The Leadership of Sustainability

A study of characteristics and experiences of leaders bringing the “triple-bottom line” to business

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www.ethicalleadership.org
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The Center for Ethical Leadership: Leadership for Sustainability ......................................... 32
The Center for Ethical Leadership is interested in the sustainability movement because of our commitment to supporting leaders who seek to initiate change in service to the common good. The Center sees the principles of sustainability as an expression of the common good, and the individuals, communities and organizations involved as partners who share the Center’s values and philosophies.

The Center commissioned a study in the spring of 2005 of business leaders responding to the growing trend toward profitable sustainability, the challenges these leaders face, and how the Center could support their efforts. The following report summarizes the findings of this study.
Findings

1) The notion of corporate social responsibility or business sustainability is a fairly new business model.
   a) While a growing number of business schools teach some ethics and corporate social responsibility, the
      management and organizational development skills and perspectives required to run a sustainable business
      are rarely taught.
   b) Most available case studies feature very large, consumer product businesses and are not applicable to small
      and medium-sized companies, or those in the service sector.
   c) Many entrepreneurs do not have business degrees or formal management training; consequently business
      owners are experimenting and finding their way into this new field.
   d) It is often lonely and exhausting work.

2) Businesses leaders exhibit a predictable, five-stage pattern in their efforts to incorporate sustainability
   practices and policies. They:
   a) Hold the values of sustainability, either by being raised with the value, or coming to a realization through a
      “critical incident.”
   b) Begin with a single project or experiment.
   c) Deepen the commitment by taking a systemic view of the business and finding additional ways to match
      values with the business model.
   d) Stay the course, track positive results and broaden to external partners and stakeholders.
   e) Invest in continuous learning, provide resources to educate others.

3) Leaders share characteristics that guide and infuse sustainability throughout the organization.
   a) Having passion and vision.
   b) Systems thinking with a long time horizon.
   c) Innovation and a willingness to learn.
   d) Participatory organizational culture.
   e) Willingness to teach others, including competitors and clients.

4) Business leaders require support to incorporate sustainability in the business model. They need:
   a) Support from government officials, industry peers, communities, citizens and customers in consideration
      of the risks they take and the values they are trying to incorporate into their business model.
   b) Peer networks to share strategies and lessons learned in succinct, efficient ways.
   c) Business mentorship to develop sustainable business strategies.
d) Relevant case studies.
e) A voice or platform in the business community to educate others.

Study Participants

- Aaron Goss, Owner, Aaron’s Bike Repair (bike repair shop)
- Hans Carstensen III, CEO, Aviva Life Insurance US (insurance agency)
- Grant Watkinson, CEO, Coastwide Laboratories (cleaning products manufacturer)
- Dr. Ross Fraker, Owner, Greenlake Dental Care (dentist)
- Jason Finnis, CEO, Hemptown (hemp clothing manufacturer and distributor)
- Mary Sierchio, Owner, Lake City Florist (florist)
- Bert Gregory, CEO, Mithun (architects)
- Jeff Mendelsohn, CEO, New Leaf Paper (paper and printing)
- Rob Safrata, CEO, Novex Couriers (courier service)
- Michelle Rupp, Owner, Nowogroski Rupp (insurance agency)
- Tracy Wolpert, CEO, PCC Natural Markets (grocery store)
- Mary Morrison, CEO, RE-Sources/RE-Store (building supplies, environmental education)
- Dale Baugh, Director of Process Improvement and Resource Development, Todd Pacific Shipyards (ship builders)
- Steven Villegas, CEO, Utilikilts (kilt manufacturers and distributors)
- Connie Stone, Owner, Wild Mountain Café (restaurant)
In 1987 the United Nations Brundtland Commission adopted a formal vision for sustainability as “development that meets the needs of the present generation without compromising the ability of future generations to meet their own needs.” Unlike many current and past practices that damage eco-systems or overlook human rights in the race for “progress,” sustainability provides a new paradigm that allows humans to live and work in ways that can be maintained for decades and generations without causing harm or depleting environmental, social and economic resources.
Government approaches to sustainability tend to be focused on the stewardship of land and public policy. Efforts frequently include transit alternatives, anti-sprawl strategies, environmental justice and health decisions, attracting and retaining locally owned businesses, and urban revitalization projects such as streetscaping and land restoration.

Ultimately, the success of sustainable development requires business sector involvement. Corporate approaches to sustainability tend to focus on projects that impact the bottom line: minimizing waste, incorporating energy alternatives or developing environmentally friendly products and processes.

In recent years, corporate sustainability has gathered momentum in boardrooms across the country through a convergence of pressures from employees, investors, customers and citizens, governments and non-governmental organizations. Expectations from these stakeholders shaped by current and future environmental and social forces such as climate change, the effects of pollution on public health, water availability, scarce energy resources, social inequities and eroding trust in institutions, are forcing organizations to take a different, more sustainable approach to doing business.

Leaders are responding by reshaping their business models around what is called the “triple bottom line” - meaning measuring success not only by financial profit, but in balance with environmental stewardship and social equity.

**Purpose of the Project**

The Center for Ethical Leadership seeks to develop leadership capacity in those leading change for the common good. The interests of the common good can also be defined as economic, social and environmental justice, which maps to the sense of the “triple bottom line” in sustainability. The triple bottom line measures a company’s results not solely in financial terms, but in financial, social and environmental.

In the spring of 2005, the Center for Ethical Leadership undertook a research project to determine the pattern of development in companies adopting sustainability practices. The purpose of the research was to:

1) Discern what steps leaders take to bring the philosophy and practice of sustainability into their operations
2) Understand the challenges and needs of leaders along this journey
3) Identify how the Center's expertise could benefit these leaders and support their process.

The Center hoped to benefit leaders and organizations practicing sustainability by offering support and expertise in leadership and change agency, particularly as businesses seek to:

- Create a vision and mobilize action
• Build trust and nurture relationships
• Gain widespread public engagement and support

The Center also hoped to learn if it could contribute to the successful implementation of sustainability through its consulting services:

• Design and deliver tailor-made leadership programming
• Facilitate the exchange of ideas
• Generate hope and renewal

This paper documents the key findings from the study. Results demonstrate a need for business support in the areas of leadership development and organizational development. The Center has created a menu of programs designed to meet the needs of business leaders and organizations in the process of adopting sustainability practices (see end of report).

Methodology

Pat Hughes and Kathleen Hosfeld led the project for the Center for Ethical Leadership. They selected potential interviewees from businesses involved in and/or recognized for environmental or sustainability projects. Sources included:

• Enviro Stars, Local Hazardous Waste Management Program in King County
• Sustainable Seattle SCOLA (Sustainable Community Outstanding Leadership) Awards
• Seattle Chamber of Commerce BEST (Businesses for an Environmentally Sustainable Tomorrow) Awards
• Participants at the October 2005 NBIS (Network for Business Innovation and Sustainability) Conference
• Personal and professional connections

A written invitation to participate in the study was mailed to 30 business owners or managers, followed with an email requesting a 60-minute interview. Fifteen individuals in small, medium and large sized businesses were interviewed. Most of the companies were privately held. Interviews were conducted in person or via phone conference.

• Aaron Goss, Owner, Aaron's Bike Repair (bike repair shop)
• Hans Carstensen III, CEO, Aviva Life Insurance US (insurance agency)
• Grant Watkinson, CEO, Coastwide Laboratories (cleaning products manufacturer)
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Interview questions (see Appendix I) were designed to track the individual's experience with sustainability, leadership style, lessons learned throughout their process, and next steps for them and the sustainability movement in general.

Finally, we studied and collated the responses, and discerned a five-stage development pattern, leadership characteristics, and other trends and observations. These were initially shared with Center's staff and board in May 2005, then at a public seminar in June 2005.

Findings

The research illustrates that the process of adopting sustainability into business operations is very much a young field. The notion of corporate social responsibility or sustainability has been around by that name for only 15-20 years and sustainability as a business model is fairly new.

- While a growing number of business schools teach aspects of ethics and corporate social responsibility, the management and organizational development skills and perspectives required to run a sustainable business are rarely taught.
- Most available case studies feature very large, consumer product businesses that are not applicable to small and medium-sized companies, or those in the service sector.
- Many of the entrepreneurs interviewed do not have business degrees or formal management training.
- Consequently business owners are experimenting and finding their way into this new field. It is often lonely and exhausting work.
The Center for Ethical Leadership hopes that the Five-Stage Sustainability Development Pattern will help business leaders by making visible the inevitable stages of adopting sustainability so they will be better prepared to meet them. We also hope that this development pattern is used for planning, mitigating challenges and seeking opportunities.

**Findings: Five-Stage Sustainability Development Pattern**

**Bert Gregory, CEO of Mithun:**

“It (the commitment to sustainability) is passion and values driven. The role of the leader is to keep sustainability at the forefront of the conversation always, have protocols for discussing it and financially supporting it. Create passion and remove obstacles, give it the time, provide educational opportunities to get smart. You have to make sure the ROI (return on investment) is there, but at the end of the day, it’s about values.”

Stage 1: Hold the values of sustainability. The leaders interviewed represent two different paths of coming to sustainability: most were raised with the values, while others came to a realization of the need for sustainability through what the Center calls a “critical incident.” Regardless of the path taken, the key message is that the leader must possess the values of and passion for sustainability, or the effort will not succeed.

Several interviewees were raised in families that spent time outdoors, camping, hiking, hunting or farming, by parents who instilled the values of not wasting, not polluting, and respecting other forms of life. Some recalled being impacted by photographs of “Spaceship Earth” taken by astronauts from the first flight in space; others recalled heightened awareness around human rights issues in the 1960’s and 1970’s.

For those who had a change of heart later in life, they typically experienced a “critical incident” during spiritual or personal development.

### Five Stage Pattern of Sustainability Leadership

<table>
<thead>
<tr>
<th>Stage</th>
<th>Stage 1 Values</th>
<th>Stage 2 Action</th>
<th>Stage 3 Deepen</th>
<th>Stage 4 Sustain</th>
<th>Stage 5 Learning/Advocacy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Key Element</td>
<td>Awareness</td>
<td>Experimentation</td>
<td>Systems Thinking</td>
<td>Resource Commitment</td>
<td>Sharing</td>
</tr>
<tr>
<td>Steps</td>
<td>Develop will to take action • live from values • respond to critical incident</td>
<td>Begin with single project or experiment.</td>
<td>Explore implications of sustainability for all operations and decisions.</td>
<td>Commit to comprehensive plan with resource allocation (management focus, money), tracking, reporting.</td>
<td>Leadership and advocacy in industry; continuous learning.</td>
</tr>
</tbody>
</table>
retreats, college programs, or volunteer work that caused a shift in their perspective. Others met a mentor who had a significant influence over their thinking. All who experienced this shift could point to a precise moment of awareness and a consequent urge to take action in a new way.

**Insights into Stage 1:**

- Younger owners, managers and employees seem to come “hard-wired” to think about sustainability. This factor has implications for recruitment and retention, as many young employees will choose to work for what they perceive to be “cutting edge” organizations that match these values.

- Neither older nor younger managers have perfected the approach of aligning businesses with sustainability; neither has the model. All leaders are seeking ways to be more effective and knowledgeable.

- Both older and younger owners and managers expressed the need to sharpen their leadership skills and learn ways to better manage the process.

**Stage 2.** Begin with a single project or experiment. Many business leaders venturing into sustainability like to see the proof of return on investment (ROI) before they begin, but those interviewed often did not take a comprehensive approach. They began with a single idea or experiment. The key message is to start small and build gradually.

Smaller businesses (Lake City Florist, Aaron’s Bike Repair, Wild Mountain Café) tended to start with recycling, often responding to financial incentives offered by city or county programs. Other businesses responded to regulatory concerns, such as removing amalgam waste from dental offices and treating run-off water at industrial sites (Greenlake Dental, Todd Pacific Shipyards).
Large businesses often offered one sustainable product or service, such as toxic-free cleaners, hybrid car-based courier service or green-building design, and became industry leaders in the process of delivering this new product or service (Coastwide Laboratories, Novex Couriers, RE-Store, and Mithun). Other large business leaders took a more comprehensive approach from the outset, attempting to match personal values with an entirely new business opportunity. New Leaf Publishing, Hemptown, PCC and Utilikilts were founded specifically to serve the growing sustainability market.

**Insights into Stage 2**

- A business case for the pilot project is helpful, but not critical. Many leaders adopted sustainability practices based on personal values rather than a specific profit strategy.
- Keep it simple. Look for “low hanging fruit” and strive for an early success.
- The sustainability movement is exploding, but there are no standards yet. This makes sustainability appealing yet difficult for businesses to claim or to categorize their efforts in a standard format.

**Stage 3: Deepen the Commitment.** In this stage, personal integrity causes the leader to look at the whole system of their business and find other ways to incorporate sustainability. The key message here is that adherence to core values and skill in systems thinking advances the sustainability journey.

Regardless of where they began, these business leaders found ways to go beyond the initial incentives, innovations or regulations to implement more practices over time. Often the initial project paid off financially before they thought about other opportunities. To broaden the initiative, leaders engaged stakeholders, identified and addressed obstacles, and often got external help from peers or consultants. This stage demonstrates a movement from experimentation to readiness for adopting systems thinking within the business.
Insights into Stage 3:
- The best approaches are top-down and bottom-up, using ideas and energy from all employees, matched with a commitment from top leadership.
- Businesses need to establish legitimacy to be respected for this new approach.
- Patience is required, in terms of waiting for initiatives to play out and show results, and in taking a systems approach.
- Timing is important. The sustainability options available to a business are constantly changing and growing. With new technologies and wider acceptance, what was impossible a year ago may be possible today.

Stage 4: Track positive results on the initial project and broaden the effort to external partners and stakeholders. The key message at this stage is to stay the course and include other innovative thinkers and doers.

Our research, and the research of others into the leadership of sustainability, found that a shift of leadership and governance must occur to fully engage the values of sustainability. This shift moves the organization from an environment where the values of sustainability are held only by the owner or CEO, to a culture where sustainability becomes everyone's job. This typically occurs as a cultural shift that moves the organization towards more collaborative, shared leadership. The owner or CEO builds engagement among employees and external partners, and transitions some measure of “ownership” of sustainability to them over time.

Initially, however, sustainability is championed by the owner, who frequently “stands in the lonely place” of leadership – holding to the vision in the face of more traditional thinking. Many reported being exhausted and disheartened by comments from peers and the public who misunderstood their purpose.

Insights into Stage 4:
- Hard decisions are required to stay the course and maintain values in the face of market, client and shareholder pressure.
- Align the business with “familiars” – business partners with similar values and models. These can provide a steady source of suppliers or distributors while the initiative gains economies of scale, stakeholder support and market acceptance.
- Make sustainability everyone's job, not a separate office. The more integrated sustainability is in the organization, the more successful the initiative(s) will be.
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Don’t wait for government or association leadership. These groups often see their role as protecting members and conserving the status quo and are therefore unwilling to champion new efforts until they are proven financially viable or publicly popular.

Being the leader is exhausting and unrewarding at times. Leaders who stick their necks out and take risks are frequently “cut down” by the public or peers, a phenomenon sometimes called the “Tall Poppy Syndrome.”

Stage 5: Engage in Continuous Learning and Educate Others. The new field of business sustainability is constantly unfolding and leaders must stay current with the knowledge and share what they know with others. The key message is that leaders must make time and create ways to educate themselves and others.

In the study, every business leader acknowledged his or her unique role as a mentor and change agent in their organization and industry. They also recognized the need to deepen their expertise. They welcomed opportunities to attend conferences to speak on or learn more about sustainability, and they created formal methods to educate employees, clients and shareholders. Their passion for change was often so compelling they willingly shared business models and product ideas with competitors.

Insights into Stage 5:

- Sustainability is an investment that pays for itself over time. By this stage, business leaders often make a commitment to a large-scale Business Case that incorporates sustainability as a central business strategy. They measure success, using the PPP (People, Planet, Profits) scorecard, triple bottom line or other similar tool.

Grant Watkinson, CEO of Coastwide Labs:
“W e’d been recycling for some time, but I didn’t realize how poorly we were doing it until Rick (Woodward) went dumpster diving. Now we’ve reduced our waste stream big time. W e’ve made a number of our people extremely proud of the company because of its commitment to non-toxic products, and instead of just being here, they’re re-energized. That is a recruiting advantage and it comes back to us financially, too.”

Tracy Wolpert, CEO of PCC Natural Markets:
“Some consultants wanted to do an overall assessment, but I didn’t want to get a big book that just sat on the shelf. We wanted to see how it looked on the ground, how it matched our members’ expectations. O ne consultant told us that we’d do better if we carried (commercial items) like Cheerios. But we didn’t do it. O ur members rely on us for certain products.”
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Leaders are advised to tell your story, celebrate success, and walk your talk as much as possible. This is especially true in markets where sustainability is growing in popularity and consumers and citizens are beginning to expect businesses to participate in sustainability efforts.

- Seek formal recognition through awards, conferences and papers. This encourages the business to codify their efforts and share them with others, thereby growing their recognition as leaders and their contribution to the field.
- Seek out peers and support those who are doing it with encouragement and incentives.

Findings: Leadership Characteristics

The leaders interviewed were diverse in terms of age, gender, business experience, geographical location and education. However, they shared important leadership characteristics, which suggests that guiding sustainability through an organization requires a distinctive type of leadership. These characteristics include: 1) having passion and vision, 2) thinking systemically with a long time horizon, 3) encouraging a participatory organizational culture, 4) modeling a willingness to learn, and 5) teaching others, including the competition.

Leadership Characteristics
Leaders of organizational change toward sustainability demonstrate these characteristics.

<table>
<thead>
<tr>
<th>Visionary</th>
<th>Visionary and passionate about sustainability; vision and passion must come from top management for sustainability to take hold.</th>
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<tbody>
<tr>
<td>Systems Thinker</td>
<td>Think “outside the box,” see the synergistic or leverage potential in relationships throughout the organization, and take a long-term view of the benefits of change.</td>
</tr>
<tr>
<td>Innovator</td>
<td>Embrace in learning and innovating new solutions, strategies.</td>
</tr>
<tr>
<td>Collaborator</td>
<td>Shift culture away from top-down decision-making towards increasingly collaborative, participatory culture where sustainability and other key initiatives are “everyone’s job.”</td>
</tr>
<tr>
<td>Educator/Advocate</td>
<td>Liberally share learning about sustainability with clients and competitors; do not hoard information for “competitive advantage.”</td>
</tr>
</tbody>
</table>

Grant Watkinson, CEO of Coastwide Labs:
“I talk about sustainability with the staff and why we should pay attention to it. At our annual sales meeting someone asked, ‘Can this be copied by competitors?’ I said ‘Yes, but don’t worry because by that point, we’ll be somewhere else because we’re continuing to innovate.’”

Visionary and passionate about sustainability; vision and passion must come from top management for sustainability to take hold.
1) Having Passion and Vision

All of the leaders interviewed agree that if sustainability isn’t a passion of the “boss” or leadership team, it simply won’t happen. The passion for sustainability is driven by a clear sense of values and the ability to motivate others to embrace change as a possibility, not something to be feared.

Hans Carstensen III of Aviva Life Insurance U.S.: “Our chairman is the very colorful Pehr Gyllenhammar, the former CEO of Volvo, and a very energetic man in his mid-70’s. He is committed to being a leader in the industry and world in this area. He’s a bull-dog when it comes to this stuff.”

2) Systems Thinking with a Long Time Horizon

Sustainability requires leaders to organize the knowledge and expertise within an organization in new ways. “Systems thinking” – where the leader considers the relationships between segments of the business and how to leverage those relationships – requires a different strategy than “business as usual.” Thinking systemically means the business leader is looking for cross-functional, cross-departmental collaboration, and ways to work with the value chain, life cycle costs, technologies, suppliers, customer issues, and employee contributions simultaneously.

Leaders who wish to promote sustainability also need to stretch their time horizon. Taking the long view is challenging for a culture that places high value on quarterly reports, and it may seem impossible to look this far out. But most business leaders interviewed are already thinking out 10, 20 or 50 years, anticipating how their products and services will be positioned for a market that will soon demand more sustainable products and service, as well as...
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Mary Morrison, CEO of Re-Sources/Re-Store:

“Sustainability is about relationships. When we shut people down, we block sustainability.

“I came into a fairly hierarchical culture, but let others know I had no claims on knowing everything. I said, ‘What do you think? You have an idea, sounds like you’re passionate, let’s put you in charge.’ At first it was unnerving for them, but after the third month, they said ‘wow someone is listening. I can contribute in a meaningful way.’”

Michelle Rupp, CEO of Nowogroski Rupp:

“In the beginning everything was group-think. Some didn’t want to do it and some thought it would be cool. They want to take responsibility, but they’re afraid to take it; they want to speak up but once they do, they don’t have the skills to argue their point. I’ve learned to balance having a structure and encouraging input within that structure.”

Dale Baugh, Director of Process Improvement and Resource Development at Todd Pacific Shipyards:

“Our leadership style is participatory with a strong element of servant leadership to teammates, employees and to my boss. We’re in an industry that can’t have unlimited innovation – we must stick to standards – but within that, the climate is positive. People feel that if they take a risk and screw up they’ll get help, not criticism.”

Jeff Mendelsohn, New Leaf Paper:

“Our goal is to inspire, through our success, a fundamental shift in the paper industry. After we got the Harry Potter book deal in Canada, three product lines came out competing with ours. At first I growled, but then I thought, ‘That’s cool, that’s our mission.’”

how their efforts will push the sustainability movement forward in general.

3) Innovation and a Willingness to Learn

Most of what will be possible with sustainability is yet undefined, so being a learner is vital. Leaders interviewed are reading, talking with peers in the business community and following the trials and successes of other pioneers. Several have launched their own innovative products and processes.

4) Participatory Organizational Culture

Most of the leaders interviewed encourage a participatory culture, including employee and stakeholder involvement, feedback and ownership. They agree this type of culture moves any change effort faster and farther than those that rely on more hierarchical forms of leadership.

Several business owners noted, however, the need for a balance. Employees often do not wish to be involved in every aspect of decision-making for the business. The leader needs to find a place along the spectrum of participatory culture that effectively engages staff and stakeholders, while allowing the leader to retain appropriate decision making authority in important areas. Typically there is a shift on the spectrum toward increased participation.
5) Willingness to teach others, including competitors and clients. Create a “knowledge commons.”

All interviewees enjoyed sharing their enthusiasm and knowledge of sustainability and their personal journey, and saw it as their mission to educate staff and lead change in their entire industry. One term that describes the act of sharing information is a “knowledge commons” – a central clearing-house for cutting edge information. This concept is a distinct break from the more traditional behavior of withholding information. Some businesses interviewed (Coastwide, Mithun) offer Natural Step training for staff and attend conferences and events where they can share their expertise. Others (Hemptown, Novex) make their finances fully transparent to show others that sustainability is better business.

The notion of a “knowledge commons” is counter-intuitive in a competitive system. Sharing information openly, however, is one of the core principles of sustainability, without which the shift to a new paradigm will arrive much slower or not at all.

Findings: What Leaders Need

The leaders interviewed expressed an interest in several actions that would help them move forward along the journey of adopting sustainability practices. Some of these are business-related, such as case studies and a relevant business model, while many others reflect the need for personal support as they take on the risky, lonely, challenging job of leadership and change agency.

1) Support, not criticism. Business leaders spoke strongly about the need for support from government officials, industry peers, communities, citizens and consumers in consideration of the risks they are taking and the values they are trying to incorporate into their business. They acknowledged that often once they voiced their vision, people expected them to be perfect, or grew suspicious about

Dr. Ross Fraker, Greenlake Dental:
“The early amalgam separators were $1,000 - $5,000 per chair. I made a new one and sold it for $300-$500, primarily as a service to dentists in community. When you incinerate sludge with heavy metals in it, that’s a real problem. Once dentists realize it’s easy to fix the problem, they want to do it.”

Steven Villegas, CEO of Utilikilts:
“Everybody just wants peace and to treat each other right, and our generation is not represented in the political field, so this kilt thing is a uniform of sorts. It attracts people with similar values and ideas. I want to create a new business model that’s not out there yet, like a compressed pay scale. I want to be big enough that others see us as a model.”
their motives and accused them of “green washing” (which refers to the practice of publicizing limited or superficial environmental or corporate social responsibility practices for the sake of image alone.)

2) Peer networks. Some of the owners and managers in larger businesses have time to travel, network and learn. Most of the smaller business owners do not have this luxury, but still need access to the information. Business leaders need time to share strategies and lessons learned with each other in succinct, efficient ways. Often business leaders are simply looking for the best place to begin, and ways to avoid common pitfalls. This goal can be met with business-to-business events in local and regional forums.

3) Business development mentorship. Many of the leaders interviewed do not have formal business or management education. Faced with the daunting task of growing a business while creating a viable business case for profitable sustainability, many seek mentors who can help them develop sustainable business strategies.

4) Relevant case studies. There is a need for relevant models and case studies beyond the well-known food and consumer goods stories of the popular press. Case studies are needed for service and information businesses, as well as very small, small and medium sized-businesses. Business leaders need tangible examples and methodologies to move forward.

5) A voice or platform in the business community to educate others. Business leaders want a sense of community with those who share their values, and want to find ways to be heard. They are so consumed by the business itself, and the additional challenges of incorporating sustainability practices, they do not have time to find venues or like-minded peers that could make their work more successful and enjoyable.
Conclusion

The Center for Ethical Leadership concludes from this report that there is a clear need to support business leaders and managers with the skills, information, models and networks related to leading organizational change toward sustainability. Leadership development and inspiration can help an individual, organization, municipality or corporation adopt the vision and goals of sustainability for the common good, and catalyze action toward those goals.

There is also a clear sense from the business leaders interviewed that this work is urgent. Most mentioned pressing issues in human health, major ecosystem failures, and species survival as unavoidable clues that sustainability is needed. Several admitted being part of the problem, and now are seeking ways to be part of the solution.

Business leaders also noted that there are pockets of innovation across the United States where sustainability is taking hold. The Pacific Northwest is seen as a national leader in green building, smart growth, community development, vegetarian food, organic products, alternative transportation, drainage and water systems, and other factors linked to sustainability. The business leaders interviewed clearly see themselves as part of this movement.
Appendices
Appendix I: Business Snapshots

Business Name: Aaron’s Bike Repair
Location: West Seattle, WA
Interviewee: Aaron Goss, Owner
# Years in business: 8
Type of business: Service, retail
Size of business: Undisclosed
# Employees: 3-5
Website: www.rideyourbike.com

Key sustainability initiatives:
- Cycling is inherently environmentally friendly.
- Recycles cardboard, paper, aluminum, scrap iron, old inner tubes and grips.
- Substitutes hazardous materials with environmentally friendly products, i.e. soap and water, citrus degreaser, food-grade oil instead of chemical cleaners to clean bikes. Avoids cleaners that are highly toxic or high in volatile organic compounds (VOCs).
- Requires employees to bike commute at least three days per week.
- Educates and encourages customers to purchase products that can be reused, such as rechargeable light systems and batteries, or repair bike parts rather than buy new.
- Reuses re-sealable plastic bags to stock items that come without packaging.
- Sends old chains to Resource Revival in Portland, to remake products.
- Tries to buy parts locally.
- Designed the Leapfrog, “ultimate city commuting bike.”
- Environmental “menu” on website.
- Put a sign on the city trash can outside the business to “bring recycling stuff in to me.”
- Helped to start Bike to Work Day, sponsors Bike to Work Day Station annually.
- Willing to help other bike shops incorporate sustainability practices into their shops.

Benefits realized:
- Saves $400 per year by recycling.
- Only bike shop listed on the Enviro Star list.
- Awards and recognition help attract and maintain customer loyalty.
- After eight years in business, doing the “best ever” financially.

Business Name: Aviva Life Insurance, USA subsidiary of Aviva PLC, UK
Location: North Quincy, MA
Owner/Interviewee: Hans Carstensen III, CEO
# Years in business: 3 as Aviva name, 300-year history
Type of business: Service, insurance
Size of business: $600 million to 900+ in premium
# Employees: 400 employees in US organization
Website: www.aviva.com
Key sustainability initiatives:

- Corporate Social Responsibility focus on environment and diversity in workplace.
- Comprehensive tracking and report, sets standard for industry recycling paper.
- Community Involvement Committee decides use of annual $20K community dollars.
- Christmas event with Department of Social Services for children.

Benefits realized:

- Improved measurement and tracking systems.
- Attracting younger employees with high education who share values of CSR.

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**Business Name:** Coastwide Laboratories  
**Location:** Wilsonville, OR  
**Interviewee:** Grant Watkinson, CEO  
**# Years in business:** 70  
**Type of business:** Cleaning chemicals manufacturer and distributor  
**Size of business:** Undisclosed  
**# Employees:** 156  
**Website:** www.coastwidelabs.com

Key sustainability initiatives:

- Developed new set of chemistries with 9 environmental pass/fail criteria called the Sustainable Earth Standard.  
- Dozen new products.  
- Seminars for customers and prospective customers to change mindset.  
- Natural Step training for all staff.  
- Created position for Corporate Director of Sustainability.  
- Introduce program to return, clean and reuse packaging.  
- Get corporate headquarters LEED certified.  
- Reduce waste stream, water use.

Benefits realized:

- First cleaning chemical product line in the United States to have third party certification of its health, safety, and environmental claims.  
- Environmental product line grew 300% (green chemicals = 9% of overall business in 2004).  
- Risk mitigation with insurance companies is better.  
- Nominated for US presidential green chemistry challenge award.  
- City of Portland US Green Environmental Council BEST Award for product development.

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**Business Name:** Greenlake Dental Care  
**Location:** Seattle, WA  
**Interviewee:** Dr. Ross Fraker, Owner  
**# Years in business:** 70
The Leadership of Sustainability

Type of business: Dentist
Size of business: Undisclosed
# Employees: 10
Website: www.GreenLakeDentalCare.com

Key sustainability initiatives:
- One of the first dentists in Seattle to install a treatment unit that filters amalgam particles from the office's wastewater, eliminating the toxic sludge from the city's sewage system.
- Invented and patented cost-effective amalgam separator.
- Recycles plastics and paper.
- “Declared war” on peanuts packaging: will not use or accept.

Benefits realized:
- Created new business to manufacture and distribute amalgam separator.
- Recycling and environmental action is a “net positive” for business financially.

Business Name: Hemptown
Location: British Columbia
Interviewee: Jason Finnis, CEO
# Years in business: 10
Type of business: Clothing manufacturer and distributor, publicly traded
Size of business: $1.5 million in 2004
# Employees: 15
Website: www.hemptown.com

Key sustainability initiatives:
- Developed unique technologies to produce hemp-blend fabrics that are soft, long-lasting and economical, while reducing pollution and fresh water consumption.
- Collaborating on some leading-edge enzyme bio-technology with the National Research Council of Canada (NRC), that will produce an entirely different type of soft, strong and environmentally friendly fabric called “Crailar”™.

Benefits realized:
- Grew by 400% per year until it reached $1.5 million.
- Sixth fastest growing company on west coast last year (Canada).
- Craik, Saskatchewan gave land to build North America’s first hemp processing mill, geo-thermal heated, with a wind mill on property, able to charge for energy it creates.

Business Name: Lake City Florist
Location: Seattle, WA
Interviewee: Mary Sierchio, Owner
# Years in business: 56, she has owned for 7
Type of business: Florist
Size of business: Undisclosed
# Employees: 3-5

Key sustainability initiatives:
- Started “Lake City Bucks” program where people return a vase or basket and the company reuses or takes it to Value Village.
- Uses compost bin for plant material.
- Sets out old flowers for passers-by.
- Buys stationery printed on recycled paper.
- Recycles cans, paper, and bottles.
- Re-uses old water.
- Avoids unsafe sprays and preservatives.
- Active in the community: donates in-kind to a lot of causes. Mother’s day drive for New Beginnings shelter, Northwest Harvest, Lake City Christmas event.

Benefits realized:
- 2004 Seattle Chamber of Commerce BEST Award for Innovation In Conservation.
- “Bucks” program is net positive for business.
- Customer appreciation: collected a 7-inch thick photo album of thank you cards.

Business Name: Mithun
Location: Seattle, WA
Interviewee: Bert Gregory, CEO
# Years in business: 56
Type of business: Architects
Size of business: Undisclosed
# Employees: 150
Website: www.mithun.com

Key sustainability initiatives:
- One of country's premier green building designers and architects.
- More than 60% of Mithun's employees are certified LEED® Accredited Professionals, reimbursed for test by company.
- Internal committee forwards proposals for operational sustainability projects.
- Member of Chicago Carbon Exchange and Bonneville Power Green Tag Program, neutral carbon emissions.
- Company “fleet” consists of one Toyota Prius and one Flex Car.
- No air conditioning, uses windows. Recycled carpet fiber, uses premium recycled paper.
- Corporate giving focuses on environment, arts, community.
- Donate time to issues, board memberships, green building council of Cascadia, Master Builders Associates committee, City of Seattle Mayor’s Sustainability Panel.
Benefits realized:
- Twice awarded premier national leadership award by U.S. Green Building Council.
- 2003 Sustainable Design Leadership Award by CoreNet Global.
- Among the top 25% of architectural firms in the US in terms of profitability.

Business Name: New Leaf Paper  
Location: San Francisco, CA  
Interviewee: Jeff Mendelsohn, CEO  
# Years in business: 7  
Type of business: Paper and printing  
Size of business: $18 million in 2004-05  
# Employees: 20  
Website: www.newleafpaper.com

Key Sustainability Initiatives:
- Leading national source for environmentally responsible, economically sound paper.
- Offers eco-audit to clients documenting cost savings in energy use, emissions, trees, water, and solid waste.
- Works with printing mills to shift paper-printing process to environmentally clean, no bleach.
- Offset all energy use with three phases of wind power.

Benefits Realized:
- Printer for Harry Potter and the Order of the Phoenix, published by Raincoast Books in Canada.

Business Name: Novex Couriers  
Location: Richmond, CA  
Interviewee: Rob Safrata, CEO  
# Years in business: 27  
Type of business: Same-day Couriers  
Size of business: Undisclosed  
# Employees: 130  
Website: www.novex.ca

Key Sustainability Initiatives:
- A fleet with 20% of environmentally friendly vehicles such as gasoline/electric hybrids and natural gas vans.
- Uses triple bottom line to measure business success.
- Posts triple bottom line report on corporate website using Social, Economic, Environmental Integrated Toolkit (SEE-IT) by Real Living Solutions.
- Office operations - recycle paper, reduce water use, eliminate cleaning toxics, waste reduction.
- Management committee recommends solutions, energy savings program that includes purchasing energy efficient
equipment and appliances, switching to energy efficient light bulbs.

- Commissioned feasibility to build LEED silver/gold standard building.
- Training budget for each staff member.
- Paperless billing option for customers.

**Benefits Realized:**

- Used 8% less electricity in 2004.
- Saved equivalent of 35 trees worth of paper in one year.
- ISO14000 certified.

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**Business Name:** Nowogroski Rupp  
**Location:** Seattle, WA  
**Interviewee:** Michelle Rupp, CEO  
**# Years in business:** 63  
**Type of business:** Service, insurance  
**Size of business:** $8 million  
**# Employees:** 13  
**Website:** www.nrgseattle.com

**Key sustainability initiatives:**

- Leading edge in automation nationwide in insurance industry.
- Overtime is discouraged and employees work 37.5 hours per week.
- Each employee earns a 4-week paid sabbatical every five years of employment.
- Use People, Planet, Profit scorecard of Sustainable Business.
- Flexibility for employee medical, family leave.
- Waste Wise program.
- Fun, joyful work environment.

**Benefits realized:**

- Michelle Rupp named 2002 IIABW Agent of the Year.
- Recipient of Mayor’s Small Business Award for the City of Seattle.
- Revenue growing at 181% annually, a five-year average.
- Nominated for “Best Practices” by Independent Insurance Agents and Brokers of America.
- Attracting younger employees due to business practices.
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**Business Name:** PCC Natural Markets  
**Location:** Seattle, WA  
**Interviewee:** Tracy Wolpert, CEO, and Lori Ross, Randy Lee, Trudy Bialic  
**# Years in business:** 52  
**Type of business:** Cooperative grocery  
**Size of business:** $89 million in 2004  
**# Employees:** 650  
**Website:** www.pccnaturalmarkets.com

**Key sustainability initiatives:**
- Task force to formalize sustainability: created 85-point plant for triple bottom line measurement and improvement.
- New Fremont store incorporates recycled, natural and low-toxic building materials and finishes, and was constructed using waste-reduction strategies. The integrated mechanical systems and lighting are energy efficient and the store features photovoltaic cells that generate electricity from sunlight.
- Partner with organizations that share mission, such as Monterey Bay Fish, WA Sustainable Food and Farming Network.
- Started and supports the Farmland Fund, to preserve organic farmland, also supports local, sustainable agriculture.
- Educates consumers on issues such as genetically engineered food and organic standards.
- Provides cash and volunteers to local food banks, and cash rebate programs that support schools and other non-profits in the communities where stores are located.

**Benefits realized:**
- Customer loyalty.
- 6% growth in 2004.
- 2002-03 Sustainable Seattle Special Achievement Award.
- Outstanding Retailer of 2005, by the National Association for the Specialty Food Trade, Inc.
- 2005 Socially Responsible Retailer Award, by the National Nutritional Foods Association.
- 2004 Fremont PCC sustainable building category for the Seattle Chamber of Commerce BEST Awards. (Businesses for an Environmentally Sustainable Tomorrow).

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**Business Name:** RE-Store/RE-Sources for Sustainable Communities  
**Location:** Bellingham, WA  
**Interviewee:** Mary Morrison, (former) Executive Director  
**# Years in business:** 12  
**Type of business:** Building retail/non-profit  
**Size of business:** $1.8 million  
**# Employees:** 43  
**Website:** www.re-store.org or www.re-sources.org

**Key sustainability initiatives:**
- Reclaim building material waste and divert close to 3 million pounds of waste from landfills per year.
- Provide education to public and 7,000 school children each year through RE-Sources.
• Promote opportunities for public to be engaged through Bay Keeper program.
• Increasingly participatory organizational culture.
• Give free party plates to community groups for events.
• Researching bio-diesel vehicle, alternative energy.
• Remodeling Bellingham store with living roof, solar panels as demonstration of green building methods.

Benefits Realized:
• Grown to 80,000 customers at two sites.
• 2005 Green Globe Award Leader in Recycling, Waste Prevention and Use of Recycled Materials, King County Department of Natural Resources.
• 2004 “Best Non-profit Display,” Northwest Flower and Garden Show. Seattle, WA.
• 2003 “Sustainable Communities: Leadership in Business Award,” Sustainable Seattle.

Business Name: Todd Pacific Shipyards
Location: Seattle, WA
Interviewee: Dale Baugh, Director of Process Improvement & Resource Development
# Years in business: 89
Type of business: Ship builders
Size of business: Undisclosed
# Employees: 800-1200
Website: www.toddpacific.com

Key sustainability initiatives:
• Install system to collect and treat contaminated industrial stormwater and dockwater.
• Uses environmentally friendly paint and solvent.
• Waste minimization, reducing grit abrasive use by 30%.
• Remove contaminated sediments in the open water, reconstruct permanent nearshore salmon habitat, and remove over-water shading in important marine habitat areas.
• Internal training and employee education.
• Community Involvement: Bloodmobile, United Way, the American Heart Association Heart Walk, Machine Shop Food Drive, Toys for Tots, and donations to the Salvation Army.

Benefits Realized:
• 2004 Environmental Excellence Award for Pollution Prevention and Cleanup from the Association of Washington Business (AWB).
• William M. Benkert Bronze Award from the United States Coast Guard.
• BEST (Businesses for an Environmentally Sustainable Tomorrow) Award in the Stormwater Pollution Prevention category from Resource Venture, the City of Seattle, and the Greater Seattle Chamber of Commerce.
**Business Name:** Utilikilts  
**Location:** Seattle, WA  
**Interviewee:** Steven Villegas, CEO  
**# Years in business:** 5  
**Type of business:** Kilt manufacturers and distributors  
**Size of business:** Over $1 million  
**# Employees:** 16  
**Website:** www.utilikilts.com

**Key sustainability initiatives:**
- Philosophy behind men wearing kilts is to promote change and social awareness.
- Compressed pay scale where management earns no more than five times as much as lowest paid employee.
- Migrating to environmentally friendly dye and mill-manufacturing techniques.
- Uses triple bottom line accounting.
- Northwest Kilt Exchange program, volunteers earn kilts for charitable work in the community.

**Benefits realized:**
- 33% growth in three years.
- 2004 Mayor's Small Business Award for City of Seattle.
- Exhibits at The Victoria and Albert Museum in London and Metropolitan Museum of Art in New York.

**Business Name:** Wild Mountain Café  
**Location:** Seattle, WA  
**Interviewee:** Connie Stone, Owner  
**# Years in business:** 3  
**Type of business:** Restaurant  
**Size of business:** Undisclosed  
**# Employees:** 14  
**Website:** www.wildmtncafe.com

**Key sustainability Initiatives:**
- Separate and recycle glass, paper, tin, cardboard, plastic, and aluminum.
- Virtually all furnishings, equipment, dishware, silverware, glassware, and cookware is secondhand.
- Re-modeled restaurant with used building supplies.
- Onsite composting.
- Employees paid living wage.

**Benefits Realized:**
- 2004 BEST Award from Seattle Chamber of Commerce.
- Low staff turnover.
- Customer appreciation and loyalty for “green” approach to business.
Appendix II: Interview Questions

Interview questions were designed to track the individual’s experience with sustainability, leadership style, lessons learned, and next steps for them and the sustainability movement.

Personal Connection: (Critical Moment)
- How did you first become aware of sustainability? What does it mean to you?
- What made you decide to bring it into your organization?
- What were your questions and goals when you began?

Practical Application:
- Where did you start? What did you do first?
- What did you know about change management when you started?
- How did you engage others in the organization? Did you have an employee development program in place when you started?
- What kind of leadership style did you employ to incorporate sustainability in your organization? Was that different from how you led before?
- How far along are you? What have you done? What is left to do?
- What outside help did you use? (books, training, networks, prof. orgs)

Looking Back, Lessons Learned:
- What would have made the process easier for you? (role models, books, training, networks)
- What kind of outside help would you have used if you could, and what stopped you? (money, time, knowing who to call)
- What is the role of leadership in implementing sustainability in your organization, in your industry?
- What has been your biggest influence as a manager/owner?
- What have the benefits been of bringing sustainability to your organization? Negative impacts?
- Have you noticed any changes in the sustainability movement since it began?
- What might an organization focused on ethical leadership development offer to the profitable sustainability movement?

Key facts:
___ # of years in business
___ # of employees
___ incorporated or publicly held?
___ who else should we talk to?
The Center for Ethical Leadership: Leadership for Sustainability

The Center for Ethical Leadership is a non-profit leadership development organization. We seek to support the development of leadership capacity in individuals and groups to serve the common good. We work with businesses and organizations pursuing sustainability to:

Create Shared Vision
As a strategic objective of an organization, sustainability must have the full support of the organization, and all members must see their role in carrying it out. The Center designs and facilitates processes that help craft a shared vision and plan for pursuing sustainability. Through institutional dialogue and interactive engagement with shared values, the Center leads companies towards alignment of intention and activity. By inviting and integrating the diverse perspectives of members of the entire company, the Center creates strong coalitions focused on shared outcomes.

Lead Change
Companies pursuing sustainability define and address the changes that must occur in order to achieve their goals. The Center equips the members of organizations with tools that allow them to initiate and manage change internally and within their industry. By fostering the development of new ways of working and being together, The Centers’ methods increase the productive and successful navigation of change at the individual and collective level.

Tap Sources of Innovation
Sustainability objectives often require the innovation of new solutions and methods. The Center works to tap the creativity and engagement of the entire organization, and create a culture that supports new learning. Through cultivation of relationships and trust, the Center promotes the kinds of collaboration and exchange that result in breakthrough ideas.

Engage The Community
Organizations that embrace sustainability frequently reach out to create collaborative partnerships with the community, the public and private entities. The Center provides specific approaches for nurturing relationships and building trust between such partners, and engaging the community. The Center’s innovative methods in community leadership development promote business, community and government collaborations that create positive change.
Who is The Center for Ethical Leadership?

The Center is a Seattle-based non-profit leadership development and training organization. It was founded to foster the development of a new generation of leaders who initiate positive change in communities, organizations and businesses. The Center's approach to leadership development begins with helping people to identify their core values, to apply those values to important decisions and to live their values at home, at work and in the community. Our work with organizations includes:

Leadership Development Programs
The Center for Ethical Leadership designs values-based leadership and organizational development programs on a customized basis for businesses and other organizations. These programs incorporate the Center's core teachings on ethical leadership, ethical decision-making and Gracious Space, and support enterprise-wide change in service to principles of sustainability and corporate social responsibility.

Workshops and Education
The Center for Ethical Leadership offers workshops and trainings in the workplace. For a representative list of current workshop topics, visit our calendar at www.ethicalleadership.org

Facilitation
The Center for Ethical Leadership offers a variety of facilitation services that utilize its Gracious Space spirit and approach. Gracious Spaces supports the adaptive capacity of organizations, by emphasizing the importance of diversity, learning and what each person brings to a given setting. Gracious Space provides an excellent container for channeling the creative potential of difficult conversations.

For more information on how we can support your organization's growth, please contact us.

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