

TOPICS INCLUDE

- How to integrate "Perspective" into your bottom line.
- Six forces of change shaping organizational evolution.
- How to create a successful organization today and tomorrow.

BLACK-AND-WHITE PAPER SERIES:

At Toffler Associates, we focus on turning what *could* be into what *will* be. Our passion — and our principal advantage, we believe — is helping our clients reduce the uncertainty for what lies ahead. That's why we call our thought pieces Black-and-White Papers™. To us, it's more than a simple play on words. It reflects a commitment to bringing confidence and clarity of purpose to organizations as they confront key issues that are clouded in ambiguity.

We invite your feedback on this edition. And we welcome your ideas for future topics we should address. Just write to us at blackandwhite@toffler.com. We look forward to hearing from you.

The Fourth Bottom Line of Sustainability: Perspective

Our current "do-no-harm" approach to sustainability is only a stepping stone to proactively creating a better future. This paper describes the "Perspective" organizations must adopt to become truly sustainable and, thereby, successful both today *and* tomorrow.

By: Steven Kenney, Partner
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Executive Summary

Leading organizations worldwide have turned a sharp eye toward the concept of sustainability in recent years as the cumulative effects have come to light of their impacts on the economies, communities and natural environments in which they do business. Some are seeing not only the imperative, but also the *opportunity* to “do well by doing good,” as they discover that taking responsibility for their “footprint” can differentiate them in the marketplace and enhance their reputation. For many, the view of sustainability concentrates on what constructive and restorative effects they can create in the near-term. But that is only a necessary first step. Their and our real focus needs to expand to the future — what we can do today to create tomorrow’s economies, communities and natural environments.

A watchword of the late 20th century and early 21st century has been the “triple bottom line” — people, planet and profits. Organizations increasingly are seeking to build profitable “give-and-take” relationships with their stakeholders and the environment rather than just “taking.” For many these efforts have been guided by the idea set forth in 1983 by the United Nations Brundtland Commission that defines sustainability as meeting “the needs of the present without compromising the ability of future generations to meet their own needs.”

But merely achieving this “do-no-harm” state is not enough because it essentially leaves the future on its own. Focusing entirely on harmonizing an organization’s existence and impacts in the present leaves it mired in today . . . while the world passes by. From our viewpoint, organizations that are pursuing the Brundtland ideal must add a fourth bottom line to achieve real sustainability for the 21st century: **Perspective.**

A HUMAN HISTORY OF SUSTAINABILITY

Whether labeled as such or not, sustainability has been an integral component of human civilization since it began, and it’s important to understand how humans have previously integrated the practices of sustainability (or haven’t) into society. Alvin and Heidi Toffler’s “wave” metaphor provides a useful framework.

In the “First Wave” of civilization’s change, when the human race moved from hunter-gatherers to an agrarian society, our cultures were naturally sustainable: people needed to be good stewards of the land to preserve both family and community life. Interdependence among individuals, on a personal and group level, was required for survival.

As the industrial era began (the “Second Wave”), interdependence evolved to prioritize the synchronized interaction of infrastructures (organizations and industries) as industrial companies exploited whole regions to manufacture products on a mass scale. Yet because these infrastructures focused solely on the end result (i.e., the cost-efficient production of goods), they were — and continue to be — unsustainable.

As we move into the Knowledge Age — the “Third Wave” of change — a confluence of powerful forces (globalization, technology advancement, education and many others) offers the opportunity to integrate a new, future-focused kind of sustainability into our infrastructures and our ways of doing business. Certainly if we continue to deplete resources, we’re at risk; but just ceasing to do harm isn’t enough, and the Knowledge Age enables us to go well beyond protecting the present. Today, organizations have begun to reach past simply incorporating today’s social and environmental considerations into their operations to focus on creating a better future for themselves and the world.

Modern sustainable organizations must have the perspective to understand that we can't thrive in the long term simply by ceasing to cause new damage and working to fix the cumulative imbalances we've already created. The torrent of change we're experiencing as we hurtle deeper into the globalized, knowledge-fueled 21st century makes such satisficing perilous. If future generations are to have any hope of success, we cannot act in a way that expects them to face tomorrow's challenges and opportunities armed only with the best that today has to offer. And we need not. The truly sustainable organization can and will work **actively today to create a better future** for both itself and its progeny. As the rate of societal change accelerates, organizations need to attend to the "quadruple" bottom line, understanding and "pre-adapting" to the monumental forces driving our collective challenges and opportunities.

The Fourth Bottom Line: "Perspective" (or "A Future Focus")

We no longer live in a world where the "do-no-harm" approach alone can ensure sustainability. Organizations are overdue in taking the next step, shifting to a future focus with the goal of not only securing their own and their communities' and natural

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environments' immediate conditions, but also envisioning a better, stronger baseline on which to build the longer-term society and economy. Further, they must begin working today to create that future state.

At Toffler Associates we believe organizations have an imperative and a responsibility to go beyond managing today to lead their stakeholders into the future. And **you cannot**

lead until you know where you want to go and who you need to be. We help organizations that want to embrace that imperative and responsibility by helping them understand the forces driving change, determining and mapping out the future, and then identifying the steps required to achieve that vision. Sustainability in our view is about defining what future success must look like so you can then determine what actions are required to get there.

This focus on working from the future back to the present is "Perspective," and it is, in essence, a "fourth bottom line." It represents the next step in sustainability — making a commitment across the organization that its first principle

will be to create a better future, while ensuring that everything we do to create that future is consistent with success today and optimizes our ability to be successful today. To do the reverse — to simply “meet the needs of the present” and try our best to “not compromise” the future — assumes that tomorrow will be much like today. It assumes that change is incremental and gradual. And we know those are faulty assumptions — change is *accelerating*, and tomorrow will *not* be like today.

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The Imperative for Growth, and its Pursuit

“Grow or die” is a mandate not only in business but also in nature and society. Businesses must increase profits or face an inevitable waning as dissatisfied shareholders withdraw support or competitors exploit the demonstrated weakness. Nature similarly demonstrates that the plants and animals living in a given ecosystem must adapt and improve or be extinguished, and communities must evolve to continue to meet residents’ needs as demographic and other conditions change. The idea of evolution and growth isn’t new to successful enterprises or to how they think about sustainability. At its heart, sustainability is about evolving organizations, but for too many the focus is on adapting to *present* conditions. The next step in sustainability is understanding that we must evolve today to meet the conditions of the future.

Different approaches to increasing **profit** illustrate the “perspective” bottom line that we believe is so important to the future of sustainability. One approach is reducing costs, but this path has a logical and finite end point — eventually the business runs out of things to cut, and profit plateaus. The only long-term sustainable approach to increasing profit is to strengthen the means of production and competitive position of the business and, by doing so, boost revenue.

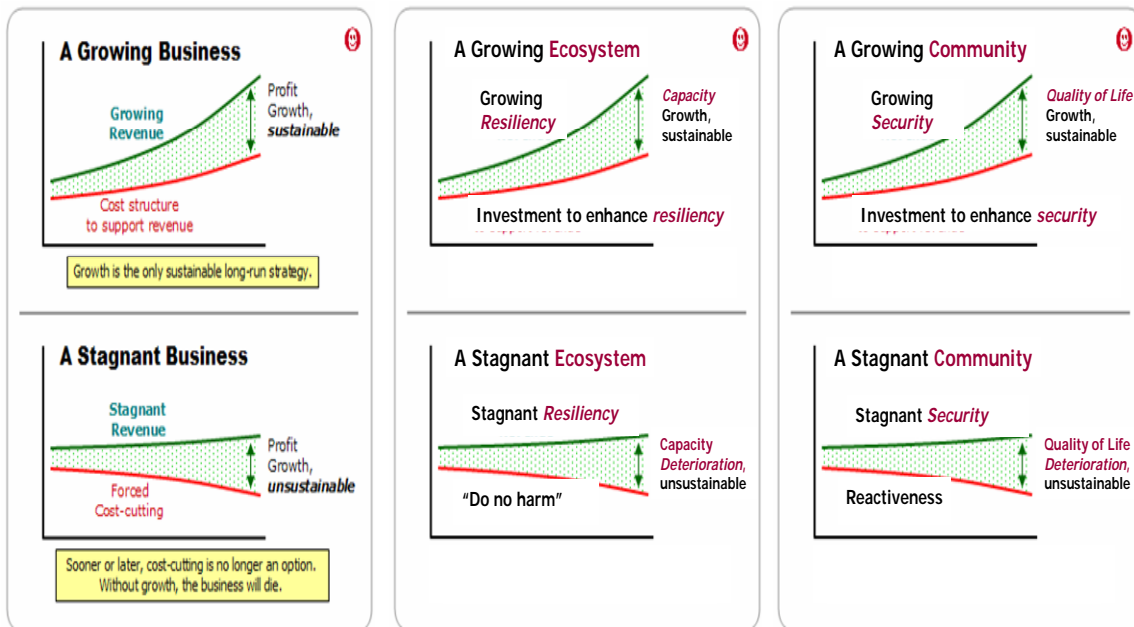
That same logic applies with regard to the “planet” and “people” elements of the triple bottom line. The analogy to cost-cutting in the environmental domain is reducing carbon emissions (and other means of reducing our impacts on the earth, atmosphere, etc). Doing so is important and necessary, but there’s only so far it can take us. Beyond simply reducing harmful outputs, organizations must *improve* and *strengthen* the **resiliency** of the environment, helping ensure that it can withstand and thrive in the face of the threats that accelerating change creates. Resiliency — the ability to not only recover from stress but also anticipate and thrive in the face of it — is vital to be truly sustainable in a world undergoing exponential change. Successful organizations will not only find ways to cultivate their own resiliency but also enhance the resiliency of their environments, both natural and artificial.

For people and communities, it's about **security**. Protecting critical infrastructures (such as transportation and communication networks) becomes increasingly important as their role in driving and supporting organizations becomes more vital. And our efforts to protect our citizens and our critical infrastructure from natural threats (such as hurricanes) and man-made threats (like terrorism) should be fundamental to any notion of sustainable enterprises in an era in which accelerating change increases the number and severity of those threats every day. People, the planet and our profit-making enterprises all will suffer — permanently — should we allow these infrastructures to crumble under neglect or hostile action. But here again, merely reducing the vulnerability of our communities and their critical infrastructures is not enough; future-oriented perspective demands we make *improving* their security a core part of our sustainability strategy. Indeed, the opportunity to evolve is itself what we protect when we add the “fourth bottom line” to our thinking.

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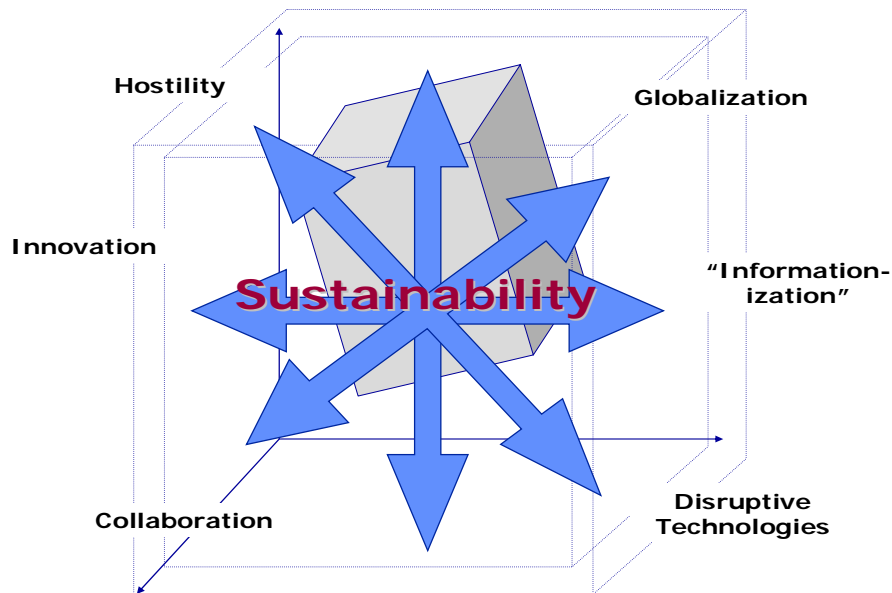
In short, to thrive in an atmosphere of accelerating change, organizations must live and act with a “growth” mentality and make it part of a more modern definition of sustainability — enhancing our resiliency, security and productive capacity, rather than just maintaining the state of being today.



Double-Edged Sword: Key Forces Driving Change

We focus on accelerating change because that's what compels us to grow in all of the "triple-bottom-line" areas. A generation or two ago, the need to improve our capacity and resiliency wasn't quite as urgent. Today it is terribly urgent, because a set of key forces are making it so. These forces offer immense opportunity for positive growth and improvement in our world and our businesses; but each also is fraught with danger and risk. In particular, six forces – their effects and their convergences – are key for organizations to analyze and understand:

- Globalization
- "Information-ization"
- Collaboration
- Disruptive technologies
- Innovation
- Hostility



- **Globalization**

As traditional geo-political borders continue to evaporate, the ability of one entity to affect communities and economies around the world increases exponentially. In fact, the visibility of these effects is part of what's spurred organizations to become hyperaware of both the positive and negative effects of their footprints, which, in turn, has driven them to reduce their impacts. While globalization creates pressures that demand we behave in new ways to reduce those impacts, by enabling more immediate and comprehensive access to new information and ideas, it also creates countless new *opportunities* to reduce those impacts. More important, it also enables us to strengthen security and resiliency as well as quality of life and profitability.

- **"Information-ization"**

Information technology and communication technologies now permeate every aspect of our world, and we can use that "information-ization" to our advantage in achieving true sustainability. More powerful, faster tools and channels for sharing ideas and implementing actions are helping organizations not only to preserve but also improve our communities and ecosystems and the viability of our businesses, going beyond just keeping pace with progress.

- **Disruptive Technologies**

"Disruptive" technologies are both a vicious and a virtuous force. The impact on sustainability is immense when we think about the rapid advances we're seeing in countless technology areas. Recent achievements in nanotechnology,

biotechnology and sensors, to consider just three such areas, offer previously unimaginable ways to strengthen and enrich our communities and ecosystems, increasing resiliency and the potential for profit. They fundamentally benefit the way we live and how we accomplish tasks. At the same time, though, they also create new threats and make it necessary for us to protect ourselves from the harm they may bring. For example, today we face questions such as what impacts biotech or nanotech waste might have on our ecosystems, which may not naturally be able to cope with those effects. We may have to bolster those ecosystems ourselves, perhaps by developing and applying other technologies.

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- **Collaboration**

Collaboration is, of course, one of the logical results of globalization and informationization. The ability to interact with millions of ideas around the world in real time is driving sustainability advances. But the powerful force of collaboration is also more than just these converging technologies — we see it also, for example, in the ongoing creation of new forms of governance such as NGOs and IGOs (now numbering in the millions) and the new willingness of people to support, join and be governed by such entities. The growth of social media channels like Facebook and Twitter has been fueled by (and fuels) the basic human desire to connect, communicate and collaborate. At the same time, as with other change forces, these phenomena also introduce new threat vectors from those who wish to harm rather than help society. Here again we see a dynamic that demands we not just sustain the levels of resiliency and security we have today, but rather strive continuously to enhance our ability to anticipate and counteract the destructive sides of this powerful change force.

- **Innovation**

Whether we recognize it or not, innovation is woven throughout all our thinking about sustainability. Innovation is about harnessing the power of ideas that are fueled by collaboration, information and communication technology, globalization and countless other forces. What's vital to understand with regard to innovation and sustainability is that these ideas — new ways to improve the conditions of our future environment, economy and communities — are increasingly “viral”; that is, they are everywhere and spreading rapidly. In a time such as this, people and organizations have not only the opportunity but also the obligation to join together and take maximum advantage of these resources to develop and implement the sustainability strategies we need — strategies founded above all else on a commitment to create a better future.

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- **Hostility**

A stumbling block in all of this is the age-old force we can simply call hostility — the destructive impulses of fellow humans and “Mother Nature” that threaten the sustainability of our enterprises. And the more change we introduce into our world, the more vulnerable we become to these threats. Even as most of us search for like minds to create positive change, there are those who seek to direct them for their own agendas, purposefully wreaking havoc on our work, our communities and our world. Further, many of the technologies, structures and

changes humans have introduced through the generations have magnified the severity of “natural disasters” such as hurricanes and floods. Here, perhaps, we can see the need for “perspective” most clearly: We can’t afford to content ourselves with “doing no harm” in a world where globalization, technological advancement, “viral” innovation and other accelerating change forces are making some people, and the ecosystem itself, more hostile.

All these forces converge and interact with each other, simultaneously influencing human development in positive and negative ways. Enhancing our resiliency and security along with our profit-making potential will prove pivotal in helping organizations create a truly sustainable future. The key to sustainability is not merely standing pat in the face of such powerful and accelerating forces of change, but rather understanding them and proactively making our businesses, communities and ecosystems better able to address them than they are today. It takes a unique and powerful sensory apparatus and analytical ability to develop that understanding and then “connect the dots” to identify what actions we must take today to be prepared for what the future will demand.

A Few Positive Examples

While too few organizations today have that ability (or have all the ability they need), more and more are striving to obtain it every day, by themselves and by seeking help from outside. A handful of global leaders are beginning to take the right steps, committed themselves not only to preserving the present but proactively creating a better future, as well.

- **GE** – Through its Ecomaginationsm strategy, GE is setting a standard by declaring that its business will be more profitable in the future — stronger, in terms of that bottom line — by doing the R&D and product development that will make the ecosystem and our communities stronger. And they’re putting their money where their rhetoric is, and demonstrating significant progress already on all fronts, including increasing profit. The net effect? GE is creating a better future for itself, the societies it serves and its shareholders.
- **U.S. Department of Defense** – During the last two years, both the U.S. Army and U.S. Air Force have coined and begun pursuing the concept of “operationalizing” sustainability. These organizations have implemented a wide range of sustainability initiatives, emphasizing that reducing energy usage and protecting the ecosystems surrounding operating bases (along with similar practices) *enhances* their ability to perform their missions for the nation. Their concept inherently has a future focus because they understand that tomorrow’s missions will be different — and more

difficult — than today's. They know they must not just “sustain” but *improve* the communities and natural environments in which they operate — from the capacity of training ranges to energy efficiency in weapons — to meet those emerging future mission requirements.

- **Google** – Founded on a search engine, Google has broadened its view well beyond the Internet, committing its resources and utilizing the power of collaboration and disruptive technologies to explore energy in new ways, among other things. The company has committed millions of dollars and some of its brightest talent to strengthening our nation's energy security and the resiliency of our natural environment. Interestingly, they also exemplify our ideas about sustainability (i.e., committing to create a better future) in another, different way — through their ongoing work to improve their server stability and security. This imperative was brought into stark light when a May 2009 service outage affected an estimated 14 percent of users worldwide, upsetting what quickly has become a critical part of the global Internet infrastructure.

Importantly, these organizations aren't working in isolation to create a sustainable future. GE, the Army and Air Force, Google and many other public and private enterprises are mining their own respective brain trusts and also reaching out to take advantage of perspectives, ideas and tools from other experts and organizations worldwide.

Historically, organizations have looked inside themselves for new ideas about how to sustain and improve competitiveness and their ability to execute their mission. In today's and tomorrow's society, we can't afford to be so narrow or timid — and we needn't be. Every organization can create for itself an “innovation ecosystem” to leverage the brilliance of others and keep the pace of creativity closer to the pace of change. Businesses following this model are finding themselves ahead of their competitors in terms of economic and organizational growth. When applied to sustainability, whether in the private or public sectors, this approach is improving the resiliency, security and economic strength of all the enterprises that embrace it. And it is these organizations that are becoming the exemplars of the future-focused notion of sustainability.

Creating the Future: Five Factors

A future-focused organization — one embracing **Perspective** as a “fourth bottom line” — appreciates the need to create a better, stronger, more profitable and more secure enterprise and environment while still optimizing the business of the present. We believe that organizations taking this next step into future-focused sustainability share five common features:

- Strategy
- The Right People
- “Innovation Ecosystem”
- Future-Focused Metrics
- Adaptive Organization

First and foremost is having a **strategy** consistent with this notion of sustainability — establishing a set of goals and objectives that puts creating a better future first, and identifying the actions at every level of the organization that will enable it to exercise that priority. Envisioning the end goal or future destination allows organizations to work backward and understand what they need to do to get there. In addition, it enables them to create a better present as well as a better future for themselves and their stakeholders.

Investing in **the right people**, both internal and external, results in a more successful and sustainable organization. Organizations need to commit the resources and time to nurturing the creativity of current employees and training them to focus on the future. Further, they must work to attract new people from the brightest groups and individuals

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available. No organization can succeed in enhancing its own and the world’s resiliency, security and productive capacity without a group of talented people who are passionate about that objective and are supported by their leaders to pursue that passion.

Creating an **innovation ecosystem** exponentially increases the power of a single entity to create a better future. At Toffler Associates, we're seeing that the organizations that apply open innovation to the practice of sustainability — methodically and tirelessly building and nurturing the networks connecting them to the global sources of ideas — are improving the resiliency, security and economic strength of their natural environments, communities, business and workforces, ultimately ensuring a better future *and* a better present.

Measuring our progress in the pursuit of sustainability is difficult when we put improving the future state at the center of our efforts. Finding the right **future-focused metrics** is vital. Gauging how much we have reduced our carbon emissions or improved the quality of life today for our workers and communities is hard work, but relatively straightforward. Knowing how and to what degree we are enhancing the future is more of a mixture of art and science. Yet future-focused organizations can, and must, create new ways to evaluate the effectiveness of their actions in this new context, so leaders can make informed, rational decisions about the investment of organizational resources.

Finally, an **adaptable organization** is about creating the environment inside our company or agency that empowers from the bottom up. Adaptable organizations are the ones where all employees, departments and groups can collaborate effectively; all have the freedom and resources to network with others outside the organization to get new ideas and perspectives that can help them create a better future. And all can innovate and experiment without fear of “reprisal” or marginalization. The ability to evolve *and* retain a coherent organizational identity is critical for enterprises facing the convergence of change forces, goals, and future (as well as current) success.

Finding Your Future

No matter how complex, examining the forces that are shaping tomorrow, evaluating the readiness of your organization to command those forces, and dedicating your organization to a future focus (i.e., adopting “Perspective” as a fourth bottom line) are the critical next steps to becoming a truly sustainable organization. Organizations must examine the “alternate futures” for themselves and for the communities, environments and economies in which they operate — and commit themselves to actions today that will put all of us on the preferred path. At Toffler Associates, we believe the success of all organizations is interconnected, but it must be consciously and consistently created. Satisfying ourselves by merely protecting the present state is not the answer if our goal is to create a truly sustainable world for our collective future.