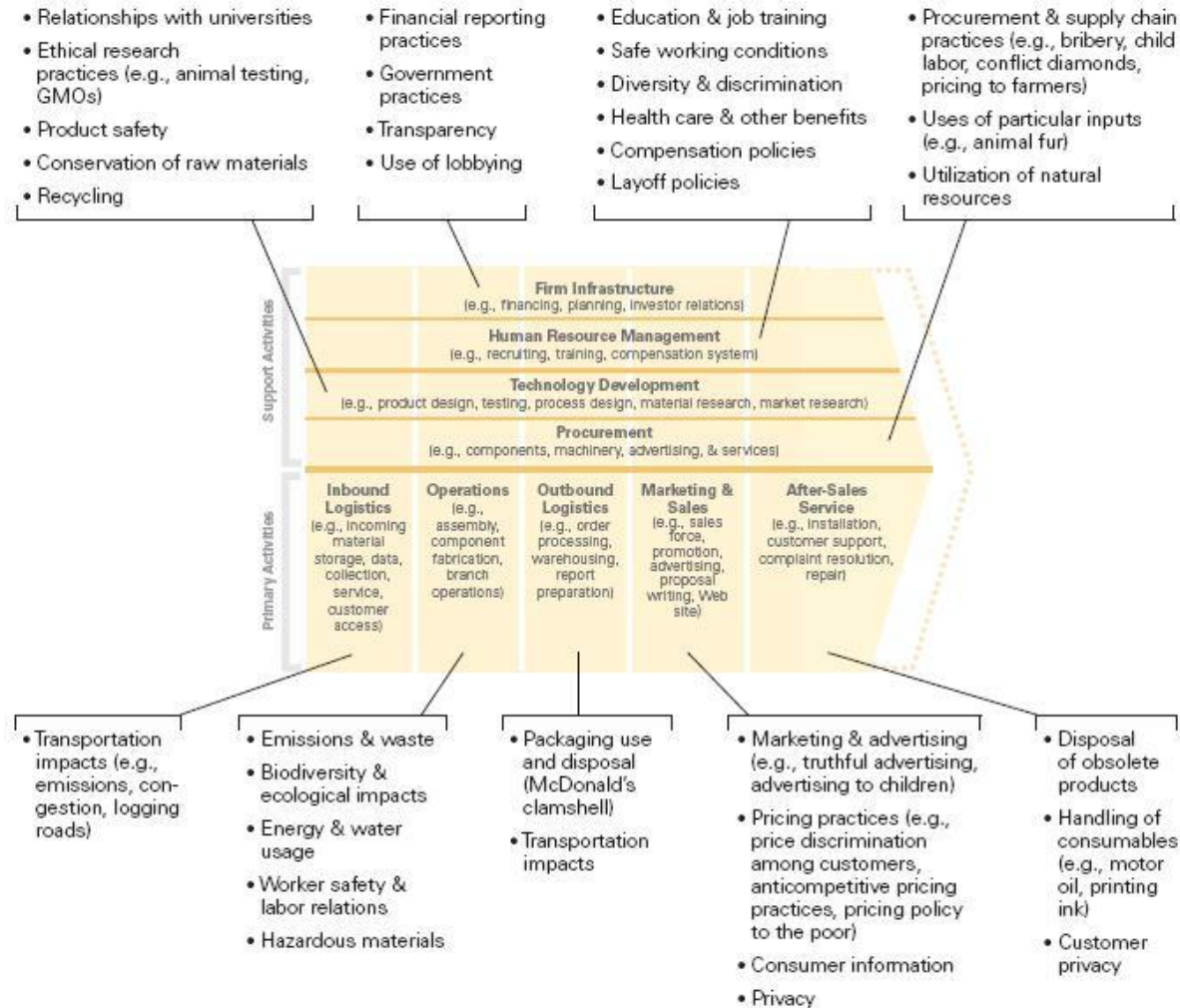


Appendix 4 SD Balanced Scorecard
(see footnote 94 and related text)

Financial performance		Organizational sustainable performance index				Customers/market performance	
Measure	Rating (1-5)	Measure	Rating 2005	Rating 2004	Measure	Rating (1-5)	
Sales growth	3	Financial	3.2	3.0	Market share	5	
Return on sales	4	Internal process	3.4	3.2	No. new customers	5	
Return on assets	2	Customers/market	4.2	3.8	Product returns rate	4	
Return on equity	5	Learning & development	3.4	3.4	Defects	4	
Gearing	2	Environmental	2.4	2.0	Order cycle time	3	
Overall	3.2	Social	3.6	2.6	Overall	4.2	
Internal process performance						Learning and development performance	
Measure	Rating (1-5)					Measure	Rating (1-5)
Productivity	4					New products	1
Labour turnover	2					New markets entered	5
Av. unit production	4					R&D spend/sale	3
Working capital/sales	4					Training spend/sale	5
Capacity utilization	3					Invest./total assets	3
Overall	3.4	Overall	3.4				
Social performance						Environmental performance	
Measure	Rating (1-5)	Measure	Rating (1-5)				
Employee satisfaction	4	Key material use/unit	3				
Social performance of suppliers	4	Energy use/unit	1				
Community relationships	3	Water use/unit	3				
Philanthropic investments/revenue or profit	3	Emissions, effluent & waste/unit or as a % of total resources used	1				
Industry-specific factor (e.g. Community Open Days)	2	Industry-specific factor (e.g. GHG emissions)	4				
Overall	2.6	Overall	2.4				

Appendix 5 SD Value chain

(see footnote 98 and related text)



Appendix 6 Risk assessment matrix

(see footnote 156; the following is from ACT Gov 2005, 11)

Risk Assessment Matrix – Level of Risk

>7: Extreme risk

– detailed action plan required

6,7: High risk

– needs senior management attention

5: Medium risk

– specify management responsibility

<5: Low risk

– manage by routine procedures

High or Extreme risks must be reported to Senior Management and require detailed treatment plans to reduce the risk to Low or Medium.

	Consequence				
People	Injuries or ailments not requiring medical treatment.	Minor injury or First Aid Treatment Case.	Serious injury causing hospitalisation or multiple medical treatment cases.	Life threatening injury or multiple serious injuries causing hospitalisation.	Death or multiple life threatening injuries.
Reputation	Internal Review	Scrutiny required by internal committees or internal audit to prevent escalation.	Scrutiny required by external committees or ACT Auditor General's Office, or inquest, etc.	Intense public, political and media scrutiny. Eg: front page headlines, TV, etc.	Assembly inquiry or Commission of inquiry or adverse national media.
Business Process & Systems	Minor errors in systems or processes requiring corrective action, or minor delay without impact on overall schedule.	Policy/procedural rule occasionally not met or services do not fully meet needs.	One or more key accountability requirements not met. Inconvenient but not client welfare threatening.	Strategies not consistent with Government's agenda. Trends show service is degraded.	Critical system failure, bad policy advice or ongoing non-compliance. Business severely affected.
Financial	1% of Budget or <\$5K	2.5% of Budget or <\$50K	> 5% of Budget or <\$500K	> 10% of Budget or <\$5M	>25% of Budget or >\$5M

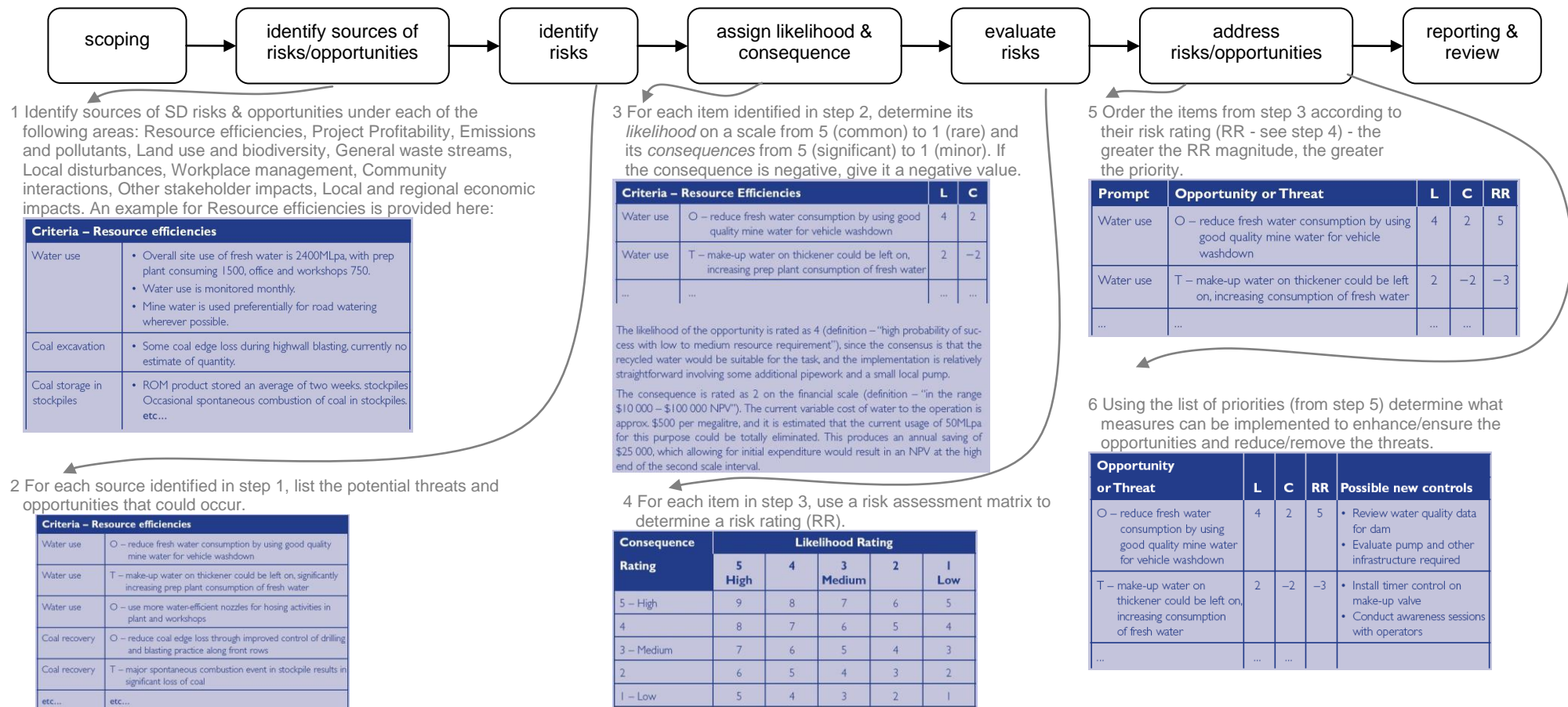
		Insignificant	Minor	Moderate	Major	Catastrophic	
		1	2	3	4	5	
Likelihood ↑	Almost Certain	5	6	7	8	9	10
	Likely	4	5	6	7	8	9
	Possible	3	4	5	6	7	8
	Unlikely	2	3	4	5	6	7
	Rare	1	2	3	4	5	6

	Numerical:	Historical:
↑	>1 in 10	Is expected to occur in most circumstances
	1 in 10 - 100	Will probably occur
	1 in 100 – 1,000	Might occur at some time in the future
	1 in 1,000 – 10,000	Could occur but doubtful
↑	1 in 10,000 – 100,000	May occur but only in exceptional circumstances

Appendix 7 Sustainability Opportunity and Threat Analysis

(see footnote 154 and related text)

The following²⁹⁴ is a very generalised and abbreviated demonstration of the SOTA process described in CSRM 2003. The aspects detailed here are only part of a larger process involving stakeholders, reviews and reporting as shown in the following diagram.



294 Adapted from CSRM 2003, 11-29.

Appendix 8 NGO Continuum
(see footnote 171)

