



the value of vision

Sustainability Challenges for
South African Businesses in 2013



Network for
Business Sustainability
South Africa

Inspiring new
research and innovating
new solutions

Letter from Ralph Hamann & Claire Thwaites, NBS:SA

The Network for Business Sustainability: South Africa (NBS:SA) enables better-informed strategy- and decision-making. It does this by bridging managerial practice and scholarly research on what has become a vital strategic concern for companies in South Africa and elsewhere.

Indeed South Africa intensely expresses the global sustainability challenge. Many of the key strategic risks identified by global business leaders, such as socio-economic inequality and water scarcity, are acute here. Following the shock of Marikana in 2012, there is again a palpable sense of the interdependencies between business success and companies' social and ecological context.

Some South African business leaders are starting to demonstrate such an understanding. As a country, we are recognised worldwide as the first to make integrated reporting a requirement for listed companies.

Yet the business sustainability journey is anything but easy. The required innovation is difficult in the context of competitive pressures and organisational inertia. Misunderstandings and conjecture abound, so there is a clear need for empirical evidence and rigorous theory to inform the sustainability debate.

However, the relationship between business practitioners and scholarly researchers has not been an easy one. Practitioners complain that researchers' theories are arcane and impractical, while researchers worry about the lack of evidence used in decision-making.

In response, NBS:SA builds a bridge between managerial practice and scholarly research. We do this by identifying priority questions facing business leaders. These are presented in this report. They focus attention and provide a platform for improved communication. In addition, we choose two of them for more dedicated investigation, with world-class researchers coalescing and translating scholarly knowledge for practitioners.

We are grateful to a range of people and organisations for their contributions. (They are mentioned in the acknowledgements of this report.) We also thank you, the reader, for your time and interest. This report is a first step by NBS:SA in contributing to the necessary sustainability transition and we invite you to be part of this journey.

Sincerely,



Ralph Hamann, Academic Director, NBS:SA
Research Director, UCT Graduate School of Business



Claire Thwaites, Managing Director, NBS:SA
Senior Programme Manager Transnet Programme in Sustainable Development at the Gordon Institute of Business Science

Letter from Tima Bansal, Network for Business Sustainability

It is truly an honour to be writing this letter, introducing the Network for Business Sustainability's South African affiliate, NBS:SA. This is a watershed moment as Canada and South Africa join hands to advance business sustainability by bridging research and practice.

I was delighted to attend the inaugural Leadership Council meeting on July 15, 2013. Having led five such meetings with the Canadian Leadership Council, I was excited to see how the South African meeting would unfold. A notable difference was the quick consensus the South African companies reached. The Canadian Leadership Council companies always list numerous challenges and select the top 10, but the South African companies identified only eight challenges from the outset. This is not likely because South African companies face fewer challenges; it is quite possibly because there is more agreement on the most significant issues.

I was also surprised by how similar the challenges were for both Leadership Councils. From managing sustainable supply chains and engaging employees in environmental activities to working with partners outside their companies to create societal change, businesses in Canada and South Africa face many of the same business challenges.

However, the one challenge that really stood out as different was the deep interest South African companies expressed in creating a shared vision for a sustainable future. Canadian businesses care

deeply about collaboration and civic dialogue, but a Canadian vision for a sustainable future has not surfaced as a priority with the Canadian Leadership Council.

I hope this letter helps to convey the opportunities exposed through the collaboration between NBS in Canada and South Africa. We are creating local solutions to global problems, and we are doing so collectively. NBS, with NBS:SA on board, is a first step to changing global systems through local adaptation and international coordination.

All of this would not have happened without the vision and commitment of Ralph Hamann (UCT), Claire Thwaites (GIBS) and Jess Schulschenk (UCT and EY). I also want to thank the South African Leadership Council members for their leadership and commitment to sustainability. Thank you also to you, the reader, for caring about the challenges and opportunities companies face in establishing a sustainable future. I hope you read, use and share this report.

Sincerely,



Tima Bansal, PhD
Executive Director, Network for Business Sustainability
Professor, Richard Ivey School of Business

executive summary

A group of South African business leaders met in July 2013 to identify the most pressing challenges their organizations face in achieving sustainable development – both inside their companies and in broader society. In a one-day roundtable, these leaders identified eight sustainability issues associated with important knowledge gaps. These challenges are put forward as questions for consideration and action among researchers and practitioners, and as a platform for enhanced interaction between the two groups.

The Eight Sustainability Challenges for South African Business in 2013

1. How can business engage in **medium- and long-term strategic planning that is linked to a shared vision** for a sustainable future (in South Africa)?
2. How can we **measure and value social capital for business decision-making and reporting**?
3. How can companies ensure **integrated decision-making**?
4. How can companies **integrate sustainability into strategies and business models**?
5. How can companies create **sustainable supply chains** in the South African context?
6. How can companies **engage their consumers** in co-creating sustainable business agendas and solutions?
7. How can businesses **collaborate effectively and legitimately** (also among competitors) to drive collective action for sustainability?
8. How can **sustainability be integrated into professional training**?

Over the next year, NBS:SA will dedicate attention to the first two of these business sustainability challenges: business contributions to a shared vision for a sustainable future, and measuring and valuing social capital. We will commission leading academic teams to review existing knowledge, address research gaps and present practical guidance for business leaders to engage in these issues.

introduction

Who Produced This Report

NBS:SA is an affiliate of the Network for Business Sustainability, a non-profit organisation founded in Canada in 2005. Through connecting visionary business leaders with global management scholars, the Network for Business Sustainability creates knowledge tools to enable positive change.

NBS:SA bridges the research-practice gap in the South African context. It is a collaborative partnership between the Gordon Institute of Business Science (GIBS) at the University of Pretoria and the Graduate School of Business (GSB) at the University of Cape Town.

Every year, NBS:SA convenes a group of South African business leaders – our Leadership Council – whose companies are proactively pursuing sustainability. These business leaders identify cross-cutting sustainability challenges that are relevant both within their organisations and the industries and regions in which they operate. These business sustainability challenges are outlined in this report. NBS:SA then commissions rigorous academic research on the top challenges as chosen by the Leadership Council in order to produce practical and objective decision-making resources for business leaders. The resulting resources are available at no cost, globally, via the NBS website (nbs.net).

Why We Wrote This Report

The goal of NBS:SA is to advance South Africa's sustainability agenda by identifying and addressing knowledge gaps faced by practitioners. By describing the themes highlighted by senior leaders in companies with strong sustainability commitments, we invite researchers in South Africa and beyond to design and implement research that can help fill these knowledge gaps, or to help translate existing scholarly knowledge into useful resources for practitioners. We also aim to provide a platform for communication between and among managers and researchers.

What is “Business Sustainability”?

Business sustainability refers to business models and managerial decisions that create value over the short, medium and long term, based on mutually beneficial interactions between the company's value chain and the social and environmental systems on which it depends.

local context, global network

Business sustainability challenges and opportunities are closely linked to local and national circumstances. South Africa presents many of the most important business risks identified by international business leaders in annual surveys by the World Economic Forum, including for instance socio-economic inequality, water scarcity and climate change.¹ At the same time, it is home to sophisticated companies, some of which have gained an international reputation for innovation and commitment on sustainability issues. All of this means that NBS:SA aims not only to contribute to the South African debates on business sustainability, but to the global agenda as well.

The challenges identified by the NBS:SA Leadership Council display both global and national relevance. Some of the themes, such as the need for better collaboration or reconfiguring supply chains, are universally pertinent, and indeed some of them have already received attention by the Network for Business Sustainability in Canada (see nbs.net). Yet our South African Leadership Council members often emphasised the role of national and regional context (in the supply chain challenge, for instance). As expected, our Leadership Council members also placed greater emphasis on the social dimensions of sustainability than their Canadian counterparts.

In addition, one of our top priority challenges has a distinctly South African flavour: business contributions to a shared vision for the future. This reflects our country's difficult history and the critical juncture we find ourselves in 20 years after the first democratic elections. It also reflects South African business leaders' willingness to proactively engage in the ongoing process of nation-building. This is an exciting and distinctive feature of the South African business sustainability journey.

¹ World Economic Forum (2012) Global Agenda Survey. Available online: <http://reports.weforum.org/global-agenda-survey-2012>

Who Should Read This Report

This report is for business leaders, academic researchers, government representatives and other societal change agents with the capacity and desire to change the way organisations do business in South Africa.

For Business Leaders

Start the conversation about sustainability. Whether you're the CEO of a JSE-listed company or the founder of a family-run small business, every business leader has the capacity to drive change. Think about the challenges raised in this report as they relate to your own organisation. Build some of the issues into your long-term planning. Raise the challenges with your local Chamber of Commerce or industry association as topics for educational workshops and seminars over the coming year. Find non-profit organisations, universities and colleges that can partner with you to start addressing them.

For Academic Researchers

Study the issues that matter to managers.

Business leaders rely on sound insights to inform their decision-making: these challenges provide a roadmap to the topics of most interest to practitioners. Where scholarly publications already address business challenges, NBS gathers and synthesizes the best evidence. Many of the issues, however, have yet to be explored thoroughly by academia. We encourage researchers worldwide to investigate these important management questions and to share them with colleagues in other disciplines.

sustainability challenges for 2013

Producing the List of Challenges

The sustainability challenges emerged from a one-day roundtable of 13 senior business leaders and four representatives from government and civil society who gathered in Johannesburg on 16 July 2013:

- Jannette Horn, Group Sustainability Manager, Altron
- Christopher Whitaker, Executive: Strategy and Sustainability, Barloworld
- Deirdre Lingenfelder, Head of Safety and Sustainable Development, De Beers Group
- Ruth Lewin, Corporate Sustainability, Discovery
- Hanno Olinger, Sustainability Manager: GRC, Exxaro Resources Limited
- Gavin Watson, Project Manager, GIZ
- Ansie Ramalho, Chief Executive, Institute of Directors in Southern Africa
- Dhiresk Ramklass, Principal Technical Advisor, National Treasury
- Brigitte Burnett, Head: Sustainability, Nedbank
- Jon Duncan, Sustainability Research and Engagement, Old Mutual Investment Group
- Vanessa Otto-Mentz, Head of Group Strategy Unit, Santam
- Graeme Wild, Group Head Sustainability and Investor Relations, Sappi

- Sue Lund, General Manager: Public Policy & Sustainability, Transnet SOC Ltd
- Elizabeth Pretorius, Communications Director, Unilever
- Justin Smith, Head of Sustainability, Woolworths
- Deon Nel, Head of Biodiversity Unit, WWF SA
- Bianca Bozzone, Manager: Inclusive and Sustainable Growth Portfolio, Yellowwoods

The roundtable was facilitated by Professor Ralph Hamann, Research Director at the UCT Graduate School of Business and Academic Director of NBS:SA. The group was led through the process of sharing and capturing South Africa's business sustainability challenges and then prioritising the ones that will receive dedicated attention by NBS:SA this year. The following list represents the outcome of that discussion.



south african business sustainability challenges

Eight questions define the sustainability challenges leading South African companies face in 2013

1

How can business engage in medium- and long-term strategic planning that is linked to a shared vision for a sustainable future (in South Africa)?

2

How can we measure and value social capital for business decision-making and reporting?

3

How can companies ensure integrated decision-making?

4

How can companies integrate sustainability into strategies and business models?

5

How can companies create sustainable supply chains in the South African context?

6

How can companies engage their consumers in co-creating sustainable business agendas and solutions?

7

How can businesses collaborate effectively and legitimately (also among competitors) to drive collective action for sustainability?

8

How can sustainability be integrated into professional training?

1 CHALLENGES

How can business engage in medium- and long-term strategic planning that is linked to a shared vision for a sustainable future (in South Africa)?

What does the future have in store for us? How do we respond in a strategic and pragmatic manner? How can we help shape this future? These are fundamental questions for business strategists. Research from the field of strategic management suggests that companies can enhance their competitiveness through an analysis of long-term trends and their strategic implications.

Tools such as scenario planning are used to understand how organisations can anticipate and react to changing circumstances. Some suggest that they can also help understand how the future can be influenced.² Such medium- and long-range planning is particularly important and difficult in this period of accelerating demographic, economic, environmental and social changes.

This change and uncertainty is prevalent in South Africa 20 years after our first democratic elections. In response, there have been important efforts to help generate a shared, long-term vision for the nation. Most recently this includes the work of the National Planning Commission, whose National Development Plan has been adopted by the government as an overarching policy framework. At the local level, municipalities' Integrated Development Plans are meant to include the voices of local stakeholders in articulating a local vision and prioritizing development needs.

Yet businesses are often uncertain about their role in the National Development Plan or in local development planning and how such plans can be incorporated into their own strategic management decisions. Guidance is required on how companies can generate organisational visions and plans that reflect organisational priorities and meaningfully intersect with their public counterparts. How can companies' long-term plans better interface with and contribute to the National Development Plan? At the local level, how can companies better support the development and implementation of Integrated Development Plans?

“We talk about securing the future for our clients. But, we haven't been good at saying what that future looks like.”

Jon Duncan
OLD MUTUAL

² See, for instance, Kahane, A. (2012). Transformative scenario planning: Working together to change the future. San Francisco: Berrett-Koehler.

Of course, these plans and scenarios – whether in companies or public collectives – contain a broad array of themes ranging from job creation to climate change. The focus here, however, is not on the content of the plans, but rather on the principles, processes and techniques that can help companies engage in their development. More specific, related questions include:

- What techniques and mechanisms have proven most effective in forecasting and identifying strategic implications for organisations, and how do they compare? What contextual and other factors need to be considered?
- Where and how have such techniques been applied to assist organisations to make prescient strategic decisions in the face of increasing rates of socio-economic, technological, environmental and other changes, as well as high levels of uncertainty ?
- How can scenarios and medium- and long-range planning help companies respond to growing sustainability challenges?
- When and how can organisations aim to not only respond to scenarios of the future, but engage in concerted, collaborative efforts to influence these trajectories?
- How can companies create effective synergies between their long-range plans and collective plans and visions (at local or national levels)?

2 CHALLENGES

How can we measure and value social capital for business decision-making and reporting?

Expectations are growing for companies to measure and report both internally and externally on their progress in achieving sustainability objectives. Internally, such reporting is a crucial aspect of informed decision-making and the longer-term process of continuous improvement towards enhanced sustainability performance. In addition, assessing likely impacts is often necessary for motivating investments as part of a firm's sustainability strategy. Such investments often need to be supported on the basis of return on investment (ROI) and payback. More generally, managers are being asked to integrate sustainability considerations into ROI, net present value, or "value at stake" calculations that guide broader investment decisions.

Over and above these internal pressures for measuring and valuing sustainability issues, there are increasing expectations for more sophisticated and comparable public reporting. South Africa is the first country worldwide to make integrated reporting a requirement for listed companies. According to the International Integrated Reporting Council's emerging framework, integrated reports will need to record how the company relies on and impacts six forms of "capital": financial, manufactured, human, intellectual, social and

natural.³ From a sustainability perspective, there is a need for generating an improved, shared understanding of how to better account for social and natural capital, in particular. While natural capital has been the subject of increasing focus in recent years, less progress has been made in the measurement of social capital. There is thus a need for practically relevant guidance on how to better assess the social capital "owned" by a company itself and the social capital among stakeholder groups that are impacted by the company, and how these stocks of social capital influence the company's competitiveness and reputation.

Whether for internal or external purposes, important questions arise with regard to the extent and manner in which social capital can be measured and valued. This is not only because it is often not traded in a market. The complex interactions between companies' value chains and their social-ecological contexts make such measurement fraught with difficulty. Many aspects of social capital are inherently intangible, and companies make use of risk assessment methodologies to place a value on social factors that affect their business strategies and operations.

"Business and society must come to a place of agreement on how businesses create value."

Ansie Ramalho
IODSA

³ See <http://www.theiirc.org/consultationdraft2013>.

Social and environmental values may be assessed in economic terms through proxies, such as contingent valuation. Leveraging insights and tools developed by environmental economists in the last 20 years, important progress is being made especially with regard to environmental impacts.⁴ Such progress has been slower in the realm of social capital. How do we evaluate a firm's impacts on neighbouring communities, and how can we assess the quality and value of its stakeholder relationships? This is all the more difficult given the complexity of assessing the risk likelihood or impact of serious breakdowns in such relationships.

It is also difficult to attribute social-ecological impacts to particular activities or actors, and to identify an appropriate discount rate for the inevitable long-term effects. Finally, different audiences have different demands for valuation; company internal actors often prioritise the financial impact on the firm, while societal stakeholders will have a broader framing of value. These various issues pose challenges to our understanding not only of how we can better measure and evaluate business impacts on social and environmental systems, but also whether indeed our current emphasis on quantifying such impacts is appropriate or helpful from the point of view of firm strategy or the public interest.

More specific questions include the following:

- What are the various issues and categories that constitute the social capital that companies rely and impact upon? How can companies focus on those aspects of social capital within and outside the firm, which will have material impacts on competitiveness and reputation?
- What insights from research in sociology, economics and accounting can we draw upon in developing measures and reporting systems for social capital? What can we learn from our emerging understanding of measuring natural capital?
- What are the emerging innovative practices that companies are developing in measuring and evaluating their reliance and impacts on social capital?

“In South Africa, business has a considerable obligation to determine the value that we create in the society in which we live. How do we account for social value, track it, and manage it? If we can agree on the measurement tools, we can start managing our progress towards it.”

Sue Lund
TRANSNET

⁴ See, for instance, the efforts by Puma to report on its “Environmental Profit and Loss Account” (http://about.puma.com/wp-content/themes/aboutPUMA_theme/financial-report/pdf/EPL080212final.pdf)

3 CHALLENGES

How can companies ensure integrated decision-making?

Effective managerial decision-making has always required an ability to consider a range of factors. This challenge is growing as we expect managers to give greater attention to their firms' social-ecological contexts. Leadership Council members are concerned we are not learning fast enough how to make decisions that integrate a broader range of themes and potentially opposing imperatives. As noted by Deirdre Lingenfelder from De Beers, "We need to make sustainability part and parcel of how we make decisions."

Yet managers' decisions are often influenced by their training and designation in the firm, and they often struggle to communicate constructively with stakeholders, or even managers in other positions. For instance, finance managers often highlight particular accounting measures and decision-frames, which may work against an effective consideration of social-ecological factors (see also the second challenge described on page 12).

The integrated reporting framework is already providing important incentives and frameworks for more holistic decision-making in companies. But Leadership Council members emphasise the need for managers to be trained more effectively for such integrated decision-making – this is considered in more detail in the Sustainability Challenge dedicated to training (see page 19).

Yet holistic decision-making requires more than particular skills and aptitudes among managers. It may also require a revision of organisational structures or processes. They need to allow a consideration of how each of the six "capitals" are required and impacted upon by a decision. They also need to foster integrative thinking even in an often time-pressurised decision-making environment.

"We need to move beyond people speaking different languages (either technical, financial or sustainability) if we are going to be proactive about dealing with both sustainability related risks and opportunities."

Deirdre Lingenfelder
DE BEERS

4 CHALLENGES

How can companies integrate sustainability into strategies and business models?

Despite the sustainability agenda gaining air-time in board discussions and executive teams among Leadership Council companies and others, there are still concerns about it remaining an “add-on.” Leadership Council members sought inspiration for not just minor adaptations, but more fundamental redesign of companies’ business models.

Indeed there are famous examples of companies that were either established with a strong sustainability orientation or redefined themselves for this purpose. Often we associate such sustainability innovation with entrepreneurs that identify a market opportunity associated with a social or environmental problem. But there are instances of even large incumbents engaging in sustainability-oriented business model innovation. These include Interface, which redesigned its carpets and moved from selling to renting them. This not only allowed for massive environmental benefits but also increased market share and profits.

There are important efforts at such change and innovation in South Africa. For instance, one of the Leadership Council companies, Exxaro, has prominent ambitions to increase its involvement in clean energy and reduce its current reliance on coal. Yet given South Africa’s commitment to coal-fired energy generation in coming decades, the demand for coal is unlikely to diminish and clean energy will continue to compete with artificially cheap coal-based energy. There are thus important structural barriers to the kind of fundamental business model innovation that is called for. Similarly, Leadership Council members noted that most companies would struggle to adopt Patagonia’s marketing approach, which asks customers to buy jackets less often.

We thus need a better understanding of the challenges and opportunities associated with business model innovation for sustainability. This will need to take into account both company internal dynamics and external market and regulatory structures.

“Many businesses are seeing the pawpaw hitting the fan and simply decide where to stand in order to experience the least impact. We are looking for the examples of those companies who are proactively designing their strategies to not only minimise impact, but to integrate opportunity.”

Deon Nel
WWF

5 CHALLENGES

How can companies create sustainable supply chains in the South African context?

Environmental impacts and risks are associated with company supply chains, and hence outside of their immediate control. For instance, most of the greenhouse gas emissions and water consumption associated with meat or dairy products sold by Woolworths are situated in the production stage on farms. In the case of clothes, significant impacts are at the consumption stage with energy intensive laundry and drying (see also the next challenge). Some supply chain issues pose serious risks to large, visible firms that are then targeted by consumers or NGOs. Thus retailers and others worry about activist reports about human rights abuses on South African wine and fruit farms, or working conditions and child labour in some Asian countries.

Different companies have different levels of influence in their supply chains. Woolworths has relatively significant influence over its South African fresh produce suppliers because it is a large customer and often has long-standing relationships with farmers. These close relationships led to the realisation that soil fertility was declining on many farms, and they developed and implemented Woolworths' "Farming for the Future" programme. The company's clothes supply chain, on the other hand, is much more dispersed around the world. Although labour conditions in factories are audited, the company's influence there is much more limited.

Integrating sustainability into companies' supply chains has received dedicated attention already by the Network for Business Sustainability in Canada, but this is a theme that requires context-specific consideration. One of the issues that requires consideration in the region is the need to support emerging SMEs' access to formal value chains. This makes it all the more important to enhance suppliers' social and environmental performance without burdening them unduly with increased costs or bureaucracy.

"The impact of our production is only a part of a much bigger picture – sustainability in our supply chains is integral to our strategy and we see the opportunity to make a real difference in the country through building sustainable supply chains going forward."

Elizabeth Pretorius
UNILEVER

6 CHALLENGES

How can companies engage their consumers in co-creating sustainable business agendas and solutions?

Consumers have a critical influence on companies' incentives and abilities to implement sustainability strategies. Their consumption behaviours play an important role in the lifecycle impacts of products, as in the case of clothes incurring their greatest carbon footprint not during manufacture but during the washing and drying associated with their use. Companies have as yet unexplored opportunities to inform consumers about these impacts and encourage more sustainable behaviours.

As importantly, consumers' purchasing behaviour drives companies' marketing and product development strategies. Previous work by the Network for Business Sustainability in Canada suggests that consumers do prefer environmentally friendly products, but are generally not inclined to pay more for them.⁶ Given the prevalence of low-income, highly indebted consumers in the South African market, this reluctance to pay more is likely to be particularly prevalent. Yet Leadership Council members emphasised that integrating sustainability into product design and production does not always lead to higher prices. Companies want to engage consumers on sustainable product design and purchasing behaviour, but uncertainties exist with regard to the forms this can take.

In engaging consumers in their purchasing and consumption behaviours, much insight and inspiration can be gained from behavioural science. Ruth Lewin from Discovery notes that her company has premised much of its business model on this kind of value co-creation with customers. A prominent example of this is the Discovery Vitality programme, which encourages healthy behaviour through information exchange and financial incentives, and this creates cost savings in terms of reduced insurance pay-outs. Other Leadership Council members agreed that proactively engaging consumers in identifying and responding to social and environmental concerns can contribute not only to enhanced sustainability performance, but can have important benefits in terms of customer loyalty.

“People are critical to realising a sustainability strategy. We engage actively with our customers to co-create healthier lifestyles and communities, and are looking for ways to more effectively monitor and track these engagements.”

Ruth Lewin
DISCOVERY

⁶ See <http://nbs.net/knowledge/consumer/consumerism/executive-report-consumerism.pdf>

7 CHALLENGES

How can businesses collaborate effectively and legitimately (also among competitors) to drive collective action for sustainability?

The complexity of social and environmental problems means that often it is impossible for a single organisation to effectively address them. For a start, problems such as growing informal settlements or declining water quality in rivers frequently require the complementary competencies of various actors, often from across government, business and civil society. In addition, in a competitive context, unilateral action by a particular company may not only achieve relatively little in the absence of others following suit, but it is also likely to put that company at a competitive disadvantage. Increased costs associated with pollution mitigation or forfeited opportunities due to a principled stand against corruption may be examples of this. It's rarely in one company's interest or ability to tackle a major social or environmental issue alone.

It is therefore widely accepted that improved collaboration within and across sectors is an important aspect of society's sustainability journey. But it is often remarkably difficult to achieve. Business leaders are generally primed to emphasise competition due to what psychologists call a "fixed pie perception."⁷ Not many business leaders also understand the potential for growing the size of the overall pie by collaborating with other stakeholders, even competitors. Examples of where such collaboration among competitors is in their and society's best interest include retailers working with each other to establish a viable recycling industry.

Yet in the wake of various price-fixing scandals, there is much fear of collusion or perceptions of collusion. This is despite the Competition Commission emphasising the possibility of transparent collaboration in the public interest. Clarifying the conditions and parameters of such sanctioned collaboration among competitors would foster more collective initiatives toward sustainability.

"How do we collaborate for positive change in a safe place with our competitors?"

Justin Smith
WOOLWORTHS

"We see tremendous opportunity in collaboration for creating the new products and services of the future – renewable and sustainable."

Graeme Wild
SAPPI

⁷ According to negotiation experts such as Dean Pruitt, people often assume in a negotiation that there is a certain amount of value that will need to be distributed among participants, rather than considering the possibility of expanding available options and resources.

8 CHALLENGES

How can sustainability be integrated into professional training?

According to Leadership Council members, we need professional training within and outside of firms to guard against a very one-sided view of what constitutes business value creation. The integrated reporting requirements are likely to provide a useful framing for such a broadening of education and training.

Managers in various fields, ranging from finance to marketing, will need to develop “systems thinking” capabilities. This means that they are able to recognise inter-dependencies between diverse issues and the resulting feedback loops, thresholds and possible unintended consequences of managerial action. Systems thinking also encourages a more relational approach to management. Trusting relationships between firms and their suppliers, for instance, are often necessary for adaptive learning in turbulent conditions.

Holistic and integrated decision-making also requires what Roger Martin calls “integrative thinking,” or an ability to proactively juxtapose opposing ideas or options in order to generate an innovative third possibility that combines the desirable aspects of both. Understanding systems and integrative thinking are thus vital competencies that ought to be included in curricula of commerce faculties, business schools, and engineering departments, as well as in-house training programmes.

“Decision makers don’t know how to make three dimensional decisions when it comes to sustainability considerations because they are not being taught the necessary skills, be it in business schools or engineering faculties.”

Deidre Lingenfelder
DE BEERS

addressing the challenges

How NBS:SA Will Address the Challenges

The Leadership Council identified the most critical sustainability challenges for researchers to study. They also selected two of these challenges, “business contributions to a shared vision” and “measuring and valuing social capital,” for dedicated attention in 2013/2014. NBS:SA issues a call for proposals to commission leading research teams for these two research projects. A guidance committee, consisting of Leadership Council members and academic advisors, ensures that the research is both academically rigorous and relevant to practitioners.

Going Forward: How Researchers Can Address the 2013 Challenges

- **Research.** Share these Challenges with colleagues in management and related disciplines (engineering, psychology, etc.). Investigate any of the current or past Challenges in your own research. Share the Challenges with students looking for research questions. Contact NBS if you are conducting research in the area of these Sustainability Challenges (Jschulschenk@nbs.net).
- **Education.** Raise these Sustainability Challenges in classroom discussions. Invite business leaders to speak to classes on how these Challenges affect their organisations and how they are addressing them. Consider building the 2013 and past Sustainability Challenges from NBS Canada into curriculum design and sharing them with colleagues and administrators who can do the same.

Going Forward: How Business Leaders Can Address the 2013 Challenges

- **Raise awareness** of these Challenges by sharing the report with peers and with members of your professional associations and industry associations.
- **Embrace a mindset shift.** Continue picking the “low-hanging fruit” that remain in your organisation to reduce your impacts, and work toward creating positive social and environmental impact.
- **Seek out credible resources** to inform your decision-making and organisational planning. Build partnerships with academic experts and their institutions.
- **Commit to taking risks and fostering innovation** in your organisation.
- **Seek out examples** of other leaders, and tell their stories and yours to employees, customers and peers so others can learn from them.
- **Fund a research project** through NBS.

about NBS:SA

NBS:SA is an affiliate of the Network for Business Sustainability, a non-profit based at Western University and UQAM in Canada. The Network for Business Sustainability produces authoritative resources on important sustainability issues with the goal of changing management practice globally. We unite thousands of researchers and business leaders worldwide who believe passionately in research-based practice and practice-based research.

NBS:SA is hosted by the Gordon Institute of Business Science (GIBS) at the University of Pretoria in partnership with the Graduate School of Business (GSB) at the University of Cape Town. NBS South Africa is funded by the Leadership Council members with additional support from the GIBS Transnet Programme in Sustainable Development.

NBS: SA Leadership Council

NBS:SA's Leadership Council is a group of South African sustainability leaders from diverse sectors. At an annual meeting, these leaders identify their business sustainability challenges — the issues on which their organisations need authoritative answers and reliable insights. Their sustainability challenges prompt each of the NBS:SA's research projects.



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