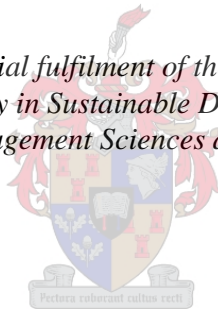


Identifying the Root Causes of Tensions Arising from Business Adoption of Sustainability

by
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*Thesis presented in partial fulfilment of the requirements for the degree
of Master of Philosophy in Sustainable Development in the Faculty of
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Declaration

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Abstract

When business adopts sustainability, leaders, sustainability practitioners and employees experience tensions. Unless the root causes of such tensions are identified, understood and discussed, barriers that developed over time will significantly affect the rate of business transformation in building a sustainable future for both business and society at large.

This thesis then aims to identify the root causes of tensions that arise in the process of sustainability adoption in business. The outcomes of the research highlight the process of organisational and systemic change required in business, and the need for organisational culture and values to align to the values of sustainability. The lack of adaptive leadership skills in business causes tension as a fundamental requirement of sustainability is transformation. Sustainability challenges the ethics of decisions made in business and thereby creates significant tension. Leaders and employees alike are faced with decisions that require careful consideration in order to ensure that the consequences of those decisions do not result in unintended consequences that impact negatively on society and the environment.

Systemic complexity, where capitalism defines the rules within which businesses operate and are being measured, creates tension, as these rules often contradict the values of sustainability. Employees and leaders in business experience tension, as they have to face the dichotomy between values and profit imperatives. This results in an ethical dilemma for business.

The current consumer culture, upon which retailers rely significantly for income, requires the extraction of raw materials and the use of energy, water, oil and chemicals for production purposes. This dependency is concerning, as price volatility as a result of the demand and supply fluctuations, affect the retailer price structures. If these resources were to be priced, based on the true cost to the environment, prices will increase, leaving retailers with no option but to increase sales prices. The scale and depth of change, as well as

the uncertainties that exist within decisions that needs to be made, causes tensions for retailers. Other tensions that arise are the need for meaningful stakeholder engagement, transparency, and a common understanding of what sustainability aims to achieve.

Meaningful conversations in business will help define new rules that can be applied to create long-term value for all in society. Employees are more committed to sustainability through intrinsic values as oppose to extrinsic values. Therefore, a values based approach to sustainability adoption will resonate with employees, thereby improving the effect of sustainability integration. Adaptive leaders who are prepared to interrogate current business models are required. This way, different models are developed, that delivers shared value and intergenerational equity to society and the environment.

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List of Acronyms and Abbreviations

CSR	Corporate Social Responsibility
NBS	Network for Business Sustainability
MIT	Massachusetts Institute of Technology
GRI	Global Reporting Initiative
SA	South Africa
GNP	Gross National Product
SD	Sustainable Development
UNGCP	United Nations Global Compact Principles
BSR	Business for Social Responsibility
CVF	Competing Values Framework
WEF	World Economic Forum
AIR	Annual Integrated Report
ROI	Return on Investment

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1. Chapter One

1.1 Introduction

As a Sustainability Practitioner working in business, I have witnessed significant tensions experienced by employees and leaders alike, during the process of business adopting sustainability. This led me to question what the root causes of these tensions are, as I noticed how progressively these tensions (that I could visibly see people experience), caused resistance and barriers to sustainability adoption. In order for me to facilitate sustainability adoption, these tensions needed to be understood, so that I can understand what people are experiencing, and why. In addition, I needed to facilitate a way to reduce the effect of these tensions, as the existence of tensions started forming barriers to change within the organisation. I relied significantly on my own experience of what appeared to be the root causes of tensions, experienced by those involved in the adoption of sustainability by business. My experience of these tensions within the organisation I work for, became a guide to assist me on elements that required focus, during the process of analysing the literature and conducting the research.

1.2 The Context

During the initial review of literature, very little could be found that directly address the tensions of sustainability adoption in business. With an expanded focus, broader topics were reviewed relating to business and sustainability.

The literature pointed to the challenges in business, particularly in relation to leadership, organisational culture, business ethics, systemic complexities and the level to which change is required, in order for business to transform towards building a sustainable future. In addition, the lack of meaningful change being realised in the global economy is of great concern, if we were to achieve the goal of a future that ensures intergenerational equity. There is a rising sense of “*societal dissatisfaction due to the misappropriation of common goods for private ends*” (Hahn *et al.*, 2010: 386). The World Economic Forum warned in 2011 that: “*current trends are not promising. A*

combination of increasing scarcity of some natural resources, climate change and growth in global population to nine billion by 2050 are creating the conditions for a perfect storm" (World Economic Forum Report, 2011). Trying to formulate a new framework for human reasoning capable of underlying the arrangements of our evolving society is of significant concern (Gallopini, 2003:20).

Globally, businesses need to speed up the rate of change, as significant negative social and environmental impacts are escalating. Whilst progress has been made in relation to the reduction of energy and water usage, these reductions are not sufficient for the scale at which change is required. The challenge for business is to find a way that ensures resource usage and supplies are balanced over time, so that the resources we use match the earth's capacity to regenerate adequate future supply, and that our systems remain balanced indefinitely. There is a need for business to integrate sustainability into business models and product design, creating new markets and a way to engage consumers. This creates opportunities for businesses to adapt, de-risk operations and find new models of value creation. This however requires change and change can be disruptive (World Economic Forum Report, 2011:5). Radical transformation in business and society is required in order address this problem.

Whilst there is evidence in public business reporting that strategic consideration is given to sustainability, adopting the principles of sustainability does not necessarily translate into organisational change. Impact can only be realised when practices change. A study done by Kiron *et al.* (2012), in 113 countries, identified that whilst many organisations achieved significant shifts in driving their sustainability agenda, it still ranks only eighth in importance on the management agenda (Kiron *et al.*, 2012). This study is supported by Caprar & Neville (2012), who found no clarity as to why some organisations adopt sustainability quicker than others; nor do they have an explanation of why, under the same institutional pressures, some organisations implement sustainability and others don't (Fransen *et al.* cited by Caprar & Neville, 2012:232). A more transformational approach is necessary to find leverage

points allowing the tipping of the global economy towards sustainable consumption (World Economic Forum Report, 2012:5).

Gladwin *et al.* (1995) identified that tensions arise when businesses are required “to behave in ways that ultimately destroy their natural and social life-support systems” (cited by Hahn *et al.*, 2010:388). Due to the nature of business, conflicts arise when leaders have to make value judgements that collide with prevailing economic realities (research cited in Hahn *et al.*, 2010:393).

Limiting terminology used to describe sustainability can limit meaningful application of sustainability. This can be a fundamental problem in integrating sustainability into an organisation, as people have different terms of reference when sustainability is applied. This is discussed in more detail in Annexure B.

For the purpose of this thesis, the terminology used is ‘sustainability’, with a particular focus on the definition used by Caprar and Neville (2012). They define business sustainability as “creating long-term value by adopting a business approach that is equally mindful of economic, social and environmental implications”.

1.3 The Research Problem

When business adopts sustainability, leaders, sustainability practitioners and employees experience tensions. These tensions affect the rate at which sustainability integration takes place in an organisation, and over time they result in developing significant barriers to business transformation. Unless the root causes of such tensions are identified, understood and discussed, barriers that developing over time will significantly affect the rate of business transformation in building a sustainable future for both business and society at large. Therefore, a concerted effort has to be made to help reduce the tensions experienced by employees and leaders in business during the process of sustainability adoption.

Questions that need to be understood are:

- At which point do people experience tensions during the process of sustainability adoption in business?
- What are the root causes of these tensions?
- How can business reduce the effect that these tensions have on sustainability adoption?

Tensions, as described in this paper, are defined as *the worry or nervousness that you feel when something unpleasant, difficult or dangerous is happening*. Root causes are defined as *the root of something, such as a problem, is its basic cause, source or origin*. These definitions are taken from Chambers-Macmillan Dictionary for South African Students (1996).

1.4 Objectives

This thesis aims to identify the tensions and their root causes that arise from business adoption of sustainability. In order to do this, the following objectives were identified:

- Conduct a literature review to assess what other scholars have written in relation to the topic;
- Analyse how literature highlights tensions and the root causes of these tensions;
- Conduct empirical research that identifies the root causes of tensions in relation to a specific industry and business; and
- Assist business leaders and practitioners of sustainability in understanding what the root causes of tensions are; and
- Provide recommendations in relation to reducing the effect of tensions on leaders and employees, and thereby also reducing the effect of these tensions on sustainability adoption.

1.5 Research Methodology and Thesis Outline

In order to achieve the objectives this thesis will firstly focus on a literature analysis that provides a basis for the chosen topic. The relevant points

identified through analysing literature, then forms the basis of subsequent empirical research conducted within a case study organisation, in order to understand the topic in more detail.

The literature analysis in this paper is written by theme of construct. These themes are selected based on the consistent reference made by different writers to specific elements in relation to tensions, or are important focus areas in order for business to transform and adopt sustainability. Empirical research is then conducted, using a case study method, in order to assist in testing areas of tension identified through the literature analysis, within the context of a business.

Chapter two and three are each journal articles. Both journal articles are written in the format of the Harvard Business review. Chapter two describes the outcomes and common themes identified from the literature review, and what writers have consistently reported in relation to challenges faced by business in relation to sustainability. This section also highlights the gaps that were identified in relation to the topic, and the potential opportunities for further research.

Chapter three describes the root causes of tensions identified, through an empirical study done with a retail business in South Africa. Information gathered from the literature review, as well as personal experience working as a practitioner in business, are used as a base for questions asked in surveys and interviews, conducted as part of the empirical study. Therefore a combined approach of both literature and personal experience guided the focus of the empirical study. The objective is to identify where literature and personal experience is consistent with the outcomes of the research, and to identify where some unique tensions or root causes exist within a specific business and industry.

Chapter four provides an overall conclusion with an overview of the outcomes, insights and recommendations of this thesis.

Additional information is provided in appendices of the thesis, and is necessary to provide contextual and background information relevant to the thesis. These include relevant terminology and definitions used to describe sustainability in business (Annexure A); the business case for adopting sustainability and how it is currently applied (Annexure B); details of the papers, both empirical and conceptual, analysed in literature review (Annexure C); research limitations, assumptions and ethical consideration (annexure D); case study background information (Annexure E) and research survey and interview results (Annexures F-H).

2. Chapter Two: Literature review

2.1 Introduction

Literature consulted between 1987 and 2014, identified various challenges experienced in business when trying to adopt sustainability, and points to areas of weakness of the current structure, practice and leadership in business.

Despite the fact that many businesses have adopted sustainability, management agenda's shows a different picture (Kiron *et al*, 2012; Bonn & Fisher, 2011). There are limits/barriers that affect the integration taking place, and it is not clear why some organisations move faster than others (Caprar & Neville, 2012; Gladwin *et al*, 1995). Practitioners are experiencing great difficulties in shifting leader perceptions and commitment to organisational change (Walker, 2012, Robbins & Page, 2012).

Tensions arise when systemic complexities are experienced (Cilliers, 2008; Robbins & Page, 2012; Gallopin, 2003) yet organisational and systemic change is required in order to build a sustainable future (Faruk & Hoffman, 2012, Burnes & By, 2011). Leaders are challenged by the requirements of sustainability integration, much of which is as a result of their training and past experience (Faruk & Hoffman, 2012; Heifetz, 2009). Therefore, a new set of leadership skills are required in order to adapt towards the requirements of the future (Burnes & By, 2011; Heifetz, 2009; Faruk & Hoffman, 2012). There are also ethical implications that cause tension for leaders (Burnes & By, 2011; Tseng *et al*, 2010; Heifetz, 2009; Purnell & Freeman, 2012). Stakeholder engagement require leaders to be comfortable in working outside of the traditional boundaries of business (Faruk & Hoffman ,2012) and to achieve this, sustainability needs to be embedded into organisational culture and values (Linnenluencke & Griffiths, 2010; Caprar & Neville, 2012; Crane, 2000). Sustainability adoption requires leadership commitment, but when leaders experience tension during the process of this transition, the rate of change is affected. There are a number of that root causes that result in

tension experienced by leaders, employees and change agents trying to integrate sustainability into everyday practice within organisations.

In this chapter, the aim is to understand how the challenges and areas of weakness in business, affect people who are leading a process of sustainability adoption. The challenges are therefore linked to tension experienced by individuals and a further analysis aims to identify what the root causes of such tensions are. This chapter is written in line with the journal structure of the Harvard Business Review.

The literature consulted is listed in more detail in Annexure C. Gaps identified in current literature are highlighted, which subsequently supports the formulation of an empirical study in Chapter 3. The outline of this chapter includes the discussion points in relation to the analysis of literature in 2.2 and a summary of findings in 2.3.

2.2 Tensions of Sustainability

A new leadership model for business is emerging. Many of today's business leaders were trained to gain power and authority, but in a rapidly changing world (with loss of trust and confidence in institutions), this no longer stands true. Therefore leaders need to make the journey from a place of having a disconnected view, to one that is aligned to society, where the aim is to double business figures, reduce environmental impact and increase social impact. But herein lies the challenge. Many leaders will find it difficult to make this shift (McDonald, cited by Faruk and Hoffman, 2012:24). Most leaders know the business-building part of the equation well, but struggle with what is required to build a systemic sustainable model. This is because of the way leaders have been selected, trained, and rewarded by business and society as great leaders (Global Vice President at Unilever: cited by Faruk & Hoffman, 2012:24).

Change is required, which creates significant tension for those who were trained and rewarded based on a different set of rules. This therefore raises concern about the leadership ability and competencies that exist, and the

ability for the leaders to change business models and practices. The root causes of such tensions experienced by leaders and practitioners needs to be identified and understood, so that practical ways can be found to reduce the tension causing barriers to change.

A study done by Penny Walker (2012), found that the tensions arising for sustainability practitioners, when working in organisations included that:

- The rate of change was too slow (73%);
- The challenge of trying to find win-win solutions for both the business and values case, of which 46% of the practitioners who work in business reported that they overplay the business case more often than not;
- How much of their work needed to be internally focused (29%) as opposed to externally focused (12%), and 18% stated that they work on both at the same time;
- Whether the focus on a wider change movement puts them out of step with their colleagues, and how to convince others of the need for this change.

Managers are reluctant to adopt “live green” strategies unless there are clear cost benefits, as such short term investments for long term returns are considered risky in business where performance is judged based on short term returns” (Robbins & Page, 2012). If sustainability promises long term returns, it goes against business principles applied for decades, considered to be ‘good practice’. Leaders trained and skilled in this thinking, will experience tension when faced with different parameters to the traditional return on investment (ROI).

Whilst practitioners are aware of the emergent complexity of changing systems, they acknowledge that “whilst we are stuck in a world where mechanistic, linear approaches are foisted onto complex, systemic problems, this is where the tension lies for those involved in bridging this” (Walker, 2012). Those involved in bridging the complex systemic problems can range

between leaders, internal and external practitioners and employees within an organisation who become agents of change.

2.2.1 Organisational Change

Many companies are no longer willing to wait for more sophisticated business cases or evidence for the case to change. In their view, enough is known for bold decisions to be made at the expense of competitors paralysed by indecision or denial of brute social and environmental realities. Not to ignore evidence – “the sustainability agenda is built on evidence-based-change”, but it is important to understand its limits and recognise the need to lead in the absence of certainty.

In order for sustainability to have impact, change is not only required within business, but also at industry/sectoral/country and at a global level, with wider debates about the future. This means leaders have to experiment at the edge of their business model (Faruk & Hoffmann, 2012:15), which challenges the traditional boundaries of organisational system planning. In order to define where these organisational boundaries are, engagement with key stakeholders are necessary.

Burnes & By (2011) highlights, that leadership is a process of adaptation, evolution and change and therefore a deviation from convention. Change have implications for organisations because of the ethics underpinning the different approached to leadership and change. A fundamental flaw in some approaches to change, is that not only are they not explicit about values, but they also give the impression that it is somehow unworldly or naive even to mention ethical considerations in a change process (Burnes & By, 2011). Change for the purpose of sustaining a system into the future, requires ethical considerations. Questions about how to do things differently, for a more equitable system to be developed, requires ethical considerations. Organisations uncomfortable with these ethical considerations, will find it difficult to transform, thereby affecting the adoption of sustainability.

Burnes & By (2011) distinguishes between two approaches, namely planned and emergent change. Planned change was the first fully developed theory of change, and had also proved to be the most enduring (Burnes & By, 2011). However, since the 1980's its pre-eminence has been challenged by a range of other approaches, most prominent being that of emergent change (Burnes & By, 2011). Emergent change is a continuous, open-ended, cumulative and unpredictable process of aligning and re-aligning an organisation to its changing environment (Burnes & By, 2011).

This type of change describes the turbulent and continually changing environment in which organisations now operate. It also aligns itself strongly to the interconnected complexity and uncertainty of the real time change that is required. There is however criticism of emergent changes, in that it fails to recognise ethics as a worthy topic for discussion as part of change (Burnes & By, 2011). Figures 1 & 2 below show the process of planned and emergent change and their links to ethical approaches more naturally aligned with each.

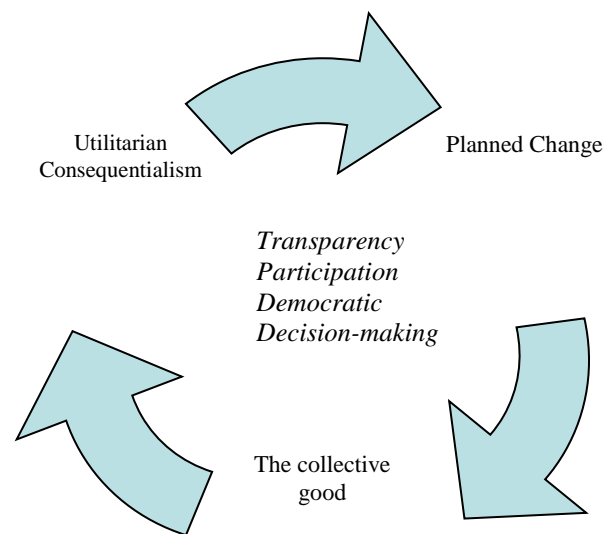


Figure 1: The virtuous change cycle. Source: Burnes & By, 2011

With planned change, values are explicitly stated and are more aligned to utilitarian consequentialism, which promotes democratic-humanist values. Participants plan activities around the goal of achieving benefits for all. Through this collaborative approach, it is less likely for individual interests to be served (Burnes & By, 2011).

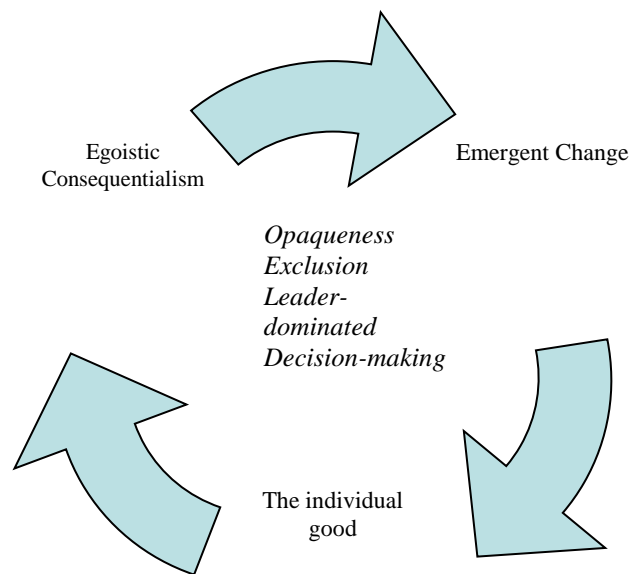


Figure 2: The virtuous change cycle. Source: Burnes & By, 2011

Emergent change on the other hand, has more implicit values and aligns with individual consequentialism which creates conditions for ambitious leaders to pursue their own self-interest under the guise of change (Burnes & By, 2011). It is at this point where the process of change and the ethics involved get under the spotlight.

Sustainable development is a process of emergent change. Leadership that pursue goals of sustainability, are leading a process of emergent change. This allows the “freedom” as well as the risk to leaders, where self-interest can become more important than the collective good, and personalities and power dynamics can control the process of adoption. For individuals striving to see meaningful change, individual agendas within a process of sustainability adoption, will cause tension. There is a need for greater ethical clarity when evaluating and implementing approaches to leadership and change (Burnes & By, 2011).

For change to be successful there has to be a “felt-need” (Alavi & Henderson, 1981 cited by Burnes & By, 2011). This “felt-need” refers to the inner realisation that change is necessary. If that felt-need is low, then change

becomes problematic (Burnes & By, 2011). If the pressure for change comes from external stakeholders or is influenced by the external environment of an organisation, then the appetite or “felt-need” may be low. This is because the need for change is not based on the inner realisation that change is required, but rather pressure from the outside environment and/or stakeholders, which may be a cause of tension within the organisation. Tension surface because there are outside forces placing pressure on the organisation to change, even though individuals within the organisation do not think that the change is necessary. This causes dissonance people resulting in tension rising. These tensions may also be felt, if some people within the organisation have a “felt-need” for change, but not everyone does.

Up to the 1980's, Kurt Lewin was a great inspiration in the organisational development (OD) space, and in particular provided an ethical approach to change (Burnes & By, 2011). Lewin (1947) did not believe that people can be tricked or coerced into change, but rather that successful change happens through a process of learning. This way, people involved in the change process gain insights, change outlooks, expectations and thought patterns based on what they learn, and thereby are more open to change (Burnes & By, 2011). The process of learning result in changed perceptions, views and often values, and through meaningful conversation, people find innovative solutions to the challenges, and thereby tensions previously felt, start to reduce. They then feel that they have made the choice to change, as oppose to someone forcing them to change.

This approach to change, is more collaborative by nature, and must be considered when business adopts sustainability. Both managers and recipients of change collectively diagnose the organisation's need for change, and jointly design the specific changes required (Burnes & By, 2011). A collaborative approach will reduce the risk of tensions arising during a change process such as sustainability integration/adoption.

2.2.2 Organisational Culture

Despite the attempt from business to incorporate sustainability into their policies, procedures and processes, criticism from scholars maintain that meaningful change will only occur when sustainability-orientated culture is embedded into an organisation (Linnenlueken & Griffiths, 2010). Many business leaders support this as they recognise that the true value of sustainability is only realised when it is embedded into the values and culture of their organisations (Network for Business Sustainability, 2010:2).

Caprar & Neville (2012) present culture as a context in which institutional pressures for sustainability are both generated and observed. They propose that the pre-existing culture of a particular context has a “norming” effect (facilitating or hindering) on the adoption of sustainability in that context. In addition, they explain that “conforming” plays a role in adhering to social norms either by way of a “tight” culture, or the tolerance for deviance and norm violation through a “loose” culture (Caprar, 2012). Therefore culture alignment to sustainability is necessary for meaningful change to occur. However, if the “norming” effect of an organisational culture is not aligned to the values of sustainability, leaders and employees within the organisation will experience dissonance or tension which then results in hindering the process of sustainability adoption.

In describing a culture of sustainability, Crane (2000) suggests that changes in employee’s values and beliefs towards more ethical and responsible values are necessary to build a culture of sustainability. There are different levels of organisational culture. An observable culture incorporates that which can be seen through processes and behaviour, displayed in the actions of employees. The goals, strategies, values and philosophy of an organisation, describes the *espoused values or culture*. Espoused values or culture may not always be what is observed, as it reflects more the values that the organisation strives to uphold. The *underlying assumptions* that are linked to unconscious beliefs and perceptions, is what forms the ultimate source of values and action (Linnenlueken & Griffiths, 2010). If an organisation

aspires to uphold the values of sustainability, but the underlying assumptions of the employee's unconscious beliefs and perceptions are not aligned, then this dichotomy creates tension. There may also be misalignment of employees own values and culture to those of an organisation they work for. Christie *et al* (2003) found over thirty empirical studies that recognise the influence of national culture on the ethical attitude and behaviour of individuals and that this relationship holds irrespective of economic or wealth effects (Caprar & Neville, 2012). Organisations are influenced by national cultures, as employees enter organisations with their own unconscious beliefs and perceptions. Therefore, if the organisation strives to integrate sustainability values into organisational culture, but the unconscious beliefs and perceptions of employees do not align to sustainability values, it can cause tension for those who feel the disconnect. Likewise, if employee's unconscious beliefs and perceptions are aligned to the values of sustainability, but the organisation they work for does not align, tension will surface as it clashes with their own values.

Assessing and measuring organisational culture requires a focus on organisational values (Linnenluecke & Griffiths, 2010). Culture can either foster or be a hindrance for organisational change and innovation, especially if the fundamental culture of the organisation remains unchanged (Linnenluecke & Griffiths, 2010). Caprar & Neville (2012) supports this and found that principles of sustainability seem to be more compatible with certain cultures, or cultural values, than others and that culture is the antecedent, or the condition, influencing the adoption of sustainability.

To illustrate this further, Linnenluecke & Griffiths (2010) use the Competing Values Framework (CVF) to analyse how different organisational cultures lean both towards flexibility or control, and towards either an internal or an external focus. This helps to categorise different organisation's cultural lean, and explains why some are more adaptable to change than others. "Although these four culture types appear to be incompatible and mutually exclusive, they can and do co-exist within an organisation", although some values are likely to be more dominant than others (Linnenluecke & Griffiths, 2010).The

Competing Values Framework needs to be analysed within the dominant culture of an organisation.

The internal-external dimension reflects whether the organisation leans towards internal dynamics, or responds to the demands of the external environment. The flexibility-control dimension reflects a preference for structuring coordination and control, or that of flexibility.

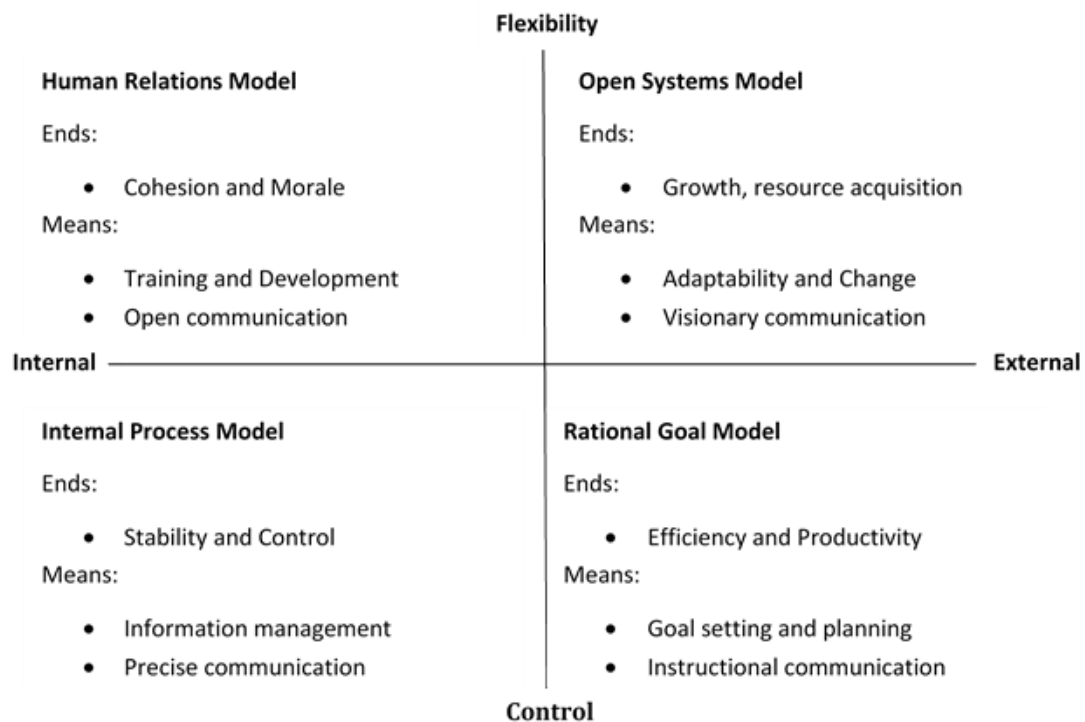


Figure 3: Competing Values Framework. Source: Griffiths & Linnenluecke 2010.

Essentially each quadrant, or culture type, represents a set of values and a coherent management ideology and these ideologies are imported into organisations from the institutional environment by means of management education and training, which shapes the way people think and behave in organisations (Linnenluecke & Griffiths, 2010). “Therefore, it can be assumed that different organisational culture types influence how employees understand and enact corporate sustainability” (Linnenluecke et al., in

press). Some organisations are local and therefore are perhaps reflective of the local culture, but “external” organisations become relevant either by their global status, and/or by their organisations expanding their activities outside of the local context (Caprar & Neville, 2012).

In the Competing Values Framework, the **internal process model** is characterised by the focus on economic performance and a general omission of the society. There is a hierarchical structure, enforcing conformity with rules and is highly effective under relatively stable environmental conditions. This culture type can however constrain employee choices and action within the organisation, and “restrict the understanding and enactment of sustainability” (Griffiths & Linnenlueken, 2010:360).

The **human relations model** has an informal structure and places emphasis on social interaction, interpersonal relations, employee development and the creation of a humane work environment. This culture type focuses on staff development, learning and capacity building in their pursuit of corporate sustainability. The **rational goal model** highlights the importance of the wider environment and the need for rational planning, forecasting, controlling and designing decision processes to match the external environment. These cultures will place great emphasis on resource efficiencies in the pursuit for corporate sustainability.

The **open systems model** highlights the importance of the external environment in affecting behaviour, structure and changes in the organisation. Underlying themes are evolutionary learning and adaptation, the importance of discretionary behaviour and autonomy as well as recognising the wider social and economic environment. There is an emphasis on moral authority, social integration, quality, flexibility and employee’s ability to manage turbulent environments.

Griffiths & Linnenlueken (2010) found that the “ideal” culture profile for corporate sustainability needs to be low on internal process values, and high on open systems values, but they highlight that more empirical evidence is

needed to support this claim. To build on this, Caprar & Neville (2012) found that culture defined by predominantly sustainability-compatible dimensions, such as described in the open systems model above, is more likely to facilitate sustainability adoption, and vice versa. When the culture of an organisation aligns to the characteristics of an open systems model, and therefore sustainability, then there are less chances of tensions occurring that affect the rate of change.

The success of organisations facilitating adoption of sustainability will depend highly on the extent to which they are mindful of their cultural constraints. In loose cultures, it may be more efficient to focus on alternative mechanisms for promoting sustainability, like focusing on the economic benefits for example, as the institutional mechanisms may have a limiting effect (Caprar & Neville, 2012). Changing an organisational culture can be a very complex process, and often results in people leaving an organisation, because an incompatibility is experienced with the direction of the change taken by the organisation.

2.2.3 The Ethical Challenge

The Oxford Dictionary of English (2006) defines ethics as “moral principles that govern a person’s behaviour or the conducting of an activity”. Other writers, such as Tseng *et al* (2010), maintain that ethics is “the study and philosophy of human conduct with an emphasis on the determination of right and wrong” (Burnes & By, 2011). These provide a basis for judging the appropriateness of behaviour and they guide people in their dealings with other individuals, groups and organisations (Tseng *et al* 2010 & Jones *et al*, 2000; cited by Burnes & By, 2011).

There is a damaging lack of clarity regarding the ethical values which underpin leadership and change, as it remains an important but under-researched area (Burnes & By, 2011). “The organisational adaptability required to meet a relentless succession of challenges is beyond anyone’s current expertise” (Heifetz *et al*, 2009:3). None of us have been here before. Leadership process is fraught with ethical challenges (Hollander, 1995 cited by Burnes & By, 2011). Sustainability challenges ethics in business practice,

and where short term results are achieved at the cost of long term impact, systemic changes are required at every level. This creates tension for leaders, as it fundamentally challenges current practices that drive short term results, for which leaders are incentivised. The risk for leaders in shifting towards more long term measures, may affect their ability to secure the short term incentives.

Purnell and Freeman (2012) explore three applications of ethics: philosophical, theoretical and managerial. The philosophical application refers to the notion of “common good”, the theoretical application considers the context of an enterprise strategy that guides and directs the activities of a corporation and the managers who run it. This theoretical application is often criticised for being too ambitious for a practical application (Purnell & Freeman, 2012). The third theme is managerial application and is concerned about what is deemed “reasonable” managerial action and the “plurality of values embedded in the stories we tell about doing business” (Purnell & Freeman, 2012). Whilst a theoretical framework provide policies that guide organisational behaviour, the ‘real’ (observed) culture of an organisation is evident in managerial action. Sustainability requires all three applications. Business adoption of sustainability initially starts with the philosophical application, where in principle it seems to be the right thing to do. True integration of sustainability however requires a transition into the theoretical and managerial application of ethics, which is where tensions arise, as decisions required, starts challenging existing practice. This is where personal and corporate ethics are challenged.

Purnell & Freeman (2012) criticises literature that classifies business and ethics under a separation fallacy. They state the necessity for more integration of ethics into the way we do business, and that it is less about judging right/wrong, but more about the process of creating a better conversation. Purnell & Freeman (2012) use an example of Wall Street, where they argue that ethical considerations of the core functions of investment banking are handled externally or somehow separately from the tools and practices of everyday banking. It is not that Wall Street is unwilling

to consider interests beyond shareholders, but rather that it is unable given the set of beliefs and ideas currently institutionalised within the culture. This Purnell & Freeman refers to as the fact/value dichotomy (Purnell & Freeman, 2012). There is an inability in business to hold meaningful conversation about how to do business in a better way (Purnell & Freeman, 2012). Because of stakeholder expectation for business to be conducted in a more ethical manner, inner tension rises when business practice that deliver desired short term results, have consequences that questions ethics. Part of the problem with this dualism is that it is so heavily embedded, that it is difficult for any individual person to see past the complexity of its collapse, as it touches almost every aspect of the organisation's structure, its incentives and its language (Purnell & Freeman, 2012).

Relational expectations of stakeholder management bring the issue of values to the forefront, as companies seek to demonstrate that they are “doing the right things” from a deeply entrenched set of values, rather than just “doing things right” (Faruk & Hoffmann, 2012:18). In their study conducted with leading sustainability companies, Faruk & Hoffman (2012:18) highlight that for these companies it is not enough that they are recognised for their competence - the real challenge for them, is to be also recognised for their good intentions articulated on behalf of the organisation and its leaders.

Burnes & By (2011) takes a different view as they place more emphasis on the value of the consequences of leadership decisions, as opposed to their intentions. “Consequentialism is a philosophy which holds that the value of an action derives from the value of its consequences” (Burnes & By, 2011). This approach to ethics is appropriate when considering organisations, “given that changes leaders initiate are judged by the consequences they produce, rather than their intentions” (Burnes & By, 2011). From a consequentialist stance, an action would not be considered ethical if the outcome benefitted a small number of people at the expense of a larger number (Burnes & By, 2011). The aim of sustainability is to benefit the broader society, so decisions made by business leaders that have a negative impact on society will not be

considered ethical. This brings to the forefront the responsibility of business leaders and the expectation that their decisions will not cause harm to society.

Further to this, Burnes & By (2011) unpack different types of consequentialism, with altruistic consequentialism occurring when the leader acts in the best interest of everyone but himself, a sacrificial approach. This may be problematic in the context of an organisation, as there may be a case where a leader decides to close down a business, to favour others, and are more appropriate in the context of politics or fighting for social justice. Herein lies tension. Many elements of sustainability require drastic transformation of business, which in turn can increase its risk.

The egoistic approach to consequentialism is when the maximum benefit is to that of the instigator, therefore acting in the best interest of self. In this case, there are good examples such as Henry Ford, Bill Gates, Sir Richard Branson, Steve Jobs and others, who built their organisations on a high degree of self-belief. They believed that they were right and those who disagreed with them, were wrong. Some bad examples of the egoistic approach is the recent 2008 financial crisis, where the individual greed of fund managers, bankers and speculators destroyed the world's financial system and entire sectors (Burnes & By, 2011). This is inevitable in a world where leaders are given a large degree of unquestioned discretion. As a result of this, we are starting to see significant influence globally for more transparency, alignment of values, integrated reporting, responsible investment, stakeholder engagement and a greater degree of accountability expected from leadership decisions. Transparency is required in order for society to build sustainably. Transparency exposes negative impacts of decisions, placing more accountability on business to change practices that have such negative impacts on society. Leaders and employees often resist transparency, as it exposes the consequences of bad decisions, and can only be accepted if there is a real understanding and commitment to the ultimate goal of shared value and intergenerational equity.

To achieve this, Burnes & By (2011) suggest the utilitarian approach, where an action is ethically right if it benefits everyone including the instigator. This aligns to sustainability as it supports development that benefits both current and future generations. Ethical clarity is needed for organisations to “ensure that leaders will undertake changes which serve the interests of all stakeholders and avoid the financial scandals and collapses of the past two decades” (Burnes & By, 2011).

In order for companies to regain societal trust and faith in institutions, they need to develop a moral purpose for their business. It goes beyond being the best-rated company in the sector but rather looking at the contribution it is making to society (McDonald cited by Faruk & Hoffman, 2012:24). “*A strong corporate identity and values is often the only practical compass for a leader needing to make decisions about complex and contentious issues, when data is not enough*” (Faruk & Hoffmann, 2012:14).

Strong evidence suggests that effective organisations are ones where goals and values are congruent and shared by the leadership and staff of an organisation (Burnes & By, 2011). There has been a long history of writers drawing attention to the positive relationship between value alignment, leadership behaviour, employee commitment and goal achievement (Burnes & By, 2011). This further supports the notion that meaningful sustainability requires that it is embedded into the culture of an organisation. Ethical considerations are less about casting a value judgement and more about creating the process for meaningful conversation throughout an institution and with its stakeholders (Purnell & Freeman, 2012). Organisations may want to be sustainable, but sustainability adoption requires for prevailing practices to be viewed through a deep ethical lens. What becomes known, and likewise what is then required to change, is not always easy to process for the people involved. When personal values (and the values of the organisation they work for) clash with that which they are required to do, tension rises.

Having ethical conversations where people realise that the problems and tensions they experience are not unique, and by working with others who

experience the same tensions, common solutions are more likely to be found. The process of having the difficult conversations, can reduce the tensions that people feel with the complexity of the task at hand.

2.2.4 Leadership Competencies and Commitment

Effective leaders are those who adapt their leadership style to the context in which they are operating (Burnes & By, 2011). The challenge for executives today, is that they have to face competing demands. They have to execute in order to meet existing challenges and they have to adapt to the requirements needed in order to thrive in tomorrow's world (Heifetz *et al*, 2009:3). This creates a dichotomy between profit imperatives and sustainability requirements, resulting in tension.

Business for Social Responsibility (BSR) is a non-profit organisation working with over 300 membership companies, focused on leadership competencies needed for sustainable development. A study they conducted recently found that there is increasing need to develop new competencies for leaders facing evolving systemic challenges. The study refers to a “sustainability leadership gap”, which they attribute to the lack of practical guidance addressing the outmoded way in which leaders tend to be selected and developed (Faruk & Hoffmann, 2012:5). In addition, Faruk and Hoffman (2012:8) highlight that although a lot of research has been done focusing on leadership styles, competencies, values and ethics, only a small fraction recognise the complexity of leading a modern, forward-looking business in a world of growing environmental and social uncertainties.

“To embrace sustainability you need to embrace uncertainty and change without forgetting where you want to land (your goal). So scenarios – yes, but they must be balanced with a ‘lighthouse intention’ to avoid being a slave to uncertainty.”
(Giolito, global Director Sustainability: Unilever; cited by Faruk & Hoffman, 2012).

This is not a skill that inherently exist in business. Expectations on leaders to deliver sustainability adoption creates tension, as it highlights the lack of adaptive leadership skills.

Leadership challenges identified through the BSR study included:

- the need for leaders to live with uncertainty and complexity,
- to value diversity including cognitive diversity,
- building a relational enterprise with high levels of stakeholder dialogue,
- focusing on external factors by stepping out of the system they serve, and to
- develop leaders at all levels of organisations that can drive a more sustainable future.

All these challenges are root causes of tension for leaders. The shift in mindset may be characterised as the difference between an optimisation mindset and a resilience mindset. It is also where less faith is placed on central planning and forecasting, formulaic approach to risk management and a greater effort to involve a range of perspectives in risk assessment and strategy-making (Faruk & Hoffmann, 2012:11). To deliver on the promise of sustainability, leaders require a very different set of competencies, than that of a previous generation. The BSR study (2012) highlighted six top competency requirements, where five of the six were new or significantly modified from the purpose it served before. These are:

- External awareness and appreciation of trends (new)
- Visioning and strategy formulation (redefined)
- Risk awareness, assessment, and management (redefined)
- Stakeholder engagement (new)
- Flexibility and adaptability to change (redefined)
- Ethics and Integrity (classic)

The “sustainability leadership competency gap” identified by Faruk & Hoffman (2012) includes a struggle for many companies to respond to stakeholder

requirements for open accountability and transparency, in order to address shifting societal expectations. They conclude that this inclusive approach to stakeholders has rarely been easy for companies to adjust to (Faruk & Hoffmann, 2012:11). Sustainability leadership competencies require leaders to listen to people who might have very different backgrounds, motivations, and ways of communicating than they are used to.

“The biggest challenge today is the ability to talk to people you don’t necessarily agree with and being able to listen to them. We need to learn to listen to people who question or don’t agree with us. Leaders need to extract and try to understand what is driving the person they are speaking to and the implications of what they are saying. This is even more important today with the loss of trust and new communication methods” (Moody-Stuart.M, Chair: Foundation for the UN Global Compact; cited by Faruk & Hoffman, 2012).

Diverse thinking with influence from various stakeholders and sharing their expectations of what the purpose, impact and behaviour of organisations should be, has improved. Stakeholders have an expectation that leaders will guide their organisations towards a future where no harm is caused to people and their environment. Effective leadership, from front-line change agents to senior management will increasingly depend on a sophisticated ability to identify, engage and incorporate the needs and interests of a diverse range of internal and external stakeholders (Faruk & Hoffmann, 2012:4). “Welcoming different perspectives and thinking provides insight, a more secure licence to operate, the social permission to participate in discussions that will shape the future of industries” (Faruk & Hoffmann, 2012:18).

Collaboration is required with a culture of courageous conversation where even the most difficult topics are discussed. Executives need to listen to the unfamiliar voices and allow for risk taking (Heifetz *et al*, 2009:5). To foster collaboration, the interdependence of people throughout the organisation and the system, needs to be acknowledged. This includes all key stakeholders such as employees, suppliers, customers etc. Adaptive organisations

mobilise everyone to generate solutions and to discern and conserve that which is precious and essential (Heifetz *et al*, 2009:7). Many organisational cultures are not built on the practice of collaboration and sharing of learnings as well as to engage with stakeholders to find out what is important to them. Tension arise when people have to operate outside of their expertise and organisational norms.

Heifetz *et al* (2009) also suggest that because you do not know quite where you are headed when leading an organisation through transformation, it is important to avoid grand and detailed plans. Rather run numerous experiments, of which many will fail, but the way forward will be characterised by constant mid-course corrections (Heifetz *et al*, 2009:4). Not everyone in business today are equipped for the task. Those not able to make the shift, will experience tensions, a personal change will become essential.

2.2.5 Systemic Complexity

Business is a complex system where multi-directional and dynamic interactions taking place all the time. These interactions often change routes and have multiple changes over time. The consequence of such dynamic and multi-directional interactions is that different results emerge (Cilliers, 2008:45).

The exponential rate of change across many different spheres including population growth, the state of health and wealth, climate, digital trends, cultural change, network and communication system capacity, social interaction, information storage and processing is rapid. “We are not faced with a set of problems that we can solve in a piecemeal way by chipping away at it using experimental procedures and good old Enlightenment rationality. We are confronted by a complex problem which is transforming not only while we are investigating it, but because we are investigating it” (Cilliers, 2008:53). Cilliers highlights the importance of acknowledging the limits of our knowledge.

“Our decisions and actions cannot be justified on purely rational grounds. Of course we do all the rational calculations we can, but in

the end we choose the framework within which we interpret and give content to our insights. As a result, we cannot blame the outcomes of our decisions and actions on some procedural method, not even if we incorporate complexity theory. We have to assume responsibility for them ourselves” (Cilliers, 2008:54).

The notion of Sustainable Development (SD) is not simple. Many questions arise from trying to understand sustainability, which range from how one evaluate and measure it, to what the time scale is. Because we cannot objectively answer these questions, we will have to make decisions on incomplete information. Our decisions will involve values, perceptions and commitments that we cannot explain in scientific terms (Cilliers, 2008: 40). This creates tension in business, as good practice requires factual information to be provided for decisionmaking, which aims to reduce the risk of investing money in programs/ventures that are not feasible. Incomplete information and the unknowns associated with sustainability, creates tension when decisions are required.

In order to eliminate this felt tension, our natural response is to reduce complex elements in order to simplify them for our own understanding. Cilliers (2008) cautions against such reductionism. This can have disastrous effects that are currently evident in many social, political, economic and environmental spheres. Because of reductionism, decisions are made in isolation, resulting in often unintended consequences. Approaches that draw on systems thinking is required which takes into account various closed loops and complex interdependencies of the natural environment (Robbins & Page, 2012). “If sustainable development is to be achieved, understanding the interlinkages between social, ecological and economic dimensions of our world is of significant importance” (Gallopín, 2003:22). Therefore, concerted effort needs to be made by business to unpack the material elements of these dimensions, that impacts on business decisions. Material issues are industry and business specific, and cannot be borrowed from another. There is no ‘one size-fits-all’ solution. The process of unpacking the relevance of issues for a specific organisation across social, environmental and economic

dimensions, will provide a learning space within the organisation, which will in turn reduce some of the felt tension around the unknowns associated with sustainability.

Systems modelling can also be used to try and simplifying the system through a graphic representation, as it does assist to visually look at some of the complexities to try and make sense of them, and make decisions on inputs or actions required to transform parts of a system. In developing a model to reflect a specific system and its relationships, one may have to leave out some components, and there is no way of knowing the importance of what was left out (Cilliers, 2008:50-52). Modelling must be used as a guide, but cannot be expected to produce accuracy all the time. It may however reduce some of the tensions felt, as it can help simplify the interconnected and complex elements that requires consideration when decisions are made.

Because of the complexity involved in understanding sustainability, providing clarity about what needs to change is also important. Gallopin (2003:11) highlights the importance of being clear about what level of sustainability is being considered. Sometimes, and often successful businesses, want to sustain part of the output, but not change the system. Other times we want to improve or transform the system, in order to change the outputs (Gallopin, 2003:11). Clarity about how sustainability is defined within a business is important, so that people have clarity on what the vision and objectives are. Different views and levels of understanding as to what sustainability means, will result in different expectations, as well as conversations lost in translation. This creates tension for individuals involved in the process of transformation.

Consideration must also be given to the fact that an organisation is an open system and are therefore impacted by its outside environment. There are many different components to an open system and they can either be molecules, organisms, machines, social entities, people or even abstract concepts (Gallopin, 2003:9). Complex behaviour starts because of the interaction that takes place between different components of an open system. Interaction often referred to as 'the relationship between components', can

take place as inputs into a system. Interaction amongst components of the system, but also from inside the system towards the outside. The relations, interlinkages or “couplings” between different components or elements, may have different manifestations in the form of economic transactions, flows of matter or energy, causal linkages, control pathways etc. (Gallopín, 2003:9).

Diagram 1 below illustrates how a system can be impacted by inputs, changing the state within the system, and therefore different output variables emerge. The state of the system is also dependant on the values adopted by the internal variables of the system.

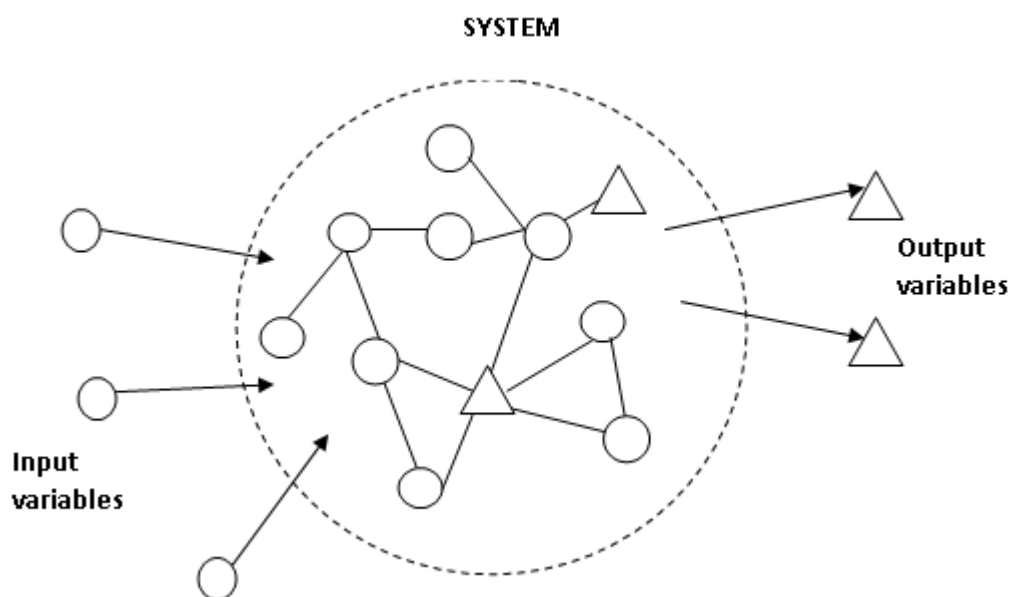


Diagram 1: An Open System. Source: Redrawn from Gallopín (2008)

It very soon becomes difficult to keep track of causal relationships between different components, and in managing such a system, one have to understand that you cannot control the interactions and causal relationships of the entire system (Cilliers, 2008:45-50). There may be elements that can be guided, but essentially, where people are interacting throughout a system, and transactions take place that have causal impacts of many different kinds, controlling it, is not possible. The notion to embed sustainability into the culture of an organisation, thereby guiding some of the causal relationships and interactions towards a goal of sustainability, needs to consider the fact that not all causal relationships can be controlled. This creates tension mostly

for those who are responsible for facilitating the change, because of the potential risk of some unintended consequences.

In addition to the complexity of adopting sustainability within a dynamic and ever-changing open system, the boundaries of the system are also difficult to define (Cilliers, 2008: 42-50). How far and wide does one define the boundaries of such a system? Business operates within a society and its environment and 'components' of business communities interact amongst one another, with the outside world and are impacted by its external environment. Broadening the spatial and temporal horizons is necessary if we want to accommodate the need for intra-generational as well as inter-generational equity (Gallopín, 2003:7). For business this creates tension, as broadening the scope of their responsibility outside of current operations, means a significantly higher degree of responsibility. It also involves complexity, as the newly defined boundaries may be outside of the direct control of business, and therefore change can only be realised through influence.

Sustainability adoption highlights the importance of business needing to engage meaningfully with its key stakeholders, as they will help define these boundaries, and what their expectations are of business. "This is particularly the case with the emergence of stakeholder theory" (Burnes & By, 2011). Whilst there is still a dispute about how wide to draw the circle of stakeholders, there is an expectation that organisations take account of and serve not only the narrow interests of shareholders, but also that of the wider society (Burnes & By, 2011). The challenge to business is that stakeholders will challenge the status quo and rationale of business decisions, particularly in the context of its impacts on society, which creates tension for leaders and in particular those whose decisions are not challenged within the organisation.

A business is a complex system and are self-organised, as it creates changes from within due to the influence from its environment. From the reorganisation that takes place, new things emerge (Cilliers, 2008: 42-50). This reorganisation also occurs due to the influence of stakeholders on business, which result in changes taking place within the organisation. As a

result of sustainability adoption, changes will occur even though it doesn't necessary result from a 'felt-need' within the organisation, but rather due to stakeholder requirements, which can create tension for those who do not have a 'felt-need' for change.

The point however of sustainability adoption, is not to try and eliminate change, "but to avoid the destruction of the sources of renewal, from which the system can recover from the unavoidable stresses and disturbances to which it is exposed, because it is an open system" (Gallopín, 2003:19). The organisation will therefore never be in a state of equilibrium, as constant change is required for business to adapt to its environment and the requirements of its stakeholders. This is a prerequisite for sustainable development, as it cannot exist as some static equilibrium state (Gallopín, 2003:21). For those who don't experience change well, this will cause tension, but understanding how these changes affect behaviour of social, ecological and economic systems over time, is necessary to enable the process of sustainable development (Gallopín, 2003:21).

Business has significant influence on its surrounding environment. The activities required for sustainable development may force a system (organisation) into a whole new form of behaviour that it has not seen before (Gallopín, 2003:22). In addition, there isn't necessarily any order to what the outcomes will be (Cilliers, 2008:45). The outputs of a system are not necessarily a function of the inputs it receives, and are therefore not predictable. The state of the system is however determined by the value of its inputs and outputs (Cilliers, 2008:45). Therefore sustainability adoption in business requires valuable and diverse inputs in order to have meaningful impact.

2.3 Summary and Main Findings

Gallopín (2003) reminds us that "change is necessary for transformation to take place, therefore understanding how these changes affect behaviour of social, ecological and economic systems over time, is necessary to enable the process of sustainable development". Adopting sustainability into business

practices however gives rise to a number of tensions that over time develop barriers that affect the rate of change and transformation in business. There are a number of root causes that contribute to the tensions experienced by individuals involved in the integration process.

Very little specific reference is made in literature, to the tensions that people experience when they are involved in a process of sustainability adoption in business. However, the complexity, challenges and areas of weakness in business highlighted in literature, points to root causes that can result in creating tension for people. These root causes of tension include:

- The need for change, in organisations, industry, government and systemic levels;
- The complexity involved in the systemic change required in building towards a sustainable system;
- The lack of current business leadership competency, experience and skills available to deliver on this task;
- Misalignment between organisational culture and the values of sustainability, and
- The need for moral leadership and decisions required.

There is a need for an exponential rate of change across different spheres across the globe, and this highlights the complexity of building towards a sustainable society. Systemic collaboration is required in order to change systems that contribute and perpetuate unsustainable practices. It is important to understand the interlinkages between social, ecological and economic dimensions of our world. When adopting sustainability into business, consideration must be given to both the complexity of this task within business, but also the systemic complexities in relation to how it affects society. This systemic complexity and magnitude of the issues facing both society and business, is a root cause of tension felt by people involved in the transformation process. To assist in reducing these tensions, systems modelling can be used to simplify complex systemic connections, as well as unpacking the relevant issues, which in turn provides a learning space for all stakeholders involved in the change process. This can provides clarity about

the goals that needs to be achieved, where the boundaries lie and who the key stakeholders are.

In order for a sustainable future to be realised, change is required. This process of change, especially at the scale to which it is required, is a root cause of tension for those involved in the transformation process. Without an inner realisation (felt-need) of this required change, individuals in business involved in the process also experience tension as it feels as if the change is forced upon them. This often happens when the pressure for change comes from outside the organisation. Because sustainability is an emergent change process, it will challenge ethical considerations of leaders as they are judged by the consequences of their actions, and not necessarily by their intentions. This places significant pressure on leaders to engage with stakeholders and collaborate to find solutions that benefit society. Therefore business has to interrogate the principles within which past success was built, and the decisions made to achieve this success. A collaborative approach and more inclusive conversation is needed to integrate ethics into business decisions and to reduce the tensions experienced by individuals who are involved in the process.

Adaptive leadership is critical to realising sustainability adoption. Leaders are expected to ensure that business practices have a positive impact on society, reduce negative impacts on the environment and still continue to deliver results according to shareholder commitments. The skills and expertise of leaders required for a sustainable future, involves a set of competencies, unlike before. Leaders need to live with uncertainty and complexity, value diversity, build relational elements through stakeholder engagement, step out of the system they serve and develop new leaders that can sustain the organisation. The inability for some leaders to adapt to these changed expectations becomes the root cause of tension experienced by such leaders, and it can therefore affect the rate to which change is realised.

There is also a need for moral leadership in business. Sustainability adoption highlight ethical challenges where they exist in making business decisions, as

it requires values and ethics to be weighed up against the potentially unintended consequences of current business practice. Leadership therefore are faced with significant ethical challenges. The dualism in decisionmaking of facts vs values is so heavily embedded into cultures of organisations that it touches almost every aspect, its structure, language and its incentives. This is a root cause of tension for leaders who are accustomed to delivering business results, which sometimes, even if unintended, comes as a cost to the broader society. This is particularly evident when a business model is challenged because of the fact that its success relies on practices that have subsequent negative impacts to society. Sustainability adoption challenges such business models and place significant pressure on leaders who are faced with this dichotomy.

Organisational culture is a key driver of sustainability and can therefore either foster or hinder the adoption of sustainability. There is a positive relationship between value alignment, leadership behaviour, employee commitment and goal achievement in building a sustainable organisation. It is, however, the intrinsic values of employees that will drive the change or create tension. Literature points out that alignment is required between organisational values and culture, the individual values and the values of sustainability. Without this alignment, individuals within the organisation will feel tension, as their own, or their organisation's values do not align. This is a root cause of tension, however more needs to be understood about the role of intrinsic values as a root cause of tension in sustainability adoption. Whilst current literature touches briefly on the role of intrinsic values, more needs to be understood about the relationship between root causes of tensions, and the intrinsic values of people. The aim for effective sustainability integration is for the values of sustainability to be embedded into organisational values, and for business practices to reflect the characteristics of an open system with more flexibility and an externally focused view.

Further questions however arise as to whether the tensions and their root causes discussed in this chapter can be equally applied in different businesses, or whether different contextual environments will experience

different tensions. In addition, more needs to be understood about the root causes of the tensions, and how they relate to intrinsic values. Empirical research is suggested in order to verify the analysis made in this chapter by linking challenges experienced by business in their process of sustainability adoption, to the root causes of tensions for individuals involved in the change process.

3. Chapter Three: Case Study

3.1. Introduction

Current literature highlights the various challenges faced by business in the context of sustainability, but very little is written specific to tensions that people in business experience, thereby affecting the rate at which sustainability adoption takes place. When tensions rise up, people feel uncomfortable and uncertain about making decisions that are different from that which guaranteed 'results' in the past.

In addition to the gaps identified in literature in relation to this topic, business sustainability is referenced in a broader context and therefore industry-specific dynamics are not clear. The type of root causes of sustainability adoption will have variances depending on the industry it applies to, and are therefore important to understand, in order to make recommendations that are relevant.

The resource dependencies of businesses differ from industry to industry and therefore the challenges faced in relation to raw materials are different. For example, a service-orientated business is less dependent on the supply and availability of natural resources, and therefore their environmental impact is less compared to a manufacturing business. Similarly, resource extraction businesses, such as gold mining, have a direct connection with raw materials and will have different realities to the jewellery shop that sells the product to the consumer. Even within the same industry, different product types in manufacturing have different market values and supply chains, and therefore respond differently to sustainability.

Because of the gaps identified in current literature, empirical research is then required to understand more about the root causes of tensions in different types of businesses. Individuals in business experience tension when practice and decisions challenge their personal values. Practitioners tasked to transition organisations towards sustainable business practices and models, are experiencing significant barriers in working with leaders and employees.

Whilst the tensions are highlighted, and reasons for their existence are discussed, more needs to be understood in order to assist leaders and practitioners in business to shift from the position of experiencing the tensions, to finding ways to overcome them. Understanding the root causes will assist practitioners to plan organisational change that takes cognisance of the human complexity of changing existing practices and habits, and how this impacts on behaviour towards change.

In Chapter 4 the findings of empirical research conducted at a single case study organisation, specific to a retail organisation in South Africa, are discussed. Background information on the case study organisation is available in Annexure D. The main objective is to develop a better understanding of the root causes of tension that are experienced in a retail organisation during the process of sustainability adoption, and to provide recommendations that can assist in reducing the effect of the tensions on employees, leaders and sustainability practitioners.

Before proceeding with the research methodology, it is important to highlight sustainability in the context of a retail environment. Sustainability in a retail environment touches on the production and consumption of products. Most of the environmental impact of retailers is situated in the value chain and in the usage and caring of the products, once purchased by consumers. Retailers create the link between the products and their consumers, and in essence run operational systems (by means of stores in shopping malls or on-line sales) in order to create this link.

The current and growing global consumer culture places retailers right in the centre of a sustainability dilemma. The verdict is still out as to whether it is retail that needs to control the level of consumption, in order to reduce the demand for raw materials, or whether the consciousness of consumers will create a wave of change towards a more sustainable society. This consumer culture sits at the heart of retailer's sustainability dilemma, and contributes to the complexity that creates tension within this industry. This consumption

dilemma is discussed in more detail within the research findings under systemic complexity.

3.2 Research Methodology

Two research groups from the participating retail organisation were selected for on-line surveys and a further group of individuals was invited for interviews. In preparation for the research, the literature provided a framework for the questions used in surveys and interviews. The purpose of the interviews was to provide further clarity and insight into results of the on-line survey and the analysis thereof. It was also to provide a space for reflection on some questions that were not appropriate to ask in an on-line survey, where no limitations are placed on the answers that can be provided.

The first group, called the *retail participant group*, included 27 employees (from 34 approached to participate) across different job roles, departments, divisions and levels of influence and responsibility. All participants in this group were selected based on their role in the business and their relevant exposure to sustainability. It was important for the purpose of this research that participants had some understanding and exposure to the requirements of sustainability and the challenges thereof, so as to ensure their meaningful contribution to the study. Because of this, a limited number of participants could be included in the research.

The second group, called the *practitioner group*, consisted of 8 sustainability practitioners (from 10 initially approached), currently consulting to other retail organisations in South Africa. Included in this group, were three employees from other large retail organisations in South Africa, who are currently working as sustainability practitioners.

Within the descriptions of tensions highlighted, comparisons are drawn between the responses of the two different groups. The reasons for this are to firstly address the limitation of researcher bias in case study methodology, and to demonstrate how individuals can have the same or different responses, based on their contextual realities and their experiences.

Interviews were structured to unpack some of those differences, and to provide further understanding of the results from the survey.

Participants had to identify which tensions they experience in relation to sustainability adoption. The most significant ones reported were analysed and are discussed in this section. Whilst the tensions are categorised in this section, many of them are interconnected with one another. Where appropriate, cross-references are made to other sections where these links occur. In addition to information gathered from the research, existing business documentation was reviewed to provide further insight into culture and practices of the chosen organisation. Details of the survey results and interview responses are available in Annexures E, F and G of this paper.

The case study organisation remains anonymous because it is a listed company, and the brand is thereby protected. This however does not affect the validity of the research in any manner as in fact participants were free to provide honest responses with no fear of any repercussion for being transparent and honest.

3.3 Research Limitations, Assumptions and Ethical Implications

The Case Study method (Yin, 1992) was chosen for this Empirical Study, because it provided the opportunity to understand the questions asked in relation to the topic, to a specific contextual environment in business. The strengths of this methodology is that it has a high construct validity and allows for in-depth insights and establishing rapport with research participants. There are however limitations to this method, which are listed below:

Limitations of this research include the following:

- Case study research has the potential to create a situation of bias from the researcher. This is addressed by also accommodating views from participants external to the case study environment;

- The methodology applied in case study research doesn't allow for standardisation of measurement and the opportunity to generalise results;
- A single case study requires self-critique or at least acknowledgement from literature to support findings;
- Surveys can lead to criticism of "surface level" analysis, and the data can be viewed as sample and context specific. This is addressed by using information gathered from two groups, one being participants from the case study environment, and another group from outside of the case study environment;
- The context if this research is focused on one business within one industry (retail) in South Africa, and not all product categories of retail are reflected in this research;
- Information shared by sustainability practitioners of retail organisations outside of the focused study may be limited;
- Information shared within this study may be limited to the level of understanding of sustainability, the role of retailers and the systemic challenges faced by retailers within the contextual space identified; and
- Individuals interviewed within detailed study may be reluctant to share intimate details about the tensions they experience in adopting sustainability.

Assumptions made in this research study include:

- That unique tensions and challenges arise from different industries, businesses and contextual realities;
- That sustainability practitioners within the retail organisations will be open to participate in the study;
- That leaders and decision makers will be open to share their experiences and participate in the study;
- That learning's will emerge from doing the study.

Ethical implications

My role in this research is both as a sustainability practitioner of the retail businesses participating in the detailed case study and that of the researcher. In addition, I collected data from individuals who are employed by competitor organisations, which limited the accessibility of information. Based on my association with the case study organisations, and the competitive nature of the SA retail industry, a high level of objectivity, authenticity and confidentiality of information was required throughout the process.

Information gathered from all participants was collected anonymously, through an on-line survey. This way, perspectives are shared, without individual perspectives being known.

Individual interviews were only conducted from the case study organisation and permission was obtained from the CEO to conduct this research. Confidentiality of information given by respondents is respected, and information is kept in a secure place. All respondents were required to give written permission and thereby agree to participate in the research study.

Chapter 4 - Research Findings

Empirical research was formulated and conducted based on information gathered during a literature analysis of challenges faced in business sustainability, as well as information gathered as a result of experience gained from working as a practitioner in business. The objective of this research was to understand more about the tension employees and leaders experience when adopting sustainability within a specific business context. The literature is not specific about tensions and their root causes, but the analysis of challenges faced by business in sustainability adoption pointed to elements considered as root causes of tension. These root causes included the lack of skill and expertise to lead a sustainability transformation process, misalignment of organisational values, the scale and depth of change required, ethical challenges in decisionmaking and the systemic complexity involved in building sustainably.

Whilst some consistency of tensions and their root causes were found between literature and the case study organisation, additional information was highlighted in relation to the root causes of tension. These were found to be relevant in the context of the retailer (case study organisation). Whilst these tensions and their root causes were identified in research conducted within the retail industry, many of these tensions may be applicable to other industries as well. Further research will be required to verify the relevance or additional tensions that may be relevant for other industries.

4.1 Systemic and Organisational Change

Whilst organisational change remains a challenge for many businesses, there are some unique challenges identified by research participants that are related to sustainability within the retail context. These include: the scale and depth of change required, the need to change business models, and the unknowns/uncertainties associated with sustainability and change.

Research results in relation to tensions experienced are shown in tables 1 & 2 below. Table 1 shows the results from the retailer participants and Table 2

shows the results from practitioners who participated in the research. The results of these tables are discussed in the sections below.

Please select the options that are relevant to the statement below. You can select as many options as you feel are relevant: The following elements cause tension in our business when faced with building towards a sustainable future:

Answer Options	Response Percent	Response Count
The need for long-term planning	40.7%	11
The scale and depth of change required	74.1%	20
Leadership personality and expertise not suited to what is required for sustainability	25.9%	7
An organisational culture misalignment	14.8%	4
A gap between existing values and beliefs and that needed for sustainability	29.6%	8
The need for transparency	37.0%	10
Potentially paying more for doing the right thing	88.9%	24
The unknowns associated with sustainability	59.3%	16
Lack of adaptability	11.1%	3
Business models have to change	48.1%	13
Business needs to de-materialise (de-couple) from resource intensity	44.4%	12
Less/no/negative growth	25.9%	7
Opening up boundaries to incorporate stakeholder needs and societal pressures	55.6%	15
answered question		27
skipped question		1

Table 1: Retail responses: Tensions that arise from business integration of sustainability.

Please select the options that are relevant to the statement below: In my experience, the following elements cause tension in business when building towards a sustainable future:

Answer Options	Response Percent	Response Count
Long-term planning,	62.5%	5
The scale and depth of change required,	87.5%	7
Leadership personality and expertise not suited to what is needed for sustainability,	87.5%	7
Organisational culture misalignment,	100.0%	8
A gap between existing values and beliefs and that required for sustainability,	75.0%	6
The need for transparency,	50.0%	4
Potentially paying more for doing the right thing,	62.5%	5
The uncertainly associated with sustainability adoption,	50.0%	4
Lack of adaptability,	50.0%	4
Business models have to change,	87.5%	7
Business have to de-materialise (de-couple) from resource intensity,	75.0%	6
Less/no/negative growth,	62.5%	5
Opening up boundaries to incorporate stakeholder needs and societal pressures.	87.5%	7
answered question		8
skipped question		0

Table 2: Practitioner Responses: Tensions that arise from business integration of sustainability.

The Scale and Depth of Change

To integrate sustainability, both industry and business models require change. This means leaders have to experiment at the edge of their business model (Faruk & Hoffmann, 2012:15). The scale and depth of change required in business to achieve sustainability goals create significant tension. Research participants listed this as one of the most significant tensions experienced, as 74% of the *retailer* group and 87% of the *practitioner* group agreed. Walker (2012), however, reminds us that whilst these practitioners are aware of the emergent complexity of changing systems, they acknowledge that “whilst we are stuck in a world where mechanistic, linear approaches are foisted onto complex, systemic problems, this is where the tension lies for those involved in bridging this” (Walker, 2012).

Sustainability recognises the interconnectedness that business have with its socio-economic and environmental landscape. The analysis of change required for meaningful impact to take place can be overwhelming to business. Without systemic consideration, change can be short lived and may not have the required impact. For example, if cotton is produced with only commercial benefits in mind, and social and environmental elements are not considered, then environmental impacts can be severe over the long term. This results in the depletion of water resources and soil health thereby affecting livelihoods as future agricultural yields may reduce. When this happens, farmers produce less cotton, which in turn reduces income for them and their families. This affects the supply of raw material, raising input costs and product prices. If cotton is produced locally, then substitute cotton is will be imported, thereby affecting the local industry and finance flowing out of the country’s economy. This affects not only the vibrancy of an industry, but also a local economy and those employed within the industry.

In order to make adjustments in line with the future systemic sustainability, an interconnected view is required. This requires collaboration with key stakeholders from industry in order to find solutions that balances the benefits throughout the value chain. Focus therefore must be on improving economic, social and environmental performance. These shifts are not simple, and

cannot be achieved without key stakeholders engagement and collaboration. The cotton example is still very limited, as it only describes one fibre type and sourcing country. If this is applied across all product types and the raw materials and climate change affects are considered, then the scale and depth of change becomes overwhelming. Very few executives are trained and prepared to face such systemic shifts. Business largely operates within the boundaries of its own organisation. Leadership requires consideration to be given to relevant systemic interconnection in business.

Changing Business Models

The structure of business models needs to be interrogated, particularly when viewing it through a lens of its interconnected impacts. The global economy relies significantly on the provision of fossil fuels, coal and other natural resources to provide raw materials typically used in production. Many of these raw materials are finite resources and therefore business may have to consider how sustainable these resources are that they depend on. Many resources such as water, oil and agricultural products are under pressure, because of the demand and the impact of climate change. This creates a significant dilemma for business. The question remains unanswered as to how business can operate differently, to reduce its reliance on such resources. More about resource dependence is discussed in 4.5.

Retail participants ranked the changing of business models, fifth on the list of tensions caused by sustainability integration, and sustainability practitioners ranked this as the second highest cause of tension, in their experience with retail. The difference between the two results may be because retail respondents don't see the need for their business model to change, and therefore it ranks lower on the list of their tensions. This is often the case of the business performance is good, as the need for change is not recognised. However, practitioners highlight this as the second highest in relation to tension they experience. This occurs as a result of the role of the practitioner, which is to challenge leaders in relation to the sustainability of their business models. Practitioners therefore will experience the tension directly when engaging with leaders on the issue.

In addition to this, the majority of participants (81% retailer participants and 75% practitioners/consultants) felt that leaders in the South African retail businesses understand that consumption patterns have to change in order to build a sustainable future. Interviews with retail leaders revealed that the issues with consumption patterns create significant tension, as it challenges the core of retail's existence.

Because of this, the participants felt that this may be the reason why retailers focus on mitigation of negative impacts and are not changing business models to address this concerning issue. When business performance is not satisfactory, businesses are more likely to interrogate their models to identify causes of underperformance. Conversely, when results are good, business is less likely to interrogate their models of success, and are less likely to mess with a 'winning formula'. This affects the rate at which leaders are open to alternative options in order to adapt business models.

Some practitioners are experiencing a shift in the view of retailers in relation to the adaptation of business models. Meaningful action plans are however still largely lacking. Interviews with leaders from the *retail* group highlighted that the past success of the business does not guarantee the same in future. The risk is potentially more, if you follow what has worked in the past, without considering the changing expectations of your customers and other key stakeholders (Retail Interviews, 2014).

Waves of change in the global economy has seen many transitions over time. These range from the agricultural age to the rise of industrialisation and later shifting towards the information age. The Allianz Global Investor Group (2010) compiled an analysis after the collapse of the global economy in 2008, and proposes a sixth Kondratieff Cycle (wave of prosperity), that will focus on sustainability.

“While in the previous Kondratieff cycle the information age led to a tremendous increase in labour productivity, the key to a strong and sustainable economy in the next long cycle seems to lie in an increase

in the productivity of resources and energy. Growth will probably continue to be generated from a new mix of economics, ecology and social commitment. The global share of renewable energy sources is expected to rise from its current level of approximately 7 % to about 30 % by mid-century. The World Energy Council estimates the market for renewable energy in 2010 at USD 635 billion. By 2020, it is expected to grow to USD 1.9 trillion” (Allianz Global Investor Group Report, 2010).

Early adopters of this change will gain a competitive advantage. A shift towards a new wave of sustainability will require significant systemic shifts from individual business models, industries, countries and the global economy. Consumers can play a significant role forcing this change. Retailers need to consider testing elements of changed models to adequately prepare for this shift.

4.2 Organisational Culture

A culture of sustainability is characterised with evolutionary learning and adaptation highlighting the importance of discretionary behaviour and autonomy. This is described best by Griffiths & Linnenlueken (2010), by using the Competing Values Framework (CVF) to highlight the importance of the external environment in affecting behaviour, structure and changes in the organisation. This framework recognises the wider social and economic environment and places emphasis on moral authority, social integration, quality, flexibility and employee’s ability to manage turbulent environments.

If an organisation’s culture is not aligned to the values of sustainability, it causes significant tension for practitioners trying to work with business. All the participants of the *practitioner* group (100%), listed value misalignment as a tension experienced during engagement with retailers. A further 75% of this group believe that there is a gap between the values and culture of organisations they worked with, and that of sustainability values.

This view was not as strongly shared by the *retailer* group, however 14,8% of these respondents felt this tension. A further 29,6% of the retailer group felt that their organisational values do not align to sustainability, but the majority felt otherwise, reporting a direct alignment between sustainability and the values of their organisation. This highlights how organisational cultures are unique and differ from organisation to organisation. Interviews conducted with leaders showed that there is a strong alignment, and therefore no tension is felt to change the culture of the organisation. There is a consciousness about some business practices that require change, which seems to be driven to create alignment with the organisational values and culture. This could be in relation to the 14,8% who feels the tension in relation to culture alignment. So, whilst retail participants reported alignment of culture with sustainability, elements of change is still required. This was confirmed through an analysis of the case study organisation’s culture in relation to the Competing Values Framework (CVF).

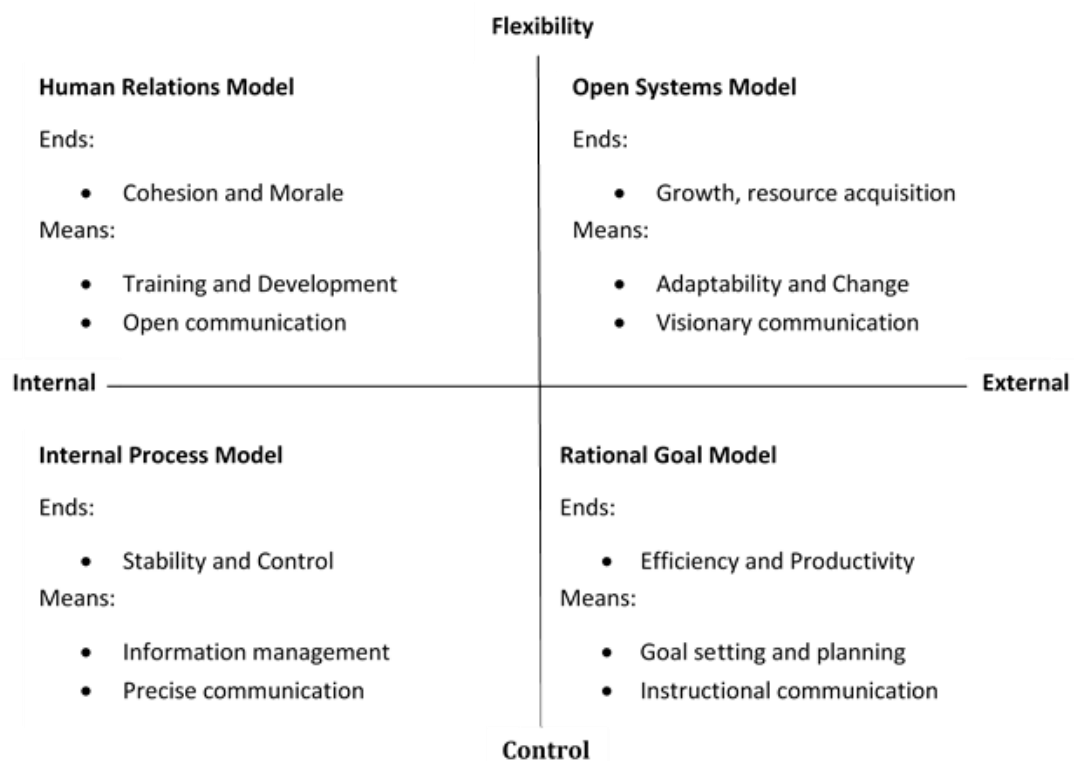


Figure 4: Competing Values Framework. Source: Griffiths & Linnenlueken 2010.

Interviews with retail participants revealed that the organisation's culture is characterised mainly with elements described within the Internal Process Model, with some transition towards the Rational Goal Model, where the external environment is being considered more in making decisions. There is, however, an aspiration and lean towards elements of the Open Systems Model. This explains the acknowledgement from retail participants that some business practices require change to create alignment with the organisational values and culture. There is a strong consciousness and espoused culture towards sustainability, but the current practices are still leaning towards elements of internal focus and less flexibility. This will contribute to tensions arising, particularly when the observable culture (current practice) contradicts the espoused culture. It however does not relate to fundamental value-misalignment, but more in relation to practices that require change.

The majority (85,2%) of retail participants believe that quick action and innovation is an important part of the organisation's culture and 96,2% agree that the organisation embraces change. However, sustainability is about emergent change, and changing long standing, tried and tested practices in a business, does not happen without some discomfort and difficulty. Whilst the retail participants believe that their organisation embrace change, there is a definite tension in relation to the scale and depth of change required for sustainability.

Of the *retailer* group, 70,4% believe that "*sustainability is part of the organisation's strategic initiative and value system*", and 66,7% believe that their organisational values are strongly aligned to both revenue generation, and sustainability. A quarter (25,9%) of retail participants however disagreed and expressed that revenue generation carries more weight than sustainability. This connects directly with the tension ranked high for the retail group in relation to cost implications. This tension is discussed in 3.2.5. In line with this, whilst the majority (74,1%) of *retail* participants believe that there is a balance between business imperatives and that of the values, 22,2% felt that business imperatives takes preference. So, whilst culture

misalignment was mostly not acknowledged as a tension experienced by the *retailer* group, there are small groups of employees, that feel tension when decisions between revenue generation and sustainability has to be made, and how ethics are integrated into business decisions.

The Ethical Dilemma

Whilst business ethics is a broad concept and was not a specific focus in this research, literature relating to sustainability and tensions, highlighted the importance of business ethics and moral leadership. There is a damaging lack of clarity regarding the ethical values which underpin leadership and change, as it remains an important but under-researched area (Burnes & By, 2011).

Questions were included in this research attempting to understand how ethics, values and moral leadership relate to tensions surfaced by sustainability requirements in retail. Survey responses and individual interviews, highlighted that ethics is a root cause of tensions in relation to sustainability and that it touches on organisational culture, leadership decisions, stakeholder engagement, change processes and the systemic complexity within which business is conducted.

According to survey responses, business can be moral but practitioners question whether business wants to be moral. Of the participants, 100% of *practitioners* and 92,3% of *retailers* believe that businesses can be moral entities. When asked whether business want to be moral, 62,5% of the practitioners responded negatively. This speaks to how practitioners have experienced leadership in retail. Whilst this may be a very strong statement, it connects with the reason of why this study is important. Root causes such as moral dilemmas experienced by leaders can cause tensions that influence decisions. Purnell & Freeman (2012) calls this the fact/value dichotomy. The inability of business to hold meaningful conversation about how to do business in a better way, can result in tension and decisions that reflect an unsustainable reality.

Whilst all the participants from the *retailer* group (100%) believe that business can and want to be moral, some individuals interviewed agreed with the fact/value dichotomy. *'I think most leaders would like to be intrinsically moral but the current world economic system values other factors (such as profits and share prices) which are often in conflict with morality'* (Practitioner 4, 2014:98).

That which drives business success, is institutionalised, and therefore if not aligned to a moral set of beliefs, it will cause tension. There can be misalignment between employee values and that of the organisation they work for (Christie *et al*, 2003). There are three elements that can influence this. Firstly, people working in business have their own personal values. Secondly, there is the connection between employee's personal values and that of the organisational values. Thirdly, organisations have a set of values that ultimately build towards an organisational culture. These may, or may not, be aligned to sustainability. This becomes relevant when business decisions are made on a daily basis.

Often people feel the tension, but don't talk about it, or recognise it. Part of the problem is that the dualism of the fact/value dichotomy is so heavily embedded, that it is difficult for any individual person to see past the complexity of its collapse, as it touches almost every aspect of business, its structure, its incentives and its language (Purnell & Freeman, 2012). Due to the nature of business, conflicts arise when leaders have to make value judgements that collide with prevailing economic realities (cited by Hahn *et al*, 2010:393).

'There are many instances of businesses that maintain high levels of integrity and are morally outstanding, however there is a tension with the profit imperative. There is a breaking point at which point businesses need to compromise and trade off options, some of which will out of necessity, border on immoral' (Retail participant 9, 2014:86).

Purnell & Freeman (2012) explains that ethical considerations of the core functions of business are handled externally or somehow separately from the tools and practices of everyday business. 'The way business is conducted, permits for an epic failure of imagination about what is value creation over-and-above value capture for various stakeholders' (Purnell & Freeman, 2012). '*Fundamentally all business stakeholders require moral engagement to continue to add value to the model*' (Retail Participant 15, 2014:86). This fact/value dichotomy is a root cause of tension. It is important for individuals in business to identify with the tension, so that they can understand why it surface at the point of trying to make the right decision. More conversation and collaborative thinking in relation to these complex decisions are necessary to help reduce the tension that individuals feel when facing moral judgements. Without the conversation taking place tensions will result in people developing barriers to change.

Purnell & Freeman (2012) supports this and reminds us that managerial application of decisions is concerned about what is deemed "reasonable" managerial action and the "plurality of values imbedded in the stories we tell about doing business". They emphasise the necessity for more integration of ethics into the way we do business, and that it is less about judging right/wrong, but more about the process of creating a better conversation.

A Common Language is required

Organisational cultures can influence a common understanding of what sustainability means. This repeatedly surfaced in conversation during interviews which revealed that not all participants have the same understanding of what sustainability means in the context of business.

Research participants believe that the lack of a common understanding of what sustainability requires in business, results in the emphasis being placed on mitigation and that this is why not enough commitment to adaptation is evident. Of the participants, 77% of the retailers and 62% of the practitioners believe that this is one of the key obstacles preventing meaningful integration. The practitioners critically viewed the choice of mitigation, as an interim

response taken by leaders. 75% of the *practitioner* group see this as a lack of commitment from leaders. Of the *retail* participant group, however, only 37% shared this view, and there is a sense that they understand the complexity, and that the lack of action is not necessarily viewed as the lack of leadership commitment.

Whilst majority of research participants (62% and 67% respectively) chose the same definition of sustainability (“*creating long term value by adopting a business approach that is equally mindful of economic, social and environmental implications*”), interviews revealed that the meaning within such a definition is not equally understood. This is supported by the fact that the balance of respondents in both groups chose a different definition for sustainability. The understanding of what sustainability requires, has significant impacts on the results and the lack of common understanding is a root cause of tension in sustainability adoption.

This tension plays itself out when conversations between employees, leaders and practitioners have no common reference point. Because of the complexity of sustainability, people attempt to simplify it by limiting meaningful conversation and action plans. It is important to develop a common reference point for sustainability so as to ensure that conversation can be meaningful and aligned.

4.3 Leadership Commitment

There is concern over the lack of adaptive leadership ability and skill as a key challenge for sustainability integration in business. This is highlighted in literature where a study done by Business for Social Responsibility (2012) found the following:

- the need for leaders to live with uncertainty and complexity,
- to value diversity including cognitive diversity,
- building a relational enterprise with high levels of stakeholder dialogue,
- focusing on external factors by stepping out of the system they serve and to, and

- developing leaders at all levels of organisations that can drive a more sustainable future.

The above findings are consistent with the insights provided by practitioners of this study, where 87% highlighted that tensions arise when they engage with leaders that do not reflect the skill and values of sustainability. There are many business practices by their very nature that does not consider future impacts, but are designed to provide short-term results.

Only 25% of retail participants felt little tension with leadership ability and values. The interviews revealed that, for the retailer, sustainability is aligned to the business culture, and therefore no tensions existed. *“Our culture was always built on such real ness, the values and our culture really refers directly to that of sustainability. So there is a match between our culture already and that of sustainability”* (Interviewed participant - retail 5, 2014:102).

Leadership ability also relates to their understanding of what sustainability requires. The majority of retailer respondents (81%) believe that the leadership in their organisation understands sustainability and that consumption patterns have to change. When reviewing the organisation’s Annual Integrated Report (AIR), the issue of consumption patterns are however not acknowledged as a material issue for the organisation. Whilst no public reporting reflected this thinking, interviewed participants revealed that there are conversations taking place in this regard. This is an issue that requires leaders to step out of their system, and to take into consideration the future impacts and trends that systemically may change, which could have impacts on their business. This is a complex issue that is still largely ignored by many retail organisations.

There is, however, a lack of commitment from leaders to adapt business models in order to provide for intergenerational equity. 77% of *retail* respondents and 100% of *practitioners*, believe that more than mitigation is needed and that adaptation goals are lacking. Adaptation is used in business context in reference to changing business models towards a more integrated

sustainability model, as oppose to business models that do not consider social and environmental impacts.

Practitioners listed the 'lack of leadership understanding' of sustainability due to 'not enough education and communication', as a key contributor to this. This also explains the view from participants in relation to de-coupling. De-coupling requires business to reduce its raw material requirements in relation to the output of materials. Just over half (55,5%) of retail respondents and 75% of practitioners believe that de-coupling is not understood. The unknowns admittedly cause tension for leaders (as discussed in 4.5 below) which may cause them to feel inadequate in making decisions regarding strategic shifts. This can be viewed as the lack of commitment from leadership. Adaptation of business models requires systemic thinking and for leaders to step out of their system to understand the scale and depth of change that is required.

In a world where changes occur regularly, leaders are required to live with uncertainty and complexity. Without this adaptive leadership skill, tensions will surface. Of the *retailer group* 55% highlighted the lack of data as a key obstacle to change and a further 52% felt that the significant investment required with unknown returns, create barriers to change. Business leaders are trained to make decisions based on evidence. If evidence is not available, decisions appear very risky, and could cost the business significant investment without a guaranteed return. The current indicators of business success lacks sustainability measures, as it measures short term results. Retailers use short-term measures to evaluate success. Of the research groups, 44% of the *retail* group and 62,5% of *practitioners* listed the lack of long term planning in retail as a key obstacle to sustainability integration.

Because of the need for leaders to step out of their system and understand the scale of change required, stakeholder engagement can be used as a tool to assist leaders in understanding systemic requirements and complexities. In order to integrate sustainability, leaders are required to build a relational enterprise with high levels of stakeholder dialogue. Engagements with key stakeholders are fundamental to ensuring that as a business they remain

relevant and deliver on the expectations of key stakeholders. Both participating groups listed the need for business to engage with stakeholders and whilst 81% of the *retailer group* stated that the business is ready, it is an area that causes tension for them. Stakeholder engagement as it connects with tensions arising from uncertainty, transparency and operating systemically, are discussed in more detail in other parts of this section.

Retail respondents felt that leadership adoption of sustainability does not necessarily translate into changed processes in a business. This view was overwhelmingly supported by all *practitioners* and 52% of *retailer* respondents. There is however a strong voice that leadership adoption is very important, and that it can contribute to integration of sustainability. Participants place a high level of responsibility with leaders to drive this change. Retail participants have the confidence in their leadership to deliver such integration. Practitioners on the other hand, do not support this view. In their experience, engagement with retail leadership does not provide them with confidence that current leaders can bring about the required transition. Interviews with leaders however revealed that, in their view, more is needed for true integration. *“It comes from our strategy, if we put it in, it will happen”* (Retailer Respondent nr 2. 2014). If sustainability integration requires an integrated business strategy, then there is a critical role required by leaders for sustainability adoption through strategic planning. The lack of adaptive leadership skills in business is a root cause of tension, both for leaders as well as employees and practitioners alike. Practitioners have a role to play to ensure that leadership and employee awareness becomes part of the process of embedding sustainability into organisations.

4.4 Stakeholder Engagement

Boundaries built up over time, between business and key stakeholders, needs to open up in order for meaningful engagement to take place. This proves to be a cause of tension for some retailer participants. According to 81% of respondents from the retail group, business is ready to open up the boundaries of decisions to include broader stakeholder engagement, but 61,54% of this group acknowledge that it causes tension. Table 3 below

indicates the ranking of stakeholder engagement, according to retail respondents.

Please rank the following elements from 1 (most important) to 8 (least important) The following elements are important in order to integrate sustainability into a business culture:

Answer Options	1	2	3	4	5	6	7	8	Rating Average	Response Count
Governance (policies, procedures, processes),	0	4	0	6	7	4	2	4	5.07	27
Leadership commitment,	21	4	2	0	0	0	0	0	1.30	27
Meaningful stakeholder engagement,	2	6	4	10	3	1	0	1	3.52	27
Long term business strategy,	3	10	9	3	1	1	0	0	2.70	27
Measure employees performance on sustainability indicators,	0	0	1	2	6	6	5	7	6.22	27
Organizational learning,	0	0	1	1	2	10	11	2	6.30	27
Organizational culture,	0	2	9	4	3	1	5	3	4.70	27
Information systems to gather necessary data for meaningful decision making.	1	1	1	1	5	4	4	10	6.19	27

Table 3: Retail Responses to Stakeholder Engagement

Half of the sustainability *practitioners* group (50%) believe that SA retailers are not ready to open up their boundaries to stakeholders, but the majority (87%) of this group agree with the retailers, that stakeholder engagement causes significant tension for retailers. Despite the existence of this tension, research participants listed meaningful stakeholder engagement as third on the list of importance, in order to integrate sustainability into business practice.

There appears to be an openness to collaboration, but 22% of respondents felt that there is still closed and inward looking view. This was confirmed by the analysis of the organisational culture in conjunction with using the Competing Values Framework. Majority of the interviewees highlighted that the culture is mainly internally focused, and only a few identified a gradual shift towards a more open system. This explains tensions that arise amongst employees and leaders in relation to stakeholder engagement.

By not engaging, business runs the risk of not being relevant to its stakeholders. A small group of respondents (27%) did not feel this caused

tension. Interviews with selected participants revealed that even though they feel tension, they understand the necessity of stakeholder engagement, and therefore will embrace it. It is just historically not the way the business operated.

“It is part of what is changing, the difference for us is that we are passionate about what we do, so we don't instinctively trust outsiders, and you have to earn our trust. And we will push back to begin with, it is just how we are. Don't play in our sandpit before you have shown us that you have something to offer” (Interview participant - retail 6, 2014:108).

Investor engagement previously involved mainly discussions on short-term financial performance and did not focus on long term sustainability. This is changing as conscious investors are measuring sustainability indicators. Customer engagement in the case study organisation, involves mainly a product trend and demand focus and annual research to establish key positioning data. No engagement with customers regarding their expectation of sustainability performance and requirements are in place.

It is not common practice to engage beyond these stakeholder groups and to include local communities, suppliers, government, civil society and media. Retailers and practitioners highlighted customers as the most influential stakeholder group, with investors ranked second by retail participants. Investors share the second space with customers, according to practitioners.

Suppliers are ranked very low on their influence over retail. As indicated in Table 4 below, retailers ranked suppliers in fifth position, and practitioners ranked suppliers in sixth position as shown in Table 5.

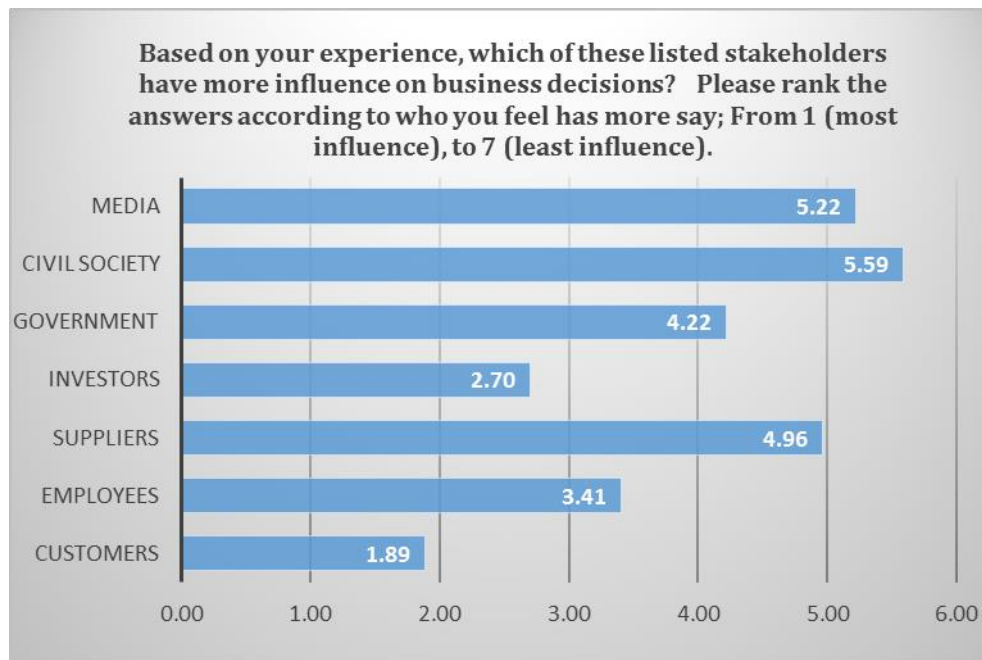


Table 4: Retail responses ranking level of importance of stakeholder groups

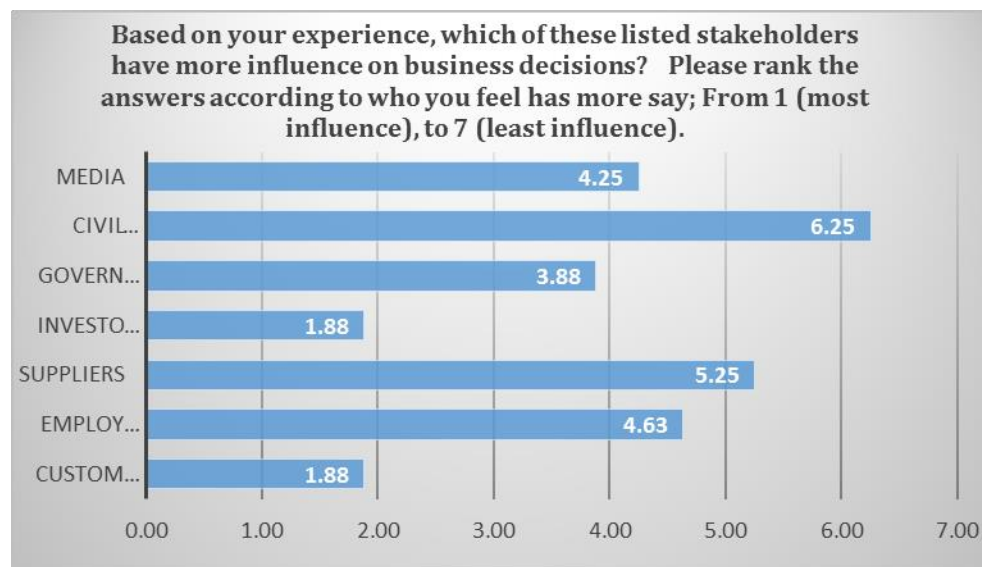


Table 5: Practitioner responses ranking level of importance of stakeholder groups

Until recently, suppliers were not considered as active role players in influencing retailer decisions. Most of the supplier relationships are held with buying agents/houses, and not with production sites. This structure is not only prevalent with SA retailers, but are also consistent with international retailers. Very few production facilities have direct relationships with the retailer. This model has proved to be very risky, as the lack of visibility at

production facilities are causing significant impacts when product quality is problematic and/or products are not delivered in quantities ordered.

In recent years, this has shifted. Increasingly emphasis is placed on developing relationships with production facilities. This is necessary in order to develop capacity within supply chains for improved efficiencies, reduced waste, better quality and improving social and environmental conditions. Strategic engagement and collaboration further along value chain is becoming increasingly important, and therefore increases the need for engagement at all levels of the value chain. This will assist retailers to secure a competitive advantage for delivering sustainably sourced products. The challenges in a retail supply chain are however systemic and very complex in nature, and therefore engagement with suppliers are very complex.

International civil society and media have been instrumental in placing pressure on changing retailer supply chain practices over the past decade. This is less prevalent in South Africa, and as a result these two stakeholder groups, ranked at the bottom in relation to their influence with retailers. Practitioners ranked the media higher than retail participants, but confirmed through interviews, that this is because of the work practitioners do with international retailers and the influence media has internationally.

Tensions arising during stakeholder engagement surface because of the uncertainty that business have of stakeholder expectations. Participants are not clear of the potential expectations and demands, and whether the business can deliver on such demands. There is concern that stakeholder demands can require change of significant scale, and may be “idealistic and impractical”, according to one of the interviewed participants. Therefore the unknowns associated with stakeholder engagement, is a root cause of tension that individuals in business experience. The “sustainability leadership competency gap” identified by Faruk & Hoffman (2012) includes a struggle for many companies to respond to stakeholder requirements for open accountability and transparency, in order to address shifting societal

expectations. They conclude that this inclusive approach to stakeholders has rarely been easy for companies (Faruk & Hoffmann, 2012:11).

Stakeholder engagement is beneficial to business and encourages collaborative thinking that can lead to developing collective solutions to complex systemic problems. Once leaders understand this, then concerns of 'unrealistic and idealistic' expectations from stakeholder's shifts the focus to a journey of exploring solutions together. It must be well enough understood that sustainable development requires everyone's input and willingness to accept change, and that the complexity is collective and does not only impact on one group.

Transparency

The level of transparency expected by stakeholders is placing significant responsibility on companies and needs to be entrenched within the organisational culture and leadership practices. Listed companies are required to report publically and share what their material issues are in relation to socio-economic and environmental concerns, and how the business plans to address such issues. Integrated reporting requires business to provide reasons as to why material issues are not being addressed, if no response plan is in place.

Social media plays a significant role in exposing irresponsible business practices. This shifted the landscape within which business operates and has resulted in influencing change of business practices. This has resulted in public expectations of business transparency. The concern about exposing critical elements of the business in public reporting, which is unlike to business practice in the past, is a root cause of tension, particularly for leaders. Integrated reporting expects business to report on many social and environmental performance criteria in addition to financial performance. If business does not report, then they have to explain why, therefore leaving very little room to not be transparent about the business' performance on sustainability indicators.

Despite the tension that this creates amongst leaders, business will have to find a way to prepare leaders to embrace transparency and adapt to the changing needs of society.

The Unknowns/Uncertainties associated with Sustainability

There are many questions about sustainability that remain unanswered. Of the retailer participants, 59% of the respondents and half of the practitioners (50%) felt tension because of the 'unknowns and uncertainties associated with sustainability'. Indicators traditionally tracked for measurement in business were specifically targeted at providing financial data. The impact of business operations at a social and environmental level was not measured, and therefore data required to make decisions, are largely lacking.

Whilst systemic information is available on both social and environmental impacts, it does not provide individual businesses enough specific information that affect their businesses. Because of the lack of such data, significant investment is required to start gathering relevant and meaningful information. For example, to collect data on energy usage, and to measure the impacts of changed practices, investments are required for meter installations and retrofitting of new lighting technology.

For the scale of change required, information must provide an interconnected picture in order for scenario planning or systems modelling to work effectively. This can only be established if data is gathered at different levels and analysed with systemic consideration given. Otherwise decisions can be made in isolation and will not consider the broader impact. Gathering such data is not only time consuming, but requires significant business investment. Research is therefore required for leaders to make informed decisions.

Information may however not be able to provide all the necessary information to reduce the impact of the tensions felt around the unknowns. Faruk & Hoffman (2012) cautions that it is important to understand the limits of evidence based change and to recognise the need to lead in the absence of certainty. "A strong corporate identity and values is often the only practical

compass for a leader needing to make decisions about complex and contentious issues, when data is not enough” (Faruk & Hoffmann, 2012:14).

4.5 Systemic Complexity

The nature of capitalism and the current rules applied, prevents the realisation of a sustainable future. Systemic forces that result in high inequality, growing consumer culture, resource dependence, economic growth, poverty etc. work against the aim of developing a sustainable lifestyle. Unless the system adapts and applies a different set of rules, capitalism will perpetuate an unsustainable path that impacts on society and future generations. Whilst business leaders and employees make decisions that perpetuate the problem, tensions will arise, as they try and meander through a systemic structure that is not designed to apply the values of sustainability.

By its very nature, capitalism exploits the environment and labour for its benefit. Whilst ‘niche innovations’ such as Social Enterprises brings hope of systemic changes, the rate at which these innovative models are emerging, is still slow in order to bring about significant impact. Governments need to provide an enabling environment for these niche innovations so that they can explore a new path with a different and more equitable set of rules.

Existing business need to explore concepts of shared value and conscious capitalism. This points back to the need for individual business to interrogate business models, and evaluate it through a lens of sustainability. The concept of creating shared value, can provide answers for business on how a sustainable business model can be created to benefit society and thereby future generations.

The Consumption Dilemma

The growing global culture of consumerism feeds off regular updates and change to provide new and different products and services that can be consumed. Because of this, consumption patterns and the growth in population and the resultant urban sprawl, feed the need for more production of goods and thereby impacting negatively on social and environmental

systems. Retailers are at the core of this dilemma, and have played a significant role in continuously improving shopping environments and experiences, to ensure that consumers continue to return for more. At the same time, retailers played a role in the increase in production requirements for their customers.

A majority of practitioners (75%) felt that retail leadership in SA does not have a consciousness about how consumption patterns perpetuate unsustainable practices. This is supported by reviewing public reports from SA retailers. No meaningful acknowledgements and action plans are reflected in these reports in order to address retailer contribution to the growing consumer culture and the subsequent environmental impact.

Emerging economies such as China, India and Bangladesh have used the opportunity of consumerism to industrialise their economies, and use it as a growth vehicle for their economies. These countries (including Africa) are well positioned for significant growth over the next 10 years. This coupled with their growing population, proposes a dilemma when the consumer population grows. It is estimated that today's \$12b consumer good market in rural India is expected to hit \$100b by 2025 (Kapur *et al*, Harvard Business Review, 2014). Retailers are well positioned to benefit from this growth potential of emerging market economies, as the growing middle class subsequently increase spend on consumer products and services previously unavailable to these consumers.

Africa faces many challenges. These include high levels of poverty, unemployment, lack of food security, violence, corruption, instability and rapid urbanisation resulting in growing slum areas and the depletion of natural resources. Large quantities of raw materials available on the continent, is currently being traded on the global market resulting in large-scale exploitation of these resources. Unless governments acknowledge the need to preserve these finite resources, the exploitation and trade of such resources, may have severe impacts for future generations of the continent.

For retailers to build sustainable enterprises, the consumption dilemma must be carefully considered within the context of a global system that has economic, social and environmental needs. Retailers are well positioned to influence consumers and its suppliers to drive innovative solutions towards securing a more sustainable and equitable system.

Dependence on Finite Resources

The dependence of the global economy on finite natural resources for production purposes, is of great concern. Retailers rely on the income generated by the selling of products to consumers and thereby generating profit. These consumer products are produced by using raw materials, and the growth in population numbers and the global economy over time, has placed increased pressure on natural resources. Whilst resource constraints are not yet the central conversation in boardrooms, this pressure will significantly increase as the price volatility and availability of oil, water and other raw materials, are placed under pressure. Whilst these impacts on are still largely unknown, price increases on commodities and in particular oil and energy, has been very evident over the past decade.

According to 75% of the *practitioner* group, this causes significant tension when discussed with retailers. In support of the practitioners, 44% of the *retailer* group felt this tension. There is however 56% of the retailer that do not see this as a significant issue of concern. This raises the question as to whether the retail group connects commodity price volatility to resource constraints. This group acknowledged the need for consumption patterns to change, but do not seem to directly correlate resource constraints to this need. This highlights the need for the interconnected relationships between consumption patterns, finite raw materials and commodity (and other raw materials) price volatility to be understood.

De-coupling provides a workable option to address this issue, as it aims to provide a solution to improve efficiencies, and thereby reducing the raw material requirement per product. This is however very complex and requires systemic intervention to realise impact systemic impact. The complexity for

retailers comes with global sourcing, and the lack of visibility on raw material supply. Because raw material supply is quite removed from direct purchasing done by retailers, influence and control at raw material level is very difficult. This makes de-coupling also very difficult to implement. Whilst governmental and international regulation controls will be required to address the issue of finite resource constraints, individual businesses can make changes in product design to reduce their impact. Therefore, solutions are possible in order for business to address this constraint, and innovative solutions may assist in balancing the tension felt in this regard.

Cost Implications

South African retailers operate in a very price competitive landscape. The potential for cost increases therefore touches on the core of a retailer's competitive edge. Majority (89%) of the retail participants felt tension about potential cost increases as a result of sustainability integration. This comes at a time when there are already significant pressure on the supply chain to keep producing value products. The current cost pressure for retailers are mainly in relation to rising energy, water, fuel and wage costs. With the exception of wage costs, this emphasises the pressure already experienced on raw material supply. Society lives as if raw material supply is endless, and as a result business input costs are not a true reflection of the real cost of extracting finite natural resources. As the pressure on supply increases, so does the cost of the resource. Oil is a very good example of this, as input and transportation costs, are continuously affected by rising oil prices.

Sustainably sourced products will require upfront investment into standards that can improve, for example, in applying sustainable farming methods. Improved technology is required to recycle materials thereby reducing the need for new raw materials. Internationally pressure is increasingly being placed on payment of fair prices to suppliers and living wages for workers. Tension rise in business with regards to the impact of such decisions in the context of current financial models of business.

This is not only an individual business challenge, it is a systemic challenge. If prices need to increase in order to supply sustainably sourced products, then consideration needs to be given to how this affects different segments of the market and the potential impact on business and their employees. Wealthier consumers who are more conscious, may respond well to buying sustainably sourced products at a higher price. This is however different for price sensitive consumers. This segment of the market will remain an opportunity for retailers to supply cheaper products to, but to find such products responsibly and sustainably, is a challenge.

There are different opinions regarding the impact of wage increases on business. An investment made in paying living wages to entry level employees, can have a positive impact on disposable income, thereby benefitting retailers. A future of sustainable livelihoods, where people able to be self-sufficient, free from state grants and earning a wages that provides discretionary income, allows participation in the economy, which in turn strengthens the market.

Sustainability also provide opportunities to reduce costs such as waste elimination and improved efficiencies. Significant cost savings can be realised through energy reduction, water efficiencies, reduced packaging, transport optimisation etc. There are, however, often upfront investments required in order to improve technology and develop systems that will assist in realising this cost saving. Some investments prove to bring a high return on investment in a short period of time, and others are a longer-term investment. Investments with a low return on investment (ROI), will in most cases not be considered by business.

Sustainability requires systemic shifts to take place, where the regulatory environment forces the shift towards a culture of sustainability. This will however challenge fundamentals of the capitalist system. If all country regulations require a minimum wage equal to that of a living wage, and a true cost of natural resources to be calculated into product pricing models, perhaps systemic shifts can take place. Whilst this may place a lot of

pressure on the price of consumer products, the minimum wage earners may be in a better position to afford such products.

4.6 Conclusion

Retailers experience significant tension in relation to sustainability adoption. Many of the tensions found in the retail organisation where research was conducted, are the same as was found in literature. There are however some root causes of tension that are retailer specific.

Additional root causes found included the need for a common language and understanding of sustainability, an openness to transparency and stakeholder engagement, the scale at which change needs to take place, and the unknowns/uncertainties associated with sustainability. This scale of change included tensions in relation to the need for business models and consumption patterns to change, as finite resources are under pressure resulting in rising input costs.

Leaders need to be prepared for this change to take place. Many leaders in this study admitted to not feeling adequately prepared for the journey ahead. Nothing in their past prepared them for the interconnected decision-making and adaptive leadership skills that sustainability integration requires.

Practitioners highlighted that the alignment between organisational culture and sustainability is a fundamental issue, and unless sustainability is embedded into the culture of their organisations, change will remain a challenge. For this to take place, a common understanding of sustainability is required. If this is not done, different expectations will exist in relation to deliverables from what needs to be achieved. Despite the fact that the practitioner group identified that culture misalignment to sustainability values are very evident in retail, only 14,8% of retail participants found culture misalignment as a root cause for tension. This however needs to be considered by the business, as it means that there are employees and leaders who feel that the values of the organisation do not align to sustainability.

Change is also required at a systemic level. The scale at which change is required, is a root cause of tension according to research participants. This is largely as a result of the unknowns/uncertainties associated with this change. Business models that have proved to be successful in the past, require interrogation to identify whether it is a sustainable model. This touches on the fundamentals of business.

The problem with unsustainable business models are reflected within systemic complexity. Capitalism, by its design, exploits human and natural resources, in order to accumulate wealth for owners and investors of the system. This results in extreme wealth created for a few, increasing inequality between the rich and poor. There is also a dependence from business on the provision of finite resources in order to generate profit. As pressure increases on the availability of such resources, the demand increases, thereby affecting costs. This was ranked as the most critical tension amongst retail participants.

Sustainability raises concern over the current rate of consumption. For retailers, this speaks to the heart of their existence. Whilst the research participants reported that consumerism is a topic of discussion currently taking place in their organisation, it was highlighted as a significant tension. The pressure of consumerism relates directly to the issues identified in relation to finite resources and potential cost implications.

Whilst the research participants highlighted stakeholder engagement as an important part of sustainability adoption, they felt tension in relation to the practice of stakeholder engagement. This tension surface as a result of the unknowns associated with stakeholder expectations, and whether the business can deliver on these expectation. The need to be transparent, collaborate and engage with groups outside of the traditional boundaries of the organisation, created an uncomfortable reality. This was also confirmed through the analysis of the organisation's culture which still appears to be very internally focused. Stakeholder engagement requires transparency, which forms the foundation of the relationship that is created between stakeholders.

Transparency is increasingly required by society, and it places pressure on business causing tension.

Business faces a moral dilemma. Considering broader impacts of business decisions on society and taking responsibility for the consequences of those decisions, creates tension. The rules of capitalism were not designed to take into consideration the broader considerations of social and environmental impact of business operations.

5. Chapter Five: Overall conclusion

Business adoption of sustainability, and the subsequent process of integrating sustainability into business practices and processes, creates tension for leaders and employees.

The main objective of this thesis was to identify the root causes of tensions that arise in business, when sustainability adoption takes place and organisations attempt to integrate sustainability into practices and processes. A literature review in chapter two highlighted five different areas of tension. These included the lack of leadership skills and expertise currently in business, the role of organisational culture in sustainability adoption, the challenge of organisational change, the ethical dilemma, and the systemic complexities affecting sustainability adoption. These root causes of tensions were identified in the general context of business, but do not consider industry-specific realities. In addition, through the analysis of literature, it became evident that it is necessary to develop a deeper understanding of the root causes of such tensions.

The need for an empirical study was identified, with the aim to identify root causes of tensions that are context specific. Chapter four reports the outcomes of an empirical study based on the retail industry of South Africa. Whilst similar root causes of tensions identified in literature was found relevant for the case study organisation, additional root causes were identified that are specific to the context of the retail organisation. Some of these root causes are centred within a moral dilemma faced by business.

Capitalism is structured within a specific set of rules that guarantees success in the form of profit and continuous growth, if the rules are followed. Business operates within these rules. Sustainability challenges many of these rules, as it reflects equitable, intergenerational and interconnected values, not necessarily shared within the rules of capitalism. Herein lies the root cause of tensions identified through this thesis. In order to adopt sustainability into business, meaningful conversation will be required between business and its

key stakeholders, in order to identify and define new rules that will secure a long-term value for all.

Further research is required to understand other industry specific tensions of sustainability and how employees and leaders, as change agents, can assist organisations wanting to integrate sustainability, to overcome these tensions.

5.1 Main Findings and Recommendations

- 5.1.1 In order to understand the root causes of tensions, context-specific studies are required. This contextual understanding will assist practitioners and leaders to be conscious of the underlying root causes, and thereby will be able to understand which areas require specific attention in reducing barriers to change.
- 5.1.2 Organisations wanting to adopt sustainability need to find a way to build a bridge that aligns sustainability with organisational values, and evaluate performance deliverables against it.
- 5.1.3 Individuals working within a system may have different views from those working on the peripheral to the system. This was highlighted by the research where practitioners and retail participants on some elements disagreed with one another. There were also small groups of retail participants that had a different view to the majority. These voices must be heard, as they can affect the integration of sustainability into business.
- 5.1.4 Most of the root causes and subsequent tensions identified in this study, were connected with one another. This again highlights their interconnectedness.
- 5.1.5 Whilst there was a strong espoused culture and value alignment with sustainability in the case study organisation, there was a strong observable culture with current practices that did not align. This causes tension, and must be acknowledged and considered within the process of embedding sustainability.
- 5.1.6 Employees are more committed to sustainability through intrinsic motives rather than extrinsic motives. Therefore a values based approach to sustainability will be more supported by employees and

will embed it into the organisational culture, thereby making the actions of sustainable practices more authentic.

- 5.1.7 Leadership recruitment and development is critical to the success of sustainability adoption and integration. Both literature and this study consistently highlighted the lack of adaptive leadership skills in business. Priority must be given to ensure leaders are trained, as the feeling of being untrained for leading the process of transformation creates tensions for leaders.
- 5.1.8 Sustainability practitioners need to ensure that they understand the root causes of tension experienced by leaders and employees. Often practitioners view the lack of participation by business employees and leaders, as lack of commitment. Both survey results as well as individual interviews shows that there is a commitment, but rather that tensions create barriers to change.
- 5.1.9 Business specific research needs to be conducted in order to develop intelligence that will assist leaders, practitioners and employees to make informed decisions. Modelling can also be used as a tool to assist with this.
- 5.1.10 More conversation should take place to develop a space for employees and leaders to discuss the tensions they experience with ethical challenges. Sustainability challenges business practices, and the ultimate decision that requires a win-win result, can be complex and thereby creates tension that can be eased by having meaningful conversation.
- 5.1.11 These tensions and their root causes may not be unique only to this organisation and/or industry, as many of these issues are generic in the context of sustainability.
- 5.1.12 A more balanced scorecard of measuring success, will help reduce this tension for individual employees and leaders. Thereby everyone is measured on social, financial and environmental indicators, which develops a team effort to address the challenges.

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Appendices

Annexure A

Terminology and Definitions of Sustainability

Sustainable Development (SD), as defined by the Brundtland Commission's Report (1987:8) is about "meeting the needs of the present (generation) without compromising the ability of future generations to meet theirs" (World Commission on Environment and Development: Brundtland Commission, 1987). This is the most commonly understood and accepted definition of sustainable development. The United Nations World Summit Outcome Document (2005), identify economic development, social development and environmental protection as three pillars forming part of SD.

It is important to note that the words sustainability and sustainable development hold different meanings. "The difference lies within the word development" (Boulogne, 2006:9). "Development" points to the idea of change (Gallopín, 2003:19). Gallopín (2003) defines development in the context of increasing the quality of life of human beings, and not necessarily about increasing the gross national product (GNP). He argues that development is not synonymous with economic growth as "the latter is only one means to the former" (Gallopín, 2003:25). Boulogne (2006:8) highlights that because this definition incorporates basic needs of people, and there is such a wide variation in basic needs, it makes the focus of sustainable development very complex for business.

What the Brundtland Commission's definition of Sustainable Development refers to is the improvement of the quality of life. Gallopín (2003:20) refers to the improvement of human condition or the "socio-ecological system to which humans pertain", a process that does not necessarily mean indefinite growth in the consumption of energy and materials (Gallopín, 2003:20). We are living in a period of significant transformation at all levels of society, and the process of redefining progress for the betterment of humanity, is known as sustainable development (Gallopín, 2003:20). But Dresner (2002:46) reminds us that

instead of focusing on trying to simplify sustainable development and what it means and incorporates, it is more important for us to understand the notion of what it is trying to achieve.

Perez-Batres *et al.* (2012:158) suggests that **Corporate Social Responsibility (CSR)** is confined to the activities that constitute the “actions of the firm” and cites McWilliams & Siegel (2001) who views CSR as “actions of the firm that appear to advance some social good, beyond the immediate interests of the firm and its shareholders and beyond that which is required by law”, to support their position. In their view, sustainability is a “broader concept as it represents a more holistic and higher level of analysis than the actions of single organisations” (Perez-Batres *et al.*, 2012:158). Using CSR as a term in business can be limiting, as it does not place sufficient accountability on businesses to create long-term impact whilst ‘doing social good’. In addition, it refers to the word ‘social’, which can result in a limited focus and not also incorporating environmental responsibility.

Some businesses have chosen to change the term to **Corporate Responsibility (CR)**, which then removes the link to social. This can be problematic, as it can be interpreted that business should focus on compliance, and not necessarily on the broader systemic material issues of sustainability. The recently established ISO 26000 standard describes corporate responsibility as the ‘actions firms take to contribute to the earth’s sustainable development’, and guides a broader agenda that can assist companies in applying such a broader focus, and not risk only addressing issues of compliance.

The Global Reporting Initiative, a Non-Profit Organisation, aiming to establish consistency of business sustainability reporting, categorises their reporting requirements within the three areas of economic, social and environmental pillars (G4 Sustainability Reporting Guidelines, 2013).

Whilst understandably business has limitations on what it is able to achieve, a systemic focus on building a more sustainable system, should at the very

least be the focus. The World Business Council for Sustainable Development (WBCSD) defines sustainable development as “forms of progress that meet the needs of the present without compromising the ability of future generations to meet theirs”¹. Sustainable Development (SD) is therefore defined as a broader concept than CSR as it is more holistic and broader than the focus of single organisations. Caprar and Neville (2012) define corporate sustainability as “creating long-term value by adopting a business approach that is equally mindful of economic, social and environmental implications”. This definition brings business into a familiar space, as value-adding concepts speaks to what business aims to achieve. Profits are derived by adding value to materials, resources, facilities, time etc. Caprar & Neville (2012) however challenge business to deliver “long-term value” as oppose to short-term gains, which was traditionally achieved without necessarily considering the socio-economic and environmental impact.

Whilst different terminologies are used in describing sustainable development for business, the challenge of consistency and a ‘common language’ remains, which becomes evident in the inconsistent levels of application to business sustainability.

¹ Source: www.wbcsd.org/newsroom/faq.aspx

Annexure B

The Business Case for Sustainability

Corporate responsibility for social and environmental issues is not a new concept. The history of corporate responsibility goes back to the 1920's when the conservation movement gained momentum. This expanded further and during the 1960's and 1970's environmental and anti-technology movements expanded. A "no-growth" philosophy started in the 1970's and continued during the 1980's when social issues became more prominent and human rights, quality of life and poverty reduction, particularly in developing countries, became a prominent issue (Linnenlueken & Griffiths, 2010).

It was however with the release of a report in 1987, by the World Commission on Environment and Development (WCED), named *Our Common Future*, that the concept of sustainability became more known at a global level. The group that released this report was more commonly known as the Brundtland Commission (Linnenlueken & Griffiths, 2010). *Our Common Future* incorporates the impact of business activities on society and the environment. The concept of sustainable development incorporates the responsibility of business to ensure that its growth plans consider how it "meets the need of the present without compromising the ability of future generations to meet their own needs" (WCED, 1987:43).

Since this report was released, many social and consumer movements started placing pressure on global business to incorporate social and environmental best practice into business planning and processes. In addition, transparency of how these practices are applied, are increasingly required for public reporting.

Subsequently, organisations such as the United Nations Global Compact (UNGC), launched in July 2000, provide a strategic policy guideline for businesses that show commitment to align their strategy and operations with the ten principles in the areas of human rights, labour environment and anti-corruption. In addition to the UNGCP, other guidelines such as the Global

Reporting Initiative (GRI) and in South Africa, the King Report on Corporate Governance², has attempted to guide business practices to be more considerate of societal impacts.

Whilst the Global Compact Principles (GCP) is still voluntarily based, there is a growing interest from stakeholders such as investors and governments requiring businesses to apply the UNGC principles in their businesses. “By doing so, business, as a primary driver of globalisation, can help ensure that markets, commerce, technology and finance advance in ways that benefit economies and societies everywhere” (UNGC, 2014).

Many reasons have been listed as part of the motives that drive business’ adoption of sustainability. The MIT Sloan and the Boston Consulting Group Survey conducted in 2012, shows that customers are the most common reason for companies to change their business models. Of all respondents in the survey, 41 per cent listed customer preferences for sustainable products and services as a sustainability-related reason for changing their business models (Haanaes. K *et al*: MIT Sloan Management review, 2012: 41).

In addition, Lazlo and Zhexembayeva (2011) explain how business can embed sustainability into their organisations through a focus on sustainable value creation. They suggest that leaders should assess which elements drive their organisational motives for sustainability and what expectations they have of leveraging value from sustainability. Figure 1 indicates different sustainable value creation elements that are considered by organisations, as drivers of sustainability adoption. “Whatever the sustainability project or company-wide initiative, managers can benefit from assessing, and acting on, its value creating potential at these multiple levels” (Laszlo & Zhexembayeva, 2011:40).

² King Report on Corporate Governance: source www.mervynking.co.za/downloads/CD_King2.pdf

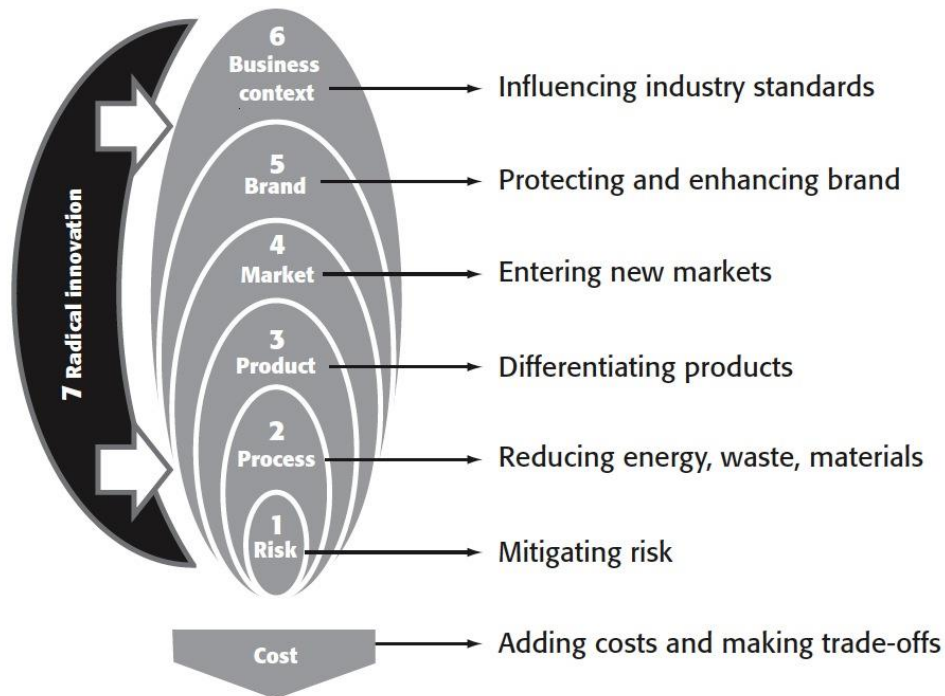


Figure 1: Value Creation Elements for Business. Source: The Sustainable Company, by Chris Laszlo. Copyright © 2003

Graafland & van de Ven (2006), cite various empirical studies that give a strategic and moral view on Corporate Social Responsibility (CSR). These include ways in which CSR can affect profitability, by improving the company's reputation in the consumer market (Graafland, 2004; Graafland & Smid, 2004), and how environmental stewardship creates a reputational advantage that enhances marketing and financial performance (Miles & Covin, 2000). Empirical studies find that an "ethical work climate leads to more trust in a company, stronger commitment from employees, lower absenteeism and turnover rates, higher productivity and profitability and a more positive attitude to work and good conduct" (Sims & Keon, 1997; cited by Graafland & van de Ven, 2006).

To support this, a study done by Graafland & Van de Ven (2006) with 111 large and small Dutch companies, revealed broad consensus amongst managers that there is a positive relationship between a company's CSR efforts and long-term financial performance. The majority of these managers agreed that CSR is a moral duty towards society.

Further to this, the study showed that small companies are, on average, less optimistic about the financial payoff of CSR, than large companies. One of the reasons for this is because the reputational mechanism may be less important to smaller companies than for large companies (Graafland & van de Ven, 2006), where reputational damage can be a high risk to a business.

Graafland & van de Ven (2006), however, also found that in practice, CSR performance is more correlated to the moral view, than a strategic view. “They suggest that a moral commitment to CSR provides a stronger motive to contribute to CSR in practice, than a positive strategic view on CSR” (Graafland & van de Ven, 2006). Therefore, they claim that CSR is driven more by an *intrinsic* motivation than by an *extrinsic* motivation (Graafland & van de Ven, 2006).

This view was supported in another study done by Graafland *et al.* (2012), where findings from a questionnaire done with 473 executives of Dutch companies, showed that the ethical and altruistic motive for CSR is more important than the financial motive. Acting as good corporate citizens therefore provides an element of joy that is derived from helping others. This was particularly of importance for the youngest executives in the study (Graafland, *et al.*, 2012).

In their study (Graafland, *et al.*, 2012) identifies the potential extrinsic motives for CSR as:

- protection and improvement of a company’s reputation,
- CSR as a point of differentiation from competitors,
- an opportunity to increase market share through product differentiation,
- building trust with employees and responding to the growing expectation from employees for companies to behave in a responsible manner, thereby reducing absenteeism,
- creating a working environment that fosters a positive attitude and an expectation of good conduct and ethical practices, and/or
- the licence to operate in new markets.

In addition, potential intrinsic motives for CSR are identified as:

- the personal values and beliefs of executives and decision makers;
- ethical norms and values of companies; and
- ethical principles of a moral philosophy or religious principles of executives and decision makers.

Another study, using a matched sample of 180 companies done by Eccles *et al.* (2012) found that the stock market performance between 1993 and 2010 of companies classified as “high sustainability companies” outperformed that of “low sustainability companies” over the same period (Eccles *et al.*, 2012).

“High sustainability” companies incorporate the following:

- a significant number of social and environmental policies and procedures adopted for a number of years;
- make executive compensation a function of environmental performance;
- social and external perceptions;
- have a formal stakeholder engagement process and measure information related to stakeholders;
- suppliers and customers are more long term orientated; and
- disclose more non-financial data than that of “low sustainability” companies (Eccles *et al.*, 2012).

To realise points of differentiation and gain market share, some companies introduced ‘environmentally- friendly’ items into their product range. This allows the organisation to stimulate growth and investment opportunities through sustainability. The adoption of sustainability also encourages improved efficiencies by eliminating waste in the system, thereby saving costs. This in turn has an environmental benefit, with reduction in usage of water, energy, fuel and unnecessary packaging.

Application of Sustainability

Businesses respond differently in its application of sustainability. Gallopini (2003) describes some of the differences between ‘strong’ and ‘weak’ sustainability.

He writes that because of “the speed and magnitude of global change, the increasing connectedness of social and natural systems, and the growing complexity of societies and of their impacts upon the biosphere, that sustainable development must aim not only to preserve and maintain the ecological base for development and habitability, but also to increase the social and ecological capacity to cope with change. In addition, what is necessary is the ability to retain and enlarge the available options to face a natural and social world in permanent transformation” (Gallopín, 2003:20).

Gallopín (2003), hereby challenge business, not to respond only to change in business practices that preserve and maintain the environment, thereby only focusing on the “low hanging fruit”. Instead the suggestion is to build capacity for the system to cope with the ongoing transition and change that it is facing, and will face in future. This requires business to go one step further than just delivering on a mandate of being a responsible citizen, but rather to become part of the future solution, thereby developing a deeper level of understanding and commitment to long-term impact.

There are large areas of disagreement about the nature and criteria of “real or deep” sustainability, and certain themes recur, such as a shift away from a model of linear industrial throughput in which raw materials are extracted, fabricated into products, consumed and then discarded as waste. In this model, economic activity is foregrounded and the natural environment appears to be a primary source of energy and resources and a sink into which waste is dumped (Robbins & Page, 2012). Despite areas of disagreement, “real or deep” sustainability suggests that business needs to develop a consciousness around closed loop systems. Here consideration is given to using sustainably sourced raw materials for industrial throughput, with the ability of products developed, to be reduced back to a natural format that causes no harm to the environment.

This brings to the forefront the unsustainable pattern of consumerism. Boulogne (2006) highlights two different views on sustainability in relation to mass consumption. The first perspective looks at sustainability of the ecological system and the second takes the position that sustainability of the outputs of the ecological system is foremost important (Boulogne, 2006:7). For some a significant mind shift is required. In order to create a long lasting effect, people need to change how they relate to nature and its resources. As Macy & Young-Brown (1998) refer to in their book, *Coming Back to Life*, people should try to live as part of nature and not as the ruler of the system.

Sustainable development cannot merely be a perpetuation of the current situation, trying to reduce some of our impact, and thereby to act more responsibly. Moving towards sustainable development requires removing accumulated rigidities and impediments, identifying and protecting accumulated foundations of knowledge and experience, sustaining the social and natural foundations for adaptation and renewal and stimulating innovation, experimentation and social creativity (Gallopín, 2003:20).

Gallopín (2003:13-18) describes “strong” and “weak” sustainability in the context of an Anthropocentric (human focus) and Biocentric (nature focus) positions taken, and suggests that neither of the two extremes are appropriate for the current reality that we face. We cannot drive sustainability at the cost of either humans or the ecological system, and therefore the “only opinion that makes sense in the long-term is to see the sustainability of the whole socio-ecological system” (Gallopín, 2003:15). This position “implies that the aggregate amount of natural capital has to be maintained essentially at the present level” (Gallopín, 2003:16). Under this notion, any development path that leads to an overall reduction of the stocks of natural capital (or a decline below the minimum) fails to be sustainable, even if other forms of capital increase (Gallopín, 2003:16). Business can therefore not respond only with mitigation commitments. Plans for transformation and adaptation of business models are essential.

Establishing criteria that describes what needs to be measured, is helpful in defining the expectations of sustainability. Some suggested broad indicators by Bergh and Jeroen (1996), cited by Gallopin (2003:22) are: reducing the impact that human activities have on the environment; not exceeding the carrying capacity of natural resources and ecosystems; integrating long-term economic, social and environmental goals; and preserving biological, cultural and economic diversity. Each of these can then be further unpacked into indicators that tracks towards the achievement of goals within those categories. By doing so, tangible targets are established, that helps business process a more rationalised way of transitioning economic systems.

Annexure C

Literature Review

A search on available literature was done between October 2012 and January 2014, using the National Enquiry Services Centre of South Africa database, Google Scholar, Network for Business Sustainability (research database) and Stellenbosch University's on-line Library. In addition, the Network for Business Sustainability research database was reviewed regularly during this period, in order to incorporate any further relevant papers into this analysis.

Key phrases used for the search included: "tensions of sustainability"; "business tensions of sustainability"; "sustainability tensions" as well as other phrases that was later included based on literature that guided towards it. These included: "the role of leadership in sustainability"; "leadership competencies"; "organisational culture and sustainability"; "sustainability and leadership ethics"; "sustainability and change"; "drivers and motives of business sustainability"; "complexity of sustainability"; "sustainability and systems dynamics". Even though the word "sustainability" was the chosen word used in all searches, some literature makes reference to Corporate Social Responsibility, Corporate Citizenship and Sustainable Development, but was included in the analysis because of its relevance to the topic.

Literature consulted for the purpose of this paper, were published between 1987 and 2013. Table 2 below indicates the publishing dates by year.

Year published	Number
1987	1
1998	1
2001	1
2003	1
2005	1
2006	2
2009	1
2010	3
2011	3

2012	9
2013	1
2014	1
Total	25

Table 2: Published dates of literature

Table 3 below categorises the literature between those that are empirically based and those that are conceptual. Literature consulted are also categorised by type of source.

Type of source	Empirical	Conceptual
Journal article	6	12
Book section		1
Book		1
Article in periodical		2
Report	1	
Document from website		2
Electronic Source	1	
Total	8	18
Percentage		

Table 3: Categories of literature consulted

The literature analysis in this paper is written by theme of construct. These themes are selected based on the consistent reference made by different writers to specific elements that can either cause tensions, or are important focus areas in order for business to transform and incorporate sustainability.

Annexure D

Situational Analysis and Case Study Background

The Global Reporting Initiative (GRI) classifies different businesses within a low, medium or high impact category, in order to identify them within a category associated with its social and environmental impacts. Resource extraction industries, such as mining and oil companies are classified under GRI as high impact organisations, with strict regulations that guide how businesses assess, reduce and rehabilitate its negative impact.

Low impact industries include organisations from the service industry, as there is very little negative social and environmental impact, other than the use of fuel, energy, water etc. Retail organisations are considered by the GRI as a medium impact industry, as the nature of its operations has limited impact on the environment. Retail is however centred within a production and consumption process and therefore by association is linked to the social and environmental impacts of its value chain and consumer end use activities. Growing consumer awareness has increasingly resulted in high expectation of retailer responsibility to sell products that are sourced responsibly, and to maximise its influence over consumers.

This study is focused on the retail industry. Because of the unique challenges of this industry, and its global footprint through its operations and supply chain, retail has the opportunity to significantly influence sustainable practices within a global supply chain and market. Retail relies on the existence of consumerism. The retail business model is centred within a consumer culture, which has significantly been shaped over time by marketing and brand positioning of products. In emerging markets, the demand for consumer products is increasing as many people previously didn't have access to such products. Aspirational elements increases demand in emerging economies. The population growth in developing countries create opportunities for retailers to grow their markets. The challenge for retailers is to ensure that this growth is sustainable and equitable.

Whilst retail impact is limited, it is perfectly situated to positively influence the reduction of environmental degradation and persisting human rights violations within its supply chain.

Within retail, product categories differentiate businesses both in terms of market access as well the systemic challenges they face. Food has unique challenges, different to those of clothing, home wares, appliances, furniture, sports equipment, cosmetics etc. Some retailers offer products across a range of categories, and others have specialised themselves within certain lines of product offering to consumers. The complexity increases when businesses offer products across categories, as their systemic challenges increase. Retailers access markets of different income levels, within these product categories. These income differentials are classified as LSM categories.

Retailers that access markets in more developed countries, have over time developed responses and initiatives to incorporate sustainability into their business models, practices, culture and processes. This is mostly because of pressure being placed by conscious consumers. Some retailers respond in more detail and with strategic intent, and others focus more on mitigation and reduction of impacts on society and the environment, with little adaptation of current business models taking place.

Response plans of international retailers are mainly focused on environmental impact and socially responsible supply chains, as well as customer awareness around after sales impact. Because of the nature of the developed markets they serve, social challenges are very different to that of developing countries. Because of this, retailers have a more philanthropic approach to social elements, with less of a strategic social investment focus.

In developing countries such as SA, retailers have responded more strategically to the social needs of their markets. These retailers operate within the context of complex social challenges such as poverty, unemployment, inequality, and increasing urbanisation resulting in the development of slum areas within cities. These countries also lack

infrastructure and resources, have low levels of quality and accessibility of education for children, life threatening diseases etc. These typically affect their markets and growth opportunities. Based on the population numbers of developing countries, growth opportunities are extensive, but the lack of accessibility due to infrastructure challenges, while issues of crime and corruption also affect the growth potential in these markets.

In the context of sustainability, retailers operating in developing countries, have a very direct reality of social challenges that affect their economies, society, the environment and their businesses. These retailers are challenged by the need to grow their markets, in the context of demanding and complex societal needs such as poverty and unemployment.

South Africa is a unique example within the context of developing countries, where retailers had to survive in times of political turmoil and the effects of sanctions during the apartheid era. In addition, SA is classified as a developing country but it also has a very strong primary local economy and well developed infrastructure. With the birth of SA's democracy in 1994, retailers have enjoyed growth opportunities within the growing middle class South Africans as well as through the accessibility of global supply chains. The country's infrastructure is well developed in cities and towns which created ample opportunities for retailers to operate in many parts of the country, thus enabling them to access markets.

Whilst South African retailers experience many of the challenges of other emerging economies, it has enjoyed a more 'developed' nature with its governmental system and structures. This ensured that the accessibility of markets stimulated the economy, thereby creating the opportunity for business to grow. The challenge for these retailers is more about where future growth potential lies, once the local market is saturated. One of the elements that limits the local market is the social circumstances and high levels of poverty and unemployment in the country. Accessing markets in other parts of Africa has become an opportunity. This however comes with its own unique challenges. Lastly, accessing markets in developed countries

have also been explored, and whilst it presents its own challenges, the opportunities are there to be explored.

This research is focused on the perspectives of a South African retailer, with particular attention to the challenges and tensions that arise within the context of sustainability. The broader focus of this research will be to identify the general tensions identified and experienced by sustainability practitioners within a sample of large SA retailers.

The broader sample of retailers will include food, clothing, home wares and cosmetic retailers operating in national and international markets with dedicated sustainability resources. The importance of this is that the study will focus on unpacking the tensions that arise within retail organisations of SA.

An in depth single case study is focused on one large retail organisation with a variety of product categories, with store operations in South Africa, Namibia, Botswana, Swaziland, Mozambique, Mauritius, Ghana, Nigeria, Tanzania, Kenya etc. Products are sourced globally with the majority concentrated in Africa and the East.

Whilst this research is focused on a SA perspective, the wide footprint of these organisations have significant impact and influence on the sustainable livelihoods of other countries. This gives the research a unique focus on the sustainability challenges of businesses operating in and through the markets and production spaces of different nations.

Annexure E

Retailer Survey Results

Question 1

CONSENT By participating in the survey, I give consent voluntarily to participate in this study		
Answer Options	Response Percent	Response Count
Yes	100.0%	27
No	0.0%	0
<i>answered question</i>		27
<i>skipped question</i>		1

Question 2

Choose one of the options that best describe your experience in working in a retail business:

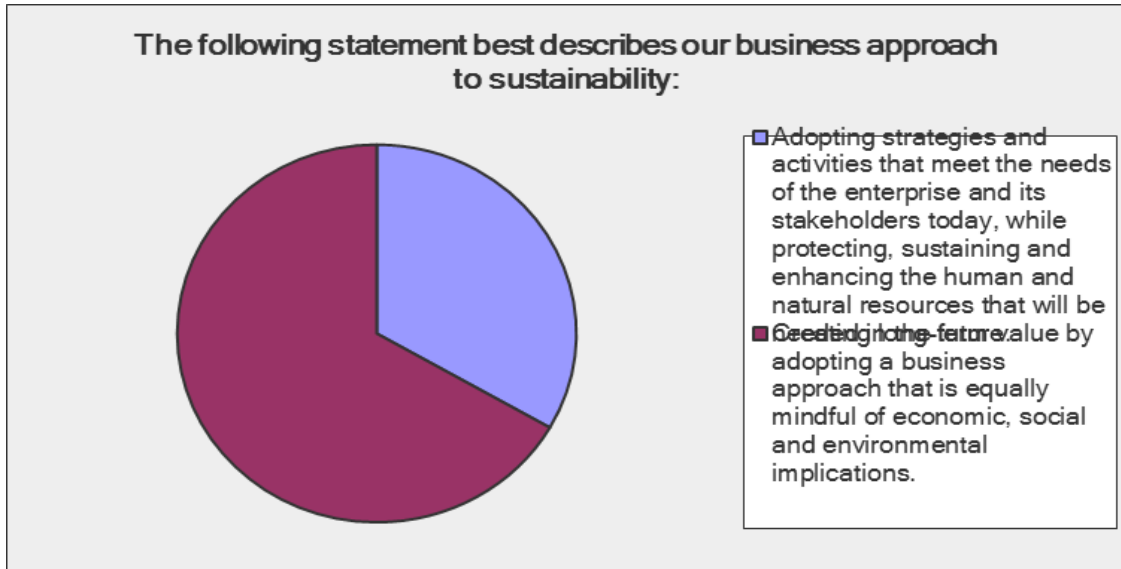
<u>Answer Options</u>	<u>Strongly disagree</u>	<u>Disagree</u>	<u>Agree</u>	<u>Strongly agree</u>	<u>Unsure</u>	<u>Rating Average</u>	<u>Response Count</u>
Business leaders understand that consumption patterns have to change in order to build a sustainable future business.	0	5	12	10	0	3.19	<u>27</u>
The view from business is that their role in building a sustainable future is about reducing the business' negative impact on society and the environment, and not necessarily about changing business models in order to operate effectively in the future.	0	7	14	6	0	2.96	<u>27</u>
Sustainability thinking must be integrated into our business strategy.	0	0	3	23	1	3.88	<u>27</u>
Sustainability is less about a values statement and more about opening conversation with stakeholders.	0	0	14	12	1	3.46	<u>27</u>
Our business currently has the adaptive leadership in place that is necessary to drive the change towards sustainability.	0	2	19	6	0	3.15	<u>27</u>
Historically the boundaries of ethical decisions were closer, supported by internal views of leaders and employees. Now stakeholder theory and societal pressures have opened up the boundaries. Our business is ready to accept this change and use it to the benefit of our business, society and the environment.	0	3	16	6	2	3.12	<u>27</u>

Issues of urban sprawl, the growing bubble of youth unemployment and the impact it will have on a shrinking tax base, is an issue of concern for business.	0	1	14	10	2	3.36	<u>27</u>
Our business understands that we should de-materialize (de-couple) from raw material dependence in order to reduce the current and future carbon and resource intensity.	0	9	12	3	3	2.75	<u>27</u>
The expectation for our business to incorporate stakeholder engagement into business processes creates tension as we are not use to managing this way.	0	7	13	3	3	2.83	<u>26</u>
The external pressure caused by stakeholder expectation of sustainability adoption, causes tension for our business.	0	9	10	4	2	2.78	<u>25</u>
Leadership adoption of sustainability does not necessarily translate into changed processes in the business.	0	13	9	5	0	2.70	<u>27</u>
Our business' commitment to sustainability, is largely considered to bolster our company's brand reputation, and is not really focused on the economic bottom line and social and environmental concerns. There a consistent match between our values as a business and the everyday decisions we make.	1	12	9	2	2	2.50	<u>26</u>
answered question							<u>27</u>
skipped question							1

Question 3

The following statement best describes our business approach to sustainability:

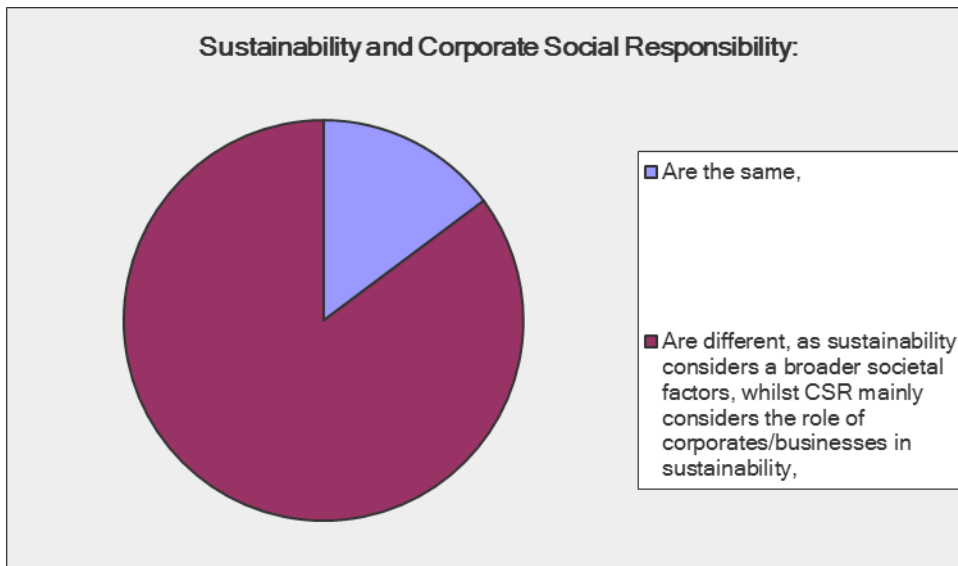
Answer Options	Response Percent	Response Count
Adopting strategies and activities that meet the needs of the enterprise and its stakeholders today, while protecting, sustaining and enhancing the human and natural resources that will be needed in the future.	33.3%	9
Creating long-term value by adopting a business approach that is equally mindful of economic, social and environmental implications.	66.7%	18
answered question		27
skipped question		1



Question 4

Sustainability and Corporate Social Responsibility:

Answer Options	Response Percent	Response Count
Are the same,	14.8%	4
Are different, as sustainability considers a broader societal factors, whilst CSR mainly considers the role of corporates/businesses in sustainability,	85.2%	23
answered question		27
skipped question		1

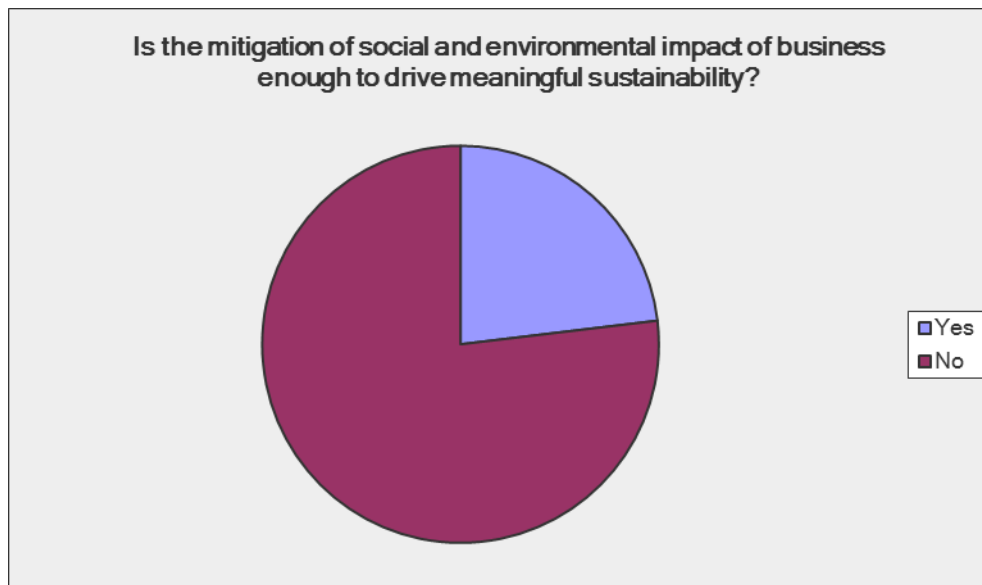


Question 5

Is the mitigation of social and environmental impact of business enough to drive meaningful sustainability?

Answer Options	Response Percent	Response Count
Yes	23.1%	6
No	76.9%	20
Please substantiate your answer		15
answered question		26
skipped question		2

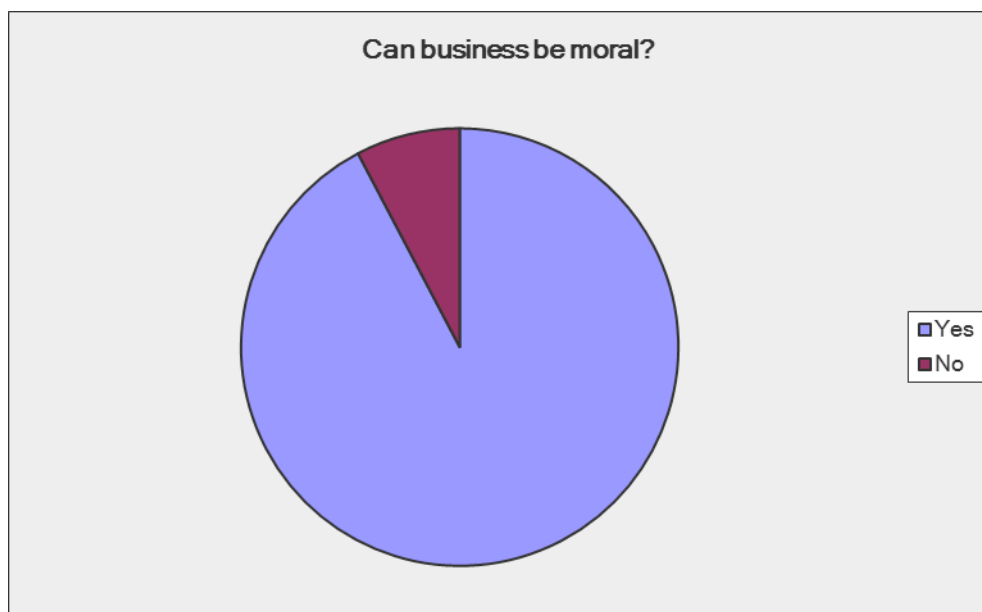
Respondent number	Answers to question 5
1	Need strong leadership.
2	Only conscious decision making can drive meaningful sustainability.
3	It is not about reducing impact but changing.
4	A greater focus on adaption and doing things differently is required to drive meaningful change.
5	The business also needs to be profitable.
6	It is such a multi-stakeholder issue that it cannot be isolated to an issue for businesses, but has to be considered within a far more holistic, society/culture-centric response.
7	We still need to do more and unpack both to our employees and business at large.
8	Further interventions are needed to assist in building momentum.
9	Reduction in Impact alone will never foster innovative improvement, we need to not look for mitigation but improvement models.
10	It needs to be translated into economic sense as corporates will always have the pressure to perform on the top line sales and margins.
11	A long term economic gain needs to be targeted.
12	Business needs to not only mitigate impact, but pursue better and more sustainable business solutions.
13	Mitigation measures are generally only implemented if they are good for company profits.
14	Meaningful sustainability requires reducing our excessive consumption.
15	Believe there are many more factors than just those two.



Question 6

Can business be moral?		
Answer Options	Response Percent	Response Count
Yes	92.3%	24
No	7.7%	2
Please substantiate your answer		16
answered question		26
skipped question		2

Respondent number	Answers to question 6
1	Understanding your business model and all the challenges that come with a low cost fashion/value approach, there are always initiatives that can be put in place to ensure a moral approach. There may be short term loss in margin, but long term sustainability has to be the prize.
2	Businesses should be built to last.
3	Does make doing business hard but is possible.
4	It is a choice.
5	It is our corporate responsibility.
6	If the business values adhere to a moral code then yes it can be moral but it is a lot more challenging than a simple statement.
7	Not sure - there are many aspects to this question.
8	Flows directly from the leadership.
9	There are many instances of businesses that maintain high levels of integrity and are morally outstanding, however there is a tension with the profit imperative. There is a breaking point at which moment businesses need to compromise and trade off options, some of which will of necessity border on immoral.
10	So that it will be a good corporate citizen, being compliance with Kings 3.
11	Values guide businesses.
12	As a business has a brand and reputation, moral standing is part of that image and integral to the bra
13	Not all stakeholders can or will be moral, but having the visibility tools to understand which ones are allow better decisions to be made to mitigate the immoral decisions that stakeholders make.
14	Should be.
15	Fundamentally all business stakeholders require moral engagement to continue to add value to the model.
16	Values driven businesses, driven by integrity, trust and "doing no harm" can be moral.
17	Leaders must set the tone and moral behaviour incentivised.

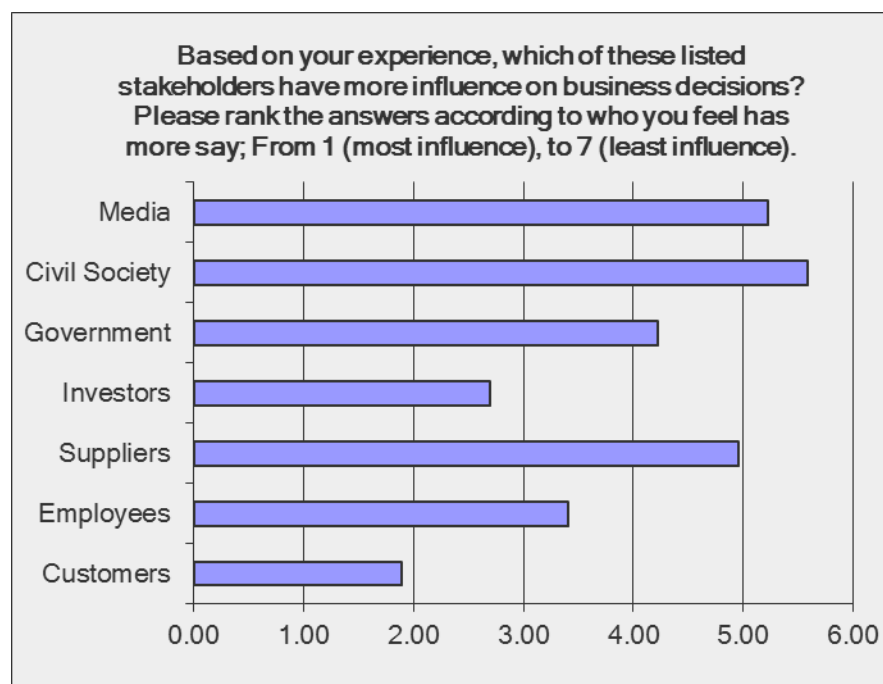


Question 7

Does your business want to be moral?		
Answer Options	Response Percent	Response Count
Yes	100.0%	27
No	0.0%	0
Please substantiate your answer		13
answered question		27
skipped question		1

Respondent number	Answers to question 7
1	It's not a nice to have, it's essential to long term sustainability and success.
2	It is the right thing to do.
3	It is ingrained in our value code.
4	Through technology we now have visibility.
5	I believe that we do but the complexities surrounding this makes it a challenge.
6	Mostly, but perhaps there needs to be more soul searching as we may not be consistent in our approach to all stakeholders.
7	We strive to do the right thing.
8	Strong, lived value system and every intention of being a well governed and socially compliant organisation.
9	Yes we implemented clear policies and procedures on the last four years.
10	The longer term outlook could be compromised if build on weak morals.
11	As the brand needs the credibility, all actions the business takes need to be of a consistent moral standing to endorse the brand and not destroy it.
12	Management focus is key to moral business practice.
13	Inherently yes. However incentives paid to buyers, who have the largest influence on sourcing and sustainability consequences.
14	Reward behaviour that maximises margin.

Question 8



Question 9

Please select the options that are relevant to the statement below. You can select as many options as you feel are relevant: The following elements cause tension in our business when faced with building towards a sustainable future:

Answer Options	Response Percent	Response Count
The need for long-term planning	40.7%	11
The scale and depth of change required	74.1%	20
Leadership personality and expertise not suited to what is required for sustainability	25.9%	7
An organisational culture misalignment	14.8%	4
A gap between existing values and beliefs and that needed for sustainability	29.6%	8
The need for transparency	37.0%	10
Potentially paying more for doing the right thing	88.9%	24
The unknowns associated with sustainability	59.3%	16
Lack of adaptability	11.1%	3
Business models have to change	48.1%	13
Business needs to de-materialise (de-couple) from resource intensity	44.4%	12
Less/no/negative growth	25.9%	7
Opening up boundaries to incorporate stakeholder needs and societal pressures	55.6%	15
	answered question	27
	skipped question	1

Question 10

Which other elements not listed in question 9 above, in your experience, has caused tension in business when trying to build towards a sustainable future.

Please select the options that are relevant to the statement below. A good business sustainability strategy considers the following elements:

Answer Options	Response Percent	Response Count
Investment in uplifting people out of poverty;	44.4%	12
Has a strategic focus on material issues that affect the business;	88.9%	24
Considers saving the environment (even for environmental concerns not related to the business);	51.9%	14
Invests in social upliftment to strengthen the market;	70.4%	19
Economic factors that can affect the future of the business;	70.4%	19
Donating money to local social and environmental charities;	7.4%	2
Training and development of employees;	70.4%	19
Engaging with stakeholders to understand their needs;	77.8%	21
Business culture;	77.8%	21
Acting as a responsible citizen;	70.4%	19
Impact of environmental change on the business;	77.8%	21
Opening small businesses to create jobs.	7.4%	2
Other (please specify)	3.7%	1
	answered question	27
	skipped question	1

Question 12

Please select the options that are relevant to the statement below. The main obstacles preventing sustainability from being meaningful in business are:

Answer Options	Response Percent	Response Count
Lack of leadership commitment;	37.0%	10
Lack of understanding of what sustainability requires;	77.8%	21
Potential cost implications;	77.8%	21
Lack of required skills and expertise;	55.6%	15
The lack of long term planning;	40.7%	11
Immediate returns and growth expectations by shareholders;	70.4%	19
An organisational culture that does not fit the requirements of sustainability;	25.9%	7
Significant investment in long term plans, with unknown results	51.9%	14
Other (please specify)	3.7%	1
answered question		27
skipped question		1

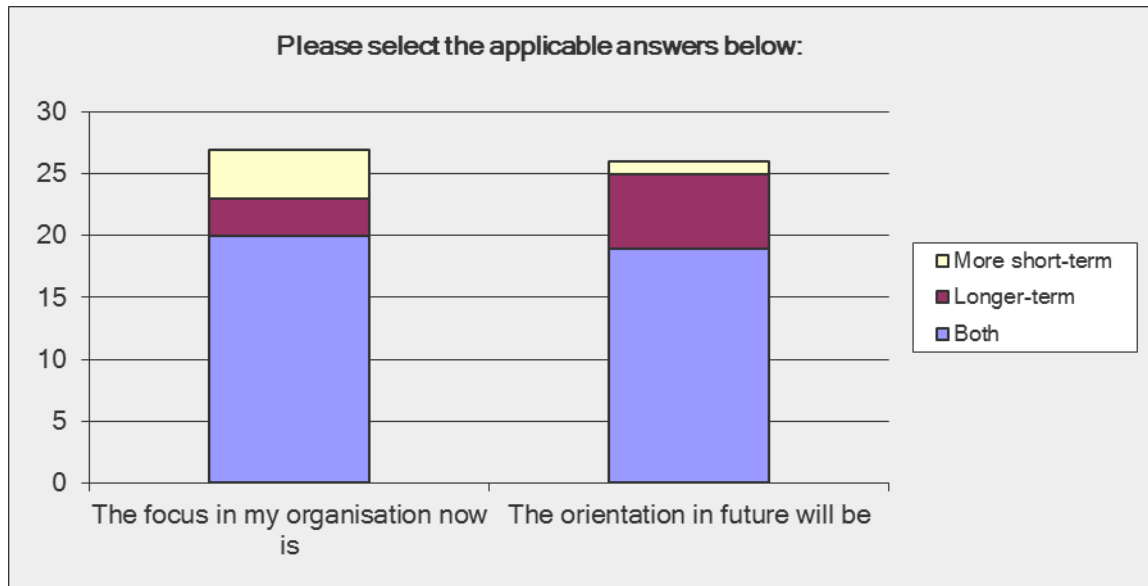
Other: Sustainability requires transformation and innovation. Most approaches are simply incremental improvements.

Question 13

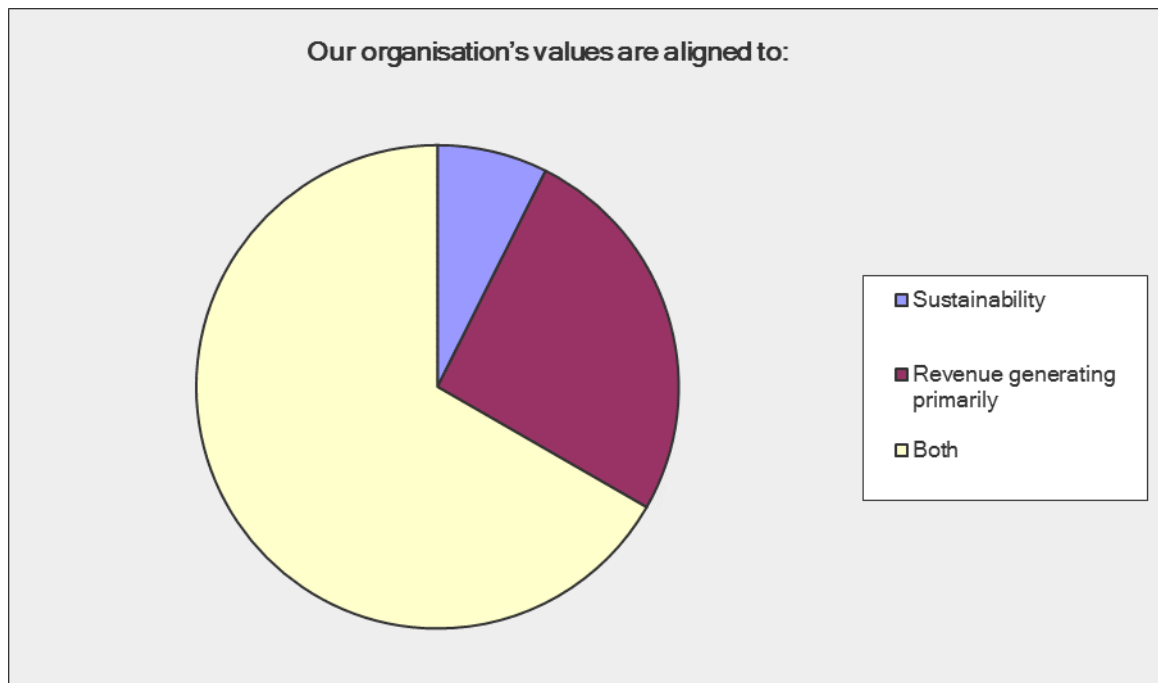
Please rank the following elements from 1 (most important) to 8 (least important) The following elements are important in order to integrate sustainability into a business culture:

Answer Options	1	2	3	4	5	6	7	8	Rating Average	Response Count
Governance (policies, procedures, processes),	0	4	0	6	7	4	2	4	5.07	27
Leadership commitment,	21	4	2	0	0	0	0	0	1.30	27
Meaningful stakeholder engagement,	2	6	4	10	3	1	0	1	3.52	27
Long term business strategy,	3	10	9	3	1	1	0	0	2.70	27
Measure employees performance on sustainability indicators,	0	0	1	2	6	6	5	7	6.22	27
Organizational learning,	0	0	1	1	2	10	11	2	6.30	27
organizational culture,	0	2	9	4	3	1	5	3	4.70	27
Information systems to gather necessary data for meaningful decision making.	1	1	1	1	5	4	4	10	6.19	27
answered question										27
skipped question										1

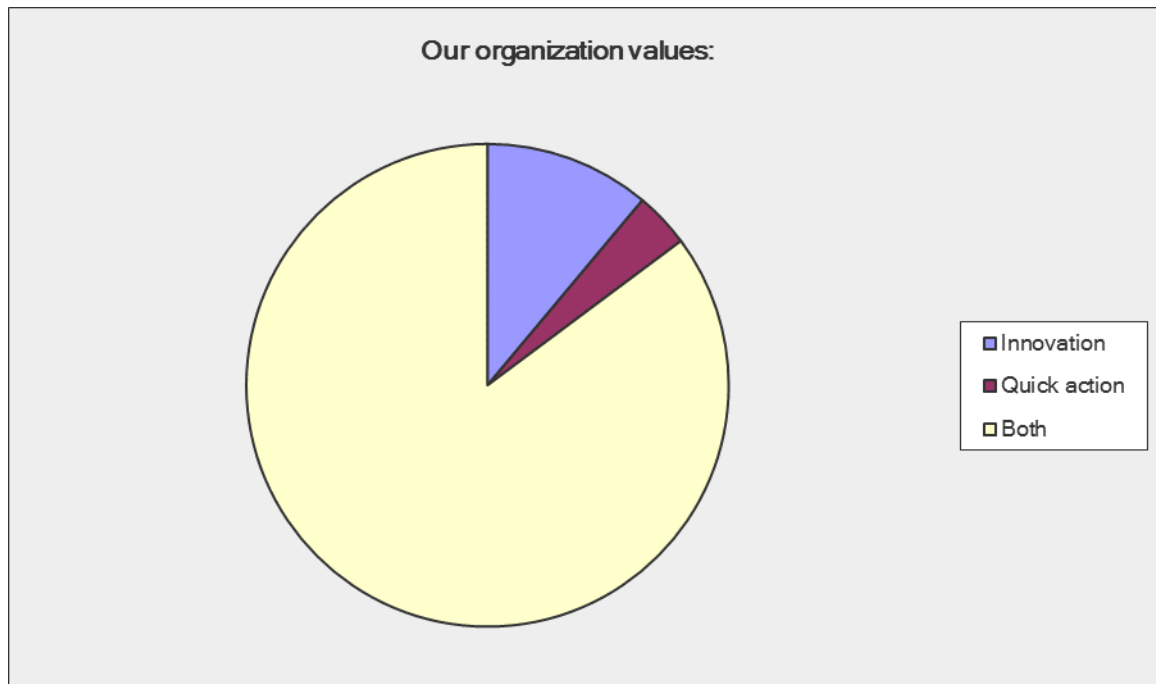
Question 14



Question 15



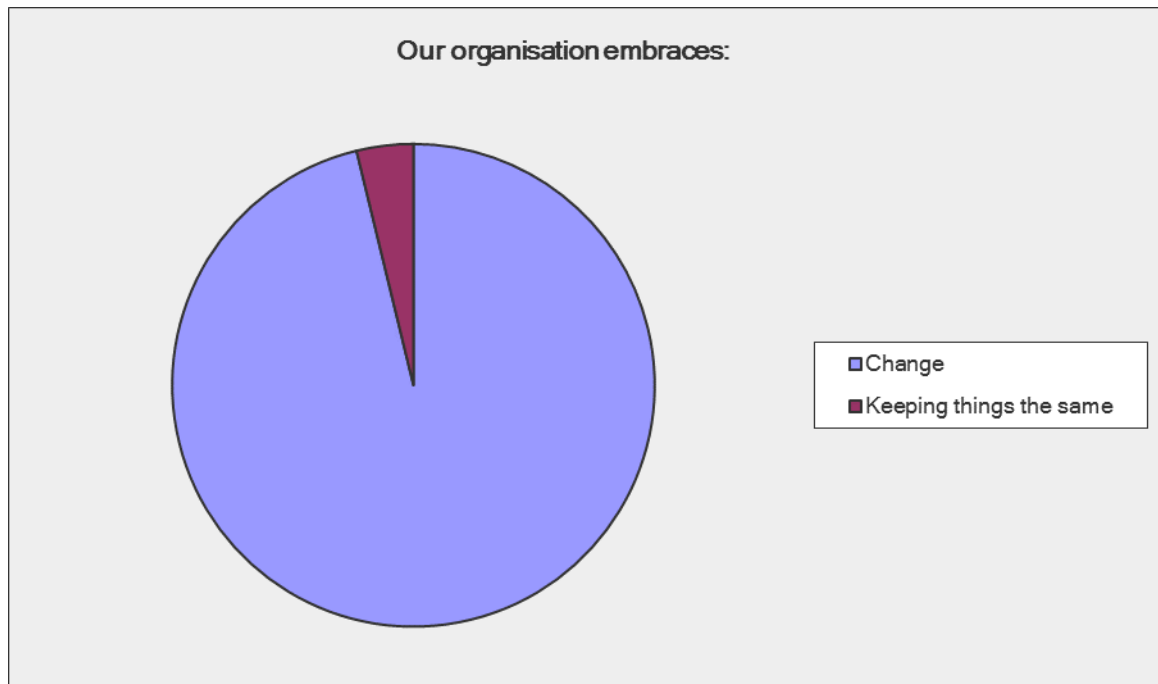
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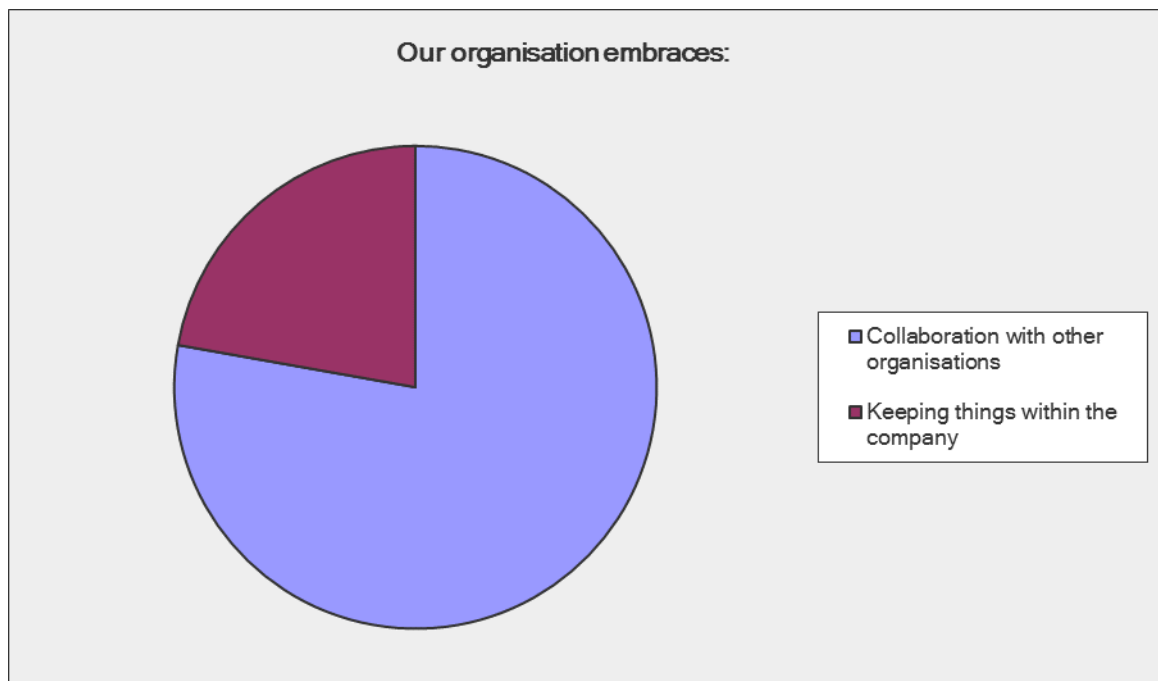
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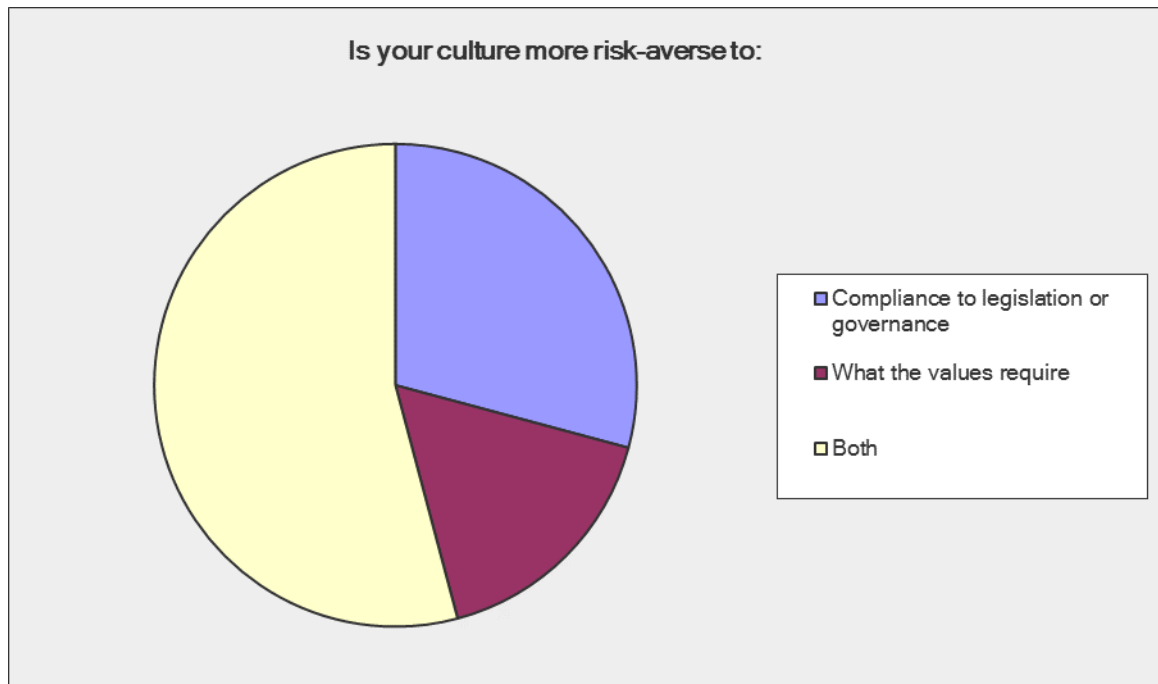
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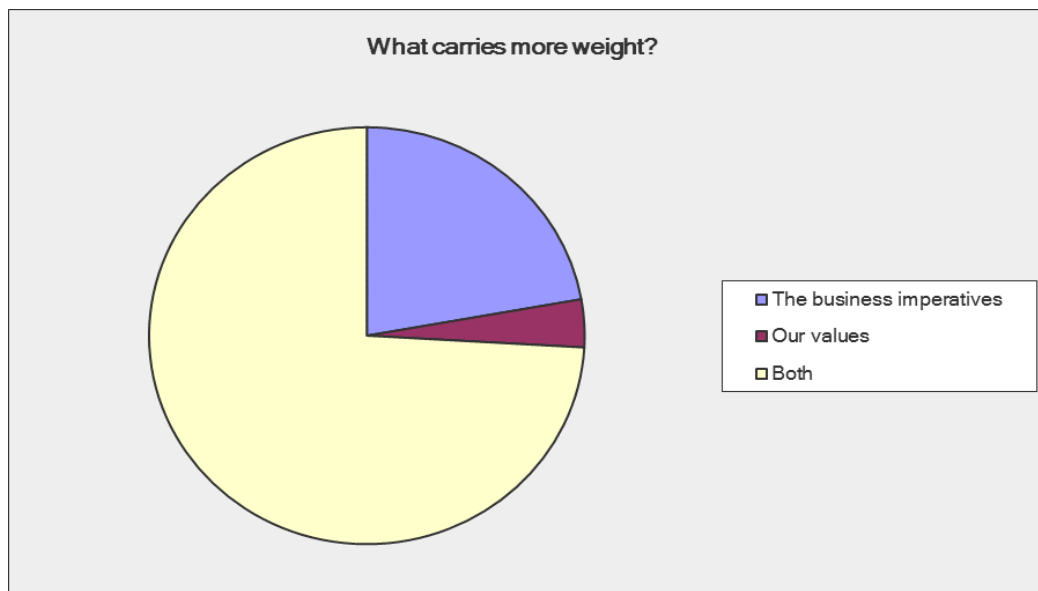
Question 19



Question 20



Question 21



Annexure F

Practitioners Survey Results

Question 1

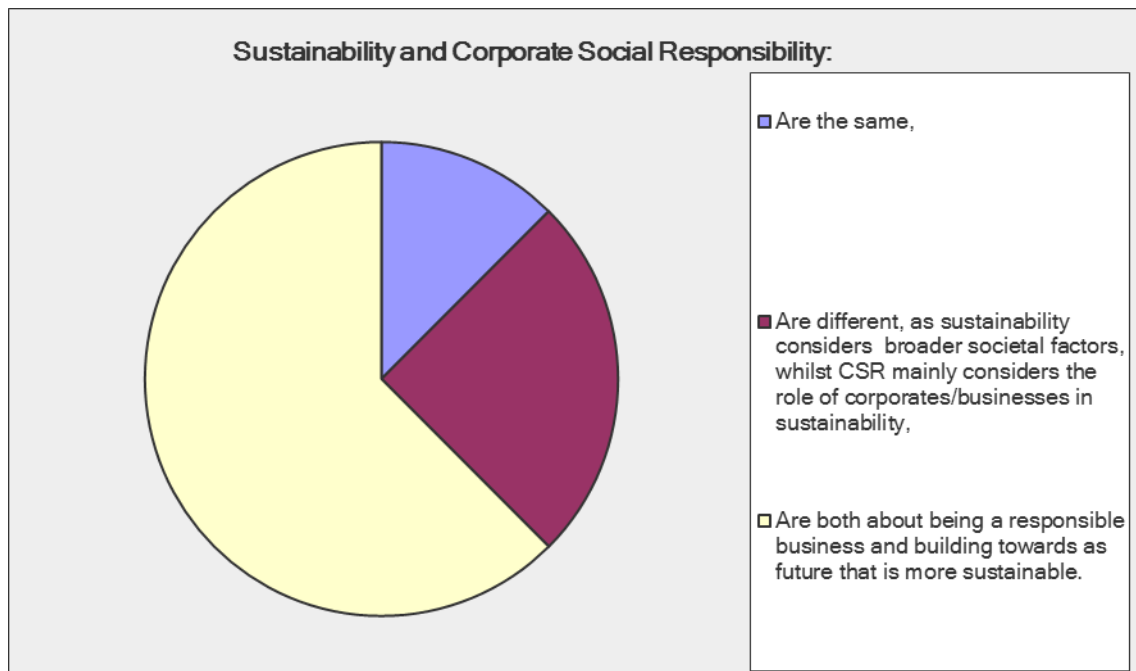
CONSENT By participating in the survey, I give consent voluntarily to participate in this study		
Answer Options	Response Percent	Response Count
Yes	100.0%	8
No	0.0%	0
<i>answered question</i>		8
<i>skipped question</i>		0

Question 2

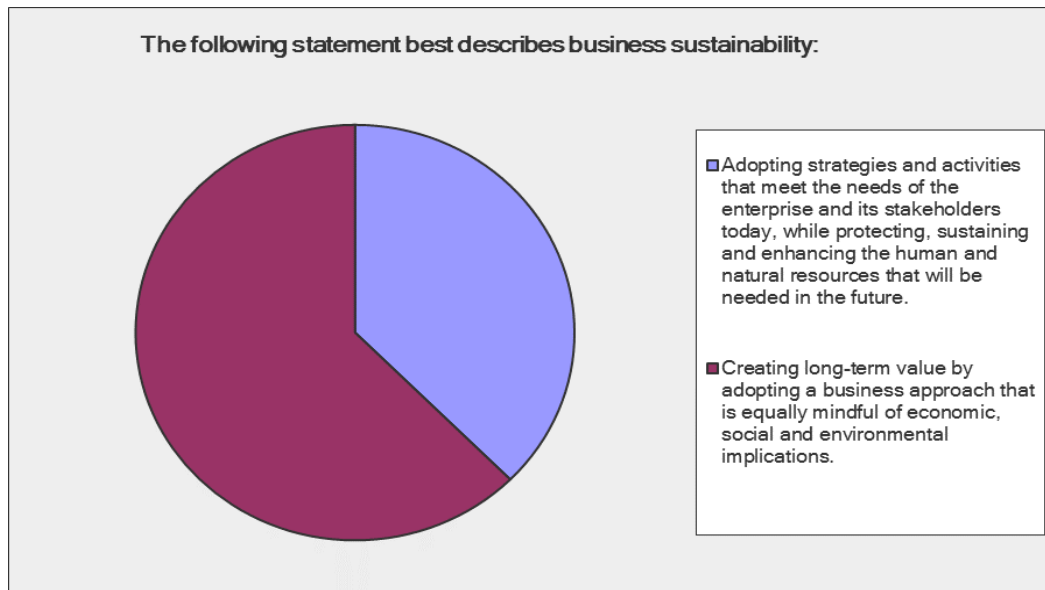
Choose one of the options that best describe your experience in working with business:							
Answer Options	Strongly disagree	Disagree	Agree	Strongly agree	Unsure	Rating Average	Response Count
Business leaders understand that consumption patterns have to change in order to build a sustainable future business.	0	2	5	1	0	2.88	8
The view from business is that their role in building a sustainable future is mainly about reducing the business' negative impact on society and the environment, and not necessarily about changing business models required to operate effectively in the future.	0	3	1	4	0	3.13	8
There is an understanding from business that sustainability thinking must be integrated into business strategy.	0	2	4	1	1	2.86	8
Sustainability is less about a values statement and more about opening conversation with key stakeholders.	0	1	3	4	0	3.38	8
Business currently has the adaptive leadership skills in place necessary to drive the required change towards sustainability.	2	6	0	0	0	1.75	8
Historically the boundaries of ethical decisions were closer, supported by internal views of leaders and employees. Now stakeholder theory and societal pressures have opened up the boundaries. Business is ready to accept this new challenge and use stakeholder engagement to the benefit of the business and society.	0	4	3	1	0	2.63	8
Issues of urban sprawl, the growing bubble of youth unemployment and the impact it will have on a shrinking tax base, is an issue of concern for business.	0	2	2	4	0	3.25	8
Business understands that the global economy should de-materialize (de-couple) from raw material dependence in order to keep the required carbon and resource intensity low and increase level of access to services.	0	6	2	0	0	2.25	8
The expectation on business to incorporate stakeholder engagement into business processes creates	0	1	1	6	0	3.63	8

tension for businesses that are used to being managed in a closed loop (an internal focus that does not consider key stakeholder expectations).							
The external pressure caused by stakeholder expectation of sustainability adoption, causes tension for business leaders.	0	1	4	3	0	3.25	8
Leadership adoption of sustainability does not necessarily translate into changed processes and practices within the business.	0	0	3	5	0	3.63	8
In my opinion, business' commitment to sustainability is largely to bolster the brand reputation and not really for the economic bottom line and social and environmental concerns.	0	1	2	4	1	3.43	8
<i>answered question</i>							8
<i>skipped question</i>							0

Question 3



Question 4



Question 5

Is the mitigation of social and environmental impact of business enough to drive meaningful sustainability?		
Answer Options	Response Percent	Response Count
Yes	0.0%	0
No	100.0%	8
Please substantiate your answer		6
answered question		8
skipped question		0

Answers

1. Sustainability is more than a business imperative - it is a national imperative.
2. Although limiting negative impact is a good departure point, businesses that are able to think "out of the box" and embrace new innovative business models to maximise positive impact, have been more successful in driving meaningful sustainability.
3. Sustainability is more than mitigating your impact, it is about preserving and enhancing resources for future generations.
4. We cannot 'save' our way out of trouble. A lot more needs to be done to fundamentally change the way business operates in order to have a meaningful impact on society and the environment.
5. Businesses will need to do more in driving change initiatives.
6. Requires the efforts of employees to create a true network of sustainability.

Question 6

Can business be moral?		
Answer Options	Response Percent	Response Count
Yes	100.0%	8
No	0.0%	0
Please substantiate your answer		6
answered question		8
skipped question		0

Answers

1. The question can be answered in the opposite - can business be immoral and the answer again would be 'yes'. The key challenge is the definition of moral. If the context is 'is the organisation consistently living its espoused values and if not this would be considered immoral - then the answer is definitely 'yes'.
2. In a very competitive business environment "Naked Management" (true transparency and integrity) is a new and very challenging concept for senior management. It does however require management's full commitment and to drive it throughout the business environment (internally and externally).
3. Is it easy, no! But is it possible, yes!
4. In my experience, with the right leaders in place and shareholders who are prepared to take long-term decisions, morality can be coupled with profitability.
5. There are a few examples of such businesses.
6. There are current examples of doing the right things and remain sustainable.

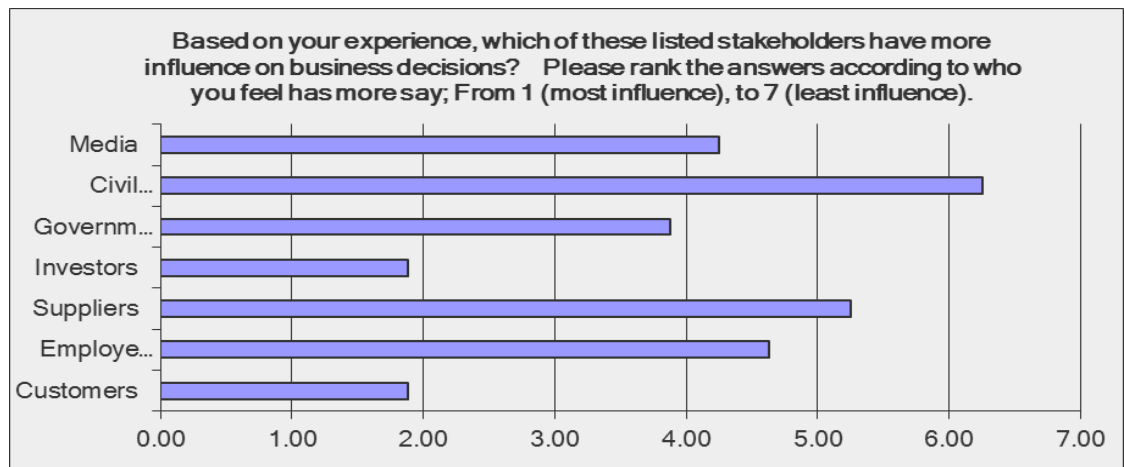
Question 7

Does business want to be moral?		
Answer Options	Response Percent	Response Count
Yes	37.5%	3
No	62.5%	5
Please substantiate your answer		7
answered question		8
skipped question		0

Answers

1. Generally only once they have already made lots of profits they do.
2. Very simply stated 'morality' is value specific. The uselessness of organisations is their ability to present careful and compelling arguments to justify how they are only able to deliver parts or elements of their values and not their values in complete form.
3. I don't believe it is a top priority and its definition of morality will also depend on the reference framework of the leadership. "Profiteering at all costs" does not go hand in hand with morality.
4. I think most leaders would like to be intrinsically moral but the current world economic systems values other factors (such as profits and share prices) which are often in conflict with morality.
5. In many instances, business leaders are in their positions of leadership due to a disregard for morality. Unless leadership styles and attributes change, I cannot see this shifting.
6. Difficult one to answer as there are some businesses that do wish to be moral.
7. By their own definition yes!

Question 8



Question 9

Please select the options that are relevant to the statement below: In my experience, the following elements cause tension in business when building towards a sustainable future:		
Answer Options	Response Percent	Response Count
Long-term planning,	62.5%	5
The scale and depth of change required,	87.5%	7
Leadership personality and expertise not suited to what is needed for sustainability,	87.5%	7
Organisational culture misalignment,	100.0%	8
A gap between existing values and beliefs and that required for sustainability,	75.0%	6
The need for transparency,	50.0%	4
Potentially paying more for doing the right thing,	62.5%	5
The uncertainty associated with sustainability adoption,	50.0%	4
Lack of adaptability,	50.0%	4
Business models have to change,	87.5%	7
Business have to de-materialise (de-couple) from resource intensity,	75.0%	6
Less/no/negative growth,	62.5%	5
Opening up boundaries to incorporate stakeholder needs and societal pressures.	87.5%	7
	answered question	8
	skipped question	0

Question 10

Which other elements not listed in question 9 above, in your experience, has caused tension in business when trying to build towards a sustainable future.

Annexure G

Interview responses

Interview Question	Respondent	Answer
In your view, what is the business case for sustainability?	Retail -1	Immediate needs drive immediate action, but leaders who lean towards it will move towards it. I.e. the savings we got in energy got us the immediate traction.
	Retail -2	Governance is sadly not correlated, there is a case for sustainability, the world is smaller and risks have increased, society have evolved and are holding business accountable. Business need to be attractive to themselves and society. The world is competitive. European retailers entering, more discerning customer. And where it drops into a department/function/process we need people that can be attentive to it.
	Retail -3	It depends on how you define it. If it is a smoke screen, or adverse to change, then don't bother. Change and evolution is the same, and therefore it is important not only for business, but important for human race. Business can affect change fast and it has the power to influence change in the right direction.
	Retail -4	Every business would inherently want to do the right thing. It is inherently good business, but business comes with challenges because of the way business works. The trend worldwide has shown that there is a strategic component to sustainability, it is appropriate and good, and brings a richness and diversity to business.
	Retail -5	The main case is on efficiencies. Cutting costs and usage, and what represents our culture. As retailers, we are only now starting to look into longer term material issues. It also depends on the nature of the leader in charge. The business case will relate to what is important to the leader. Currently there is still uncertainty about what it really means.
	Retail-6	It is important for us to ensure that who we work with is in keeping with our values, and we need to ensure that the business sustain itself after we have gone.
	Retail -7	Creating employment, job retention, growing economy. Making sure that our business stays around for the future. Also make sure that we operate business in a responsible fashion, for the greater good. It is hard to focus on the long term imperative.
	Retail- 8	The world has changed, and consumer demands are different and longer term focus. I don't think we have an option, we can't ignore it.
	Pract.-1	If they understand what sustainability is, then they understand why it is important for the long term sustainability of their business.
Where would you rank sustainability on management's agenda? Is it on the	Retail -1	Firstly the business has to sustain its income, but we are thinking is more long term, therefore. It should be all encompassing.

top 5 list?		
	Retail -2	Yes is a top priority, risk was identified a while ago, we are at risk unless we are thinking globally. Our socio-economic and political region, we don't have choice.
	Retail-3	Not on the list of official KPI's, not on strategic intent. It has to be more specific in order for business to really integrate. The blue people need it to be more tangible. It is also an intuition, and decisions are made all day, and therefore it starts with a person really getting it. If it clashes with KPI's, it is a problem.
	Retail-4	It hasn't been so much of a priority, it is more about how we make decisions, in everything we do. It's shouldn't be separated as a priority, it is seen more as part of what we do and how. Mainly in resourcing, because most of our cost and influence sits there.
	Retail-5	No, the business calls it sustainable sales. The interpretation is purely focus on one dimensional focus of sustaining the business. No real integrated view yet, so it is still very limited as a top priority. It has however been moving quickly in terms of reality. The lack of actual data is not helping.
	Retail-6	It is important to make sure that we focus on the moral agenda and from a people point of view.
	Retail-7	We do think about it, it would be at the bottom of the top 5 maybe even just outside of the top five, difficult to separate, as it is so integrated. Quick reinsertion etc. is very important to our business, can strengthen our market.
	Retail-8	Everything on my sheet is building towards a sustainable future. It is a thought process, so it ranks high in everything.
In the survey, question 9 asked respondents what they felt were the main tensions that surface when trying to adopt and integrate sustainability. The number one tension raised by external practitioners, was the misalignment between culture of organisations and sustainability (incl. values). Why do you think this is different for your business?	Pract.-1	Is it on the agenda, now more, but 3 years ago, no.
	Retail-1	Most of the tensions for our business revolve around change, and people don't like change. Practitioners may see culture misalignment with others where there is that. There are businesses that are more aligned to make the buck first. And we 'very been burnt by this approach.
	Retail-2	Multiplicity of stakeholders have more interest in our business more so than before. Still insular business, wonderfully naive, happy place to be, very much a community. Culture has to adapt, but how we do it is important. We protect our culture.
	Retail-3	As a business we always question things, we are comfortable with questioning things. So, our culture

		is based on challenging the status quo. And the business will not allow anything to challenge our values or our price. The business makes decisions on what feels right, the people or values or social element will play a big role in how we make the decision.
	Retail-4	Sustainability is appropriate because we are such a values based business. Cost vs return tension will be a constant, because of the business that we have. Requires leadership and courage, and even if it makes business sense, we may not be able to do it.
	Retail-5	Our culture was always built on such real ness, the values and our culture really refers directly to that of sustainability. So there is a match between our culture already and that of sustainability. We have all the ingredients and are always very ethical, but we have the ingredients that aligns. If you personally buy into sustainability, then the tension with paying more really raises its head. In our culture we are highly competitive, and so we always want to win, but where do you draw the line, and what do you compromise. We need to understand through stakeholder engagement what the customer really views as value. There is a question about how sustainable the business model is if we drive future growth and international expansion based on value leaning towards price, and not really understand what value means to the customer. Is fashion sustainable? Would our model change? Only a few people at this point are really understanding how to be truly critical.
	Retail-6	Scale and depth of change is the top priority. Surprised by the answers, not sure what to comment.
	Retial-7	It is about the way we've always done things, but definitely not in principle. From my experience, the most difficult part is to get people to think about sustainability, the need to get people to consider beyond the transaction. A tension that really triggers something is the level of exposure, you only find out what suppliers you have when you ask them to bear their souls.
	Retail-8	Perhaps because our culture is aligned. Other organizations have more corporate focus and values that perhaps isn't aligned to sustainability. Our business is performance driven, but the people elements are highly regarded. In our culture, we believe in the goodness of people. The risk is higher if we don't shift, as oppose to taking risk.
	Pract.-1	Businesses where sustainability is adopted meaningfully and integrated, there is a culture alignment. Where it is a marketing approach, then often there is a clash with values. Incentives, on profit, clashes with sustainability, but then your values are probably also not aligned.
Majority of retail respondents thought that in your business, leadership	Retail-1	There has been a challenge from the leadership about consumption and whether fashion is sustainable. When the 2008 crisis happened, a lot of behaviour change. As a value retailer/business you

understands that consumption patterns have to change for a sustainable future, the practitioners however had a majority that disagreed. What do you think is happening in your business that makes respondents believe that it is understood by leaders?		are forced to look at what you consume, to be as efficient as possible.
	Retail-2	If consumption patterns change, we have to change.
	Retail-3	We have the ability to affect change without the consumer realizing that things have changed. Because we can decide how we want to change the things that are sold. We are in direct control of what and how much we sell, and how.
	Retail-4	We are more consumer lead, and sustainability is very linked to consumer behaviour, some of the old models of ford, everyone drive a ford. She wants value but also choice. We are linked to what the consumer wants, social media playing a role, SA consumer changes, where retailers are positioning themselves, competitive advantage.
	Retail-5	I don't think it is understood at all. If 70% of our products in Apparel, are from cotton, and we may not get cotton in future, but no one is thinking about consumption patterns that are unsustainable. Perhaps in our group consumption of certain elements like water, energy etc. and not connected to other elements such as products and what our business feeds at the moment.
	Retail-6	I don't think we understand the enormity of the impact on the environment through our industry, so until we understand what it is, then we can make the decisions. Technology will bring a lot of change, so hopefully we will be able to make things without taking from the environment, i.e. paperless society.
	Retail-7	I don't think it does, perhaps at a very high level, but not as you filter it through to other levels.
	Retail-8	If you understand that fast fashion might come to an end. Maybe because of the fact that for other retailers there aren't such a radical shift as for us as a value retailer.
	Pract.-1	Agree, there might be individuals that understand it, but collectively it is not well understood.
Why do you think this is not reflected in any strategic planning yet? Could this be an area of tension? What is the tension, not knowing how to respond? Is it too early? Is it a clarity issue?	Retail-1	What is sustainability? Divisions plan for future growth, they need to look at efficiencies, we are incorporating in some way, reducing markdowns, eliminate waste, shipping. Store footprint needs to be reduced, need the right size store, there is a big focus on waste. However, often more efficiencies bring jobs down.

	Retail-2	Because people are not there, yet other than for energy, where there is a cost saving.
	Retail-3	It is not going to deliver on the incentives, not going to make a meaningful difference in our immediate lives. It hasn't been integrated yet. If we look at our imperatives, we may need to add some other ones.
So, if your leaders understand that consumption patterns have to change, do you think it is clear on who needs to bring about the change? Is it retailers or consumers? To what extent can individual businesses shape patterns of consumption, or to what extent are they prisoners of the system?	Retail-1	The consumer does not necessarily articulate how this affects her, it comes more from that average basket spend, and it will force businesses to redefine the prices, the ingredients, and adjustments to meet the needs of consumers. We can make decisions according to how we want to do in the market, also driven by what our consumers want.
	Retail-2	In terms of an economy, people need money to live their lives. If people don't have money, how do they live? So companies need to keep people employed, so to an extent we are prisoners of an economic system. There is a transition required to live in a different world.
	Retail-3	The power is with the consumer. Social media is driving a customer centred drive. The shifts are so radical in retail. You have to engage with them, to know where they are going.
	Pract.-1	It's not one or the other, there may be consumers that puts more pressure, and then you will find individuals within business that will start shifting. And in retail it is a challenge to see who moves first?
Do you think retail will look the same in future, particularly in relation to the challenge between pressure on raw materials and the demand for more products due to population growth and growing middle class predictions?	Retail-1	If retail looks the same in future, it will be dead, it has to evolve, and certain product types, production methods etc. will become obsolete. What is sustainable is China with more compliance and international pressure of human sustainability. Same with scarce resources, what will naturally happen, retail will segregate and decide more dramatically into mass market and bespoke. Mass market will be utilitarian, functional, and bespoke will be about pure ness, craft, and small quantities.
	Retail-2	It will have to, but it won't be easy. It is built on a specific model that requires certain things to be part of it, unless some major catastrophe happens, but until then, not sure if consumers will change.
	Retail-3	If you dig around in the literature that is around you will already see differences in retail. Americans use to be cotton crazy, now they are bringing blends in, and even sometimes is poly more poly rich than cotton rich. If we look at the price issue, consumerism and how things are changing, and also the acceptance of entry price levels. There is a level of the customer that wants the quality and don't mind

		paying, but many are price sensitive.
	Retail-4	If we had a crystal ball to know, but for sure, your business needs to reflect knowledge and adaptability. If you have the hunger to know more, you will be able to adapt. Entrench a culture of change. Geared from a technology perspective.
Have you had any exposure to the notion of a service economy? If not, explain. Do you think there is a space for this in fashion retail?	Retail-1	Service economy- first world countries have moved to this, but what about production and consumption, the economy is built around waste, perhaps paying higher prices.
	Retail-2	SA has so many challenges on that front, social challenges, we have such strong value players, we have taken the guts out of products, and our consumer has a lot of pressure on disposable income. High ticket items may work, but it is small.
	Retail-3	It could be a model that can work, but it will be limited aspect of that. Expansion but not replacing.
	Retail-4	Service economy, recycling issue is probably quite relevant for us, import second hand clothing and sell, perhaps there is an opportunity for us to recycle clothes.
How important are standards such as the Global Compact Principles to influence business to incorporate sustainability into its strategic planning? Do they add any value? Do you see them as symbolic in nature or do you think they have substantive legitimacy in bringing about change in business?	Retail-1	Global compact principles. There are many rules, and they are trying to change behaviour through rules, too much compliance not good. People will find the gaps, it has to be a values approach. More sustainable, and must come from leadership. They provide a framework for initial engagement, but the implementation etc. will only happen from with business.
	Retail-2	It has value, it drives some elements of change. It drives a super community. King has influenced it in this country. So how business is done here as oppose to Nigeria where such governance is largely missing. It is a longer burn, as you start investing and putting resources in place, the real integration happen.
	Retail-3	King has been amazing, it has helped us look at things differently, the governance aligns to the fact that we need to do businesses in an ethical way. Global compact principles maybe not so much. There is a space, and they create the gap between current reality and where we should be, King is related to business, so it is relevant. There are common things across all the principles, but King has influenced SA, and the companies acts are all relating to SA.
	Retail-4	It depends on the focus of your business, and it definitely has impact on the business.
	Retail-5	King has made a big difference to us, there is a place for it.

<p>In survey, both practitioner and retailer responses to the question on which stakeholders has more say were somewhat aligned, except practitioners listed media above employees and suppliers. In your business, media and civil society was listed as very little influence, why do you think that it? Also, why would the business rank government with more influence than suppliers, especially is suppliers are considered key stakeholders?</p>	Retail-1	<p>Government can put more constraints on us than suppliers do. We don't have suppliers that are significant enough to shift our business in a direction.</p>
	Retail-2	<p>Our business place employees' very high, suppliers traditionally take instructions and only now are we building relationship, and the ones that are big are a few, but there are a few that live their personal values through their business. Practitioner response, because they use media to further their case, that's why they would list it higher.</p>
	Retail-3	<p>In my view we don't leverage employees enough, we do value customers high, but employees should be 2nd. They are bigger stakeholders than what we give them credit for. I see staff bigger than stakeholders. They are partners, and not a stakeholder.</p>
	Retail-4	<p>Motives of sustainability approach must be questioned if media is listed so high in the ranking. Perhaps government in our business is listed high perhaps because of legislation. And compliance, suppliers don't have enough of a voice. They are replaceable.</p>
	Retail-5	<p>Government has the most authority, then they can be a strong influence. Not surprised that suppliers are 5th on the list. Media is linked to customers, like social media, can have a powerful voice.</p>
	Retail-6	<p>The media can be very influential, maybe our ranking is how we would like it to be, not how it is, i.e. social media.</p>
	Retail-7	<p>We include media as a stakeholder and sharing a lot with them, therefore we don't see them as a powerful player. We need to remain humble, it is important. With our results becoming a part of our day to day interaction. They are viewed a bit more influential.</p>
	Pract.-1	<p>Surprised by listing of practitioners, I would have listed suppliers much higher. It depends on the business you work with, and where they put suppliers. The practitioners may be looking at global trends and experiences on media as oppose to SA</p>

		market.
Hollander (1995) stated that "leadership is fraught with ethical challenges". Do you feel that there is sometimes tension between a profit imperative (and responsibility in business) and making a decision that may require a moral compromise? It is called the fact/value dichotomy. Does sustainability surface these tensions?	Retail-1	We are very protective of our values. It is an ethical company, coming from outside really seeing it. Makes sense that practitioners feel the way they do.
	Retail-2	It boils down to a personal choice, and we are faced with it all the time. Our industry is tainted by a traditional buyer/supplier relationship, where the temptation is placed before inexperienced people, and once it is tainted, it is hard to not do it again. In our business, it is expected to be moral, and if anyone stepped out of line, it is dealt with quite harshly. Our values drive it.
	Retail-3	It is the kind of people we have in our business. We really are special. I've worked for many other organizations, the values of this business are so strong, and one individual cannot influence another without the culture pushing back. There are definite differences with many other organizations. It is a challenge in other organizations. In our organization there is an accountability.
	Retail-4	It might be related to the last question, where practitioners experience where retailers are focusing on the marketing focus, and therefore do not believe that it is real. Our business culture is about being real, and not any marketing focus.
	Retail-5	We want to be. But we are not squeaky clean. Would I want to do it differently, yes? It is a challenge in going international.
Is leadership a function of the person in charge? Or that of a collective will organized to meet various needs? Which one? Are the boundaries of ethical decisions set by leaders? If not, how otherwise?	Retail-1	I doubt that there is a difference between our culture, and what generally happens, it is the collective that actually crates the view. As a senior team, we are moral, and we set good examples, I don't know about the rest of the people, we definitely want to be. Our culture drives that, the tone from the top, aligned to sustainability transparency etc.
	Retail-2	Possibly the fact that there is a lot of pressure to be good, but if it is not entrenched in the culture, then its reaction.
	Retail-3	It may be in the choice of practitioner working with businesses that align to their values. I haven't come

		across businesses who genuinely don't want to be moral. It is not common, very few experiences of businesses who don't want to be moral.
The survey results show that stakeholder engagement and the subsequent expectations from stakeholder create tension for your business. Why would this cause such a tension? Where does our pressure come from mainly, external or internal?	Retail-1	Tensions of sustainability are there. Definitely. You can't just stop what you do, transition. Make decisions accordingly, perhaps get into more control over things. It is about change, people feel uncomfortable when they get taken out of their comfort zones. It is not a bad tension. Also a lack of understanding of what sustainability means, with our smaller suppliers. It is in the supply chain where the main issues are.
	Retail-2	Yes, there is. Yes, now as we face real challenges, where the data challenges the ethical issue. We are very much in denial, until we have the facts.
	Retail-3	It has to be fundamental, it has to be part of your culture. Otherwise it will cause such tensions. You cannot compromise.
	Retail-4	Stakeholders, we should see it as an opportunity. They are obviously highlighting what is wrong and then you can fix it.
	Retail-5	Governance and compliance of sustainability could be problematic for innovation and risk taking.
	Retail-6	It is part of what is changing, the difference for us is that we are passionate about what we do, so we don't instinctively trust outsiders, and you have to earn our trust. And we will push back to begin with, it is just how we are. Don't play in our sandpit before you have shown us that you have something to offer. Likewise, If you have something to offer we will bring you right into the centre, and smother you. Once stakeholders have proven their authenticity, we will embrace them.
	Retail-7	Bring it down to awareness, what you are not aware of, you can't do anything about. It does bring complication, and a required level of sophistication, different leadership approach. Requires more robust research engine, and broader scope. We didn't operate openly like this before. We acknowledge the role of these stakeholders.
	Retail-8	Because of the expectations of a response. There has to be accountability and respond, and so we feel uncomfortable with having to commit to the responses.
	Pract.-1	This is a tension in business, as it raises the question about what you have to do. They will share information, but not true engagement. This is true, there is tension in other business. Even employee engagement, is a challenge. Even investor engagement, retailers do that and customer engagement well, but suppliers and employees not. We don't like to be challenged. So even with customers, do not tell me how to run our business, but we want to know what is relevant to you. Investors is an interesting space. There are still

		many in tests that are not well versed in sustainability, or understanding it.
The competing values framework. Where do you suggest your culture fits? Look for the more dominant culture.	Retail-1	Not just one area aligns, information can drive response. There are many areas across the competing values framework that our culture leans towards, not only one. Our culture cannot be boxed into one area. If there is one dominant area, perhaps the Human Relations Model? With some elements of other areas such as Information management, Precise communication, Data-Based decision-making, efficiency and productivity, Goal-setting and planning, but we also have adaptability and change and flexible decision-making. But our culture does lean towards human relations more.
	Retail-2	Internal process model mostly, but moving to the Rational Goal Model, a little more externally focused, but still control driven.
	Retail-3	Moving from a rational goal model towards the Human relations model, but still very strong on internal processes with control and internally focused.
	Retail-4	Internal Process Model mainly, internally focused and control driven.
	Retail-5	Rational Goal Model, moving a little towards external focused but still control driven.
	Retail-6	Internal Process Model currently, moving towards some of Rational Goal Model and some of the Open System model.
	Retail-7	Human relations Model. We have some elements of other models such as Adaptability and change, Visionary Communication, Flexible decision-making, efficiency and productivity, goal setting and planning.
	Retail-8	Human relations Model, moving towards the Open Systems Model.
The business shows a high degree of confidence in adaptive leadership for sustainability, but practitioners showed a high degree of no confidence in SA retail. What do you think makes this different for you? Do you really have the adaptive leaders in place?	Retail-1	It is our story, it is the nature of the changing landscape that we operate in, for a person from the outside to adapt to our business they have to be comfortable with change. We have experienced so much change in this business and country.
	Retail-2	Our group respondents maybe didn't understand the term "adaptive", we do adapt in relation to where the world is going, but in relation to sustainability?
	Retail-3	We are but we choose to follow rather than lead.
	Retail-4	We move quickly all the time, we always get rated low on communication, because we move so fast. Keeping people informed has become more of a focus now. Also seen a lot more investment in talking to them. Personal careers is a high priority for people, they want to know how we are going to keep them engaged. We need to get to a point of looking at incentivizing differently.

	Pract.-1	Not adaptive leadership in retail in SA. There is definitely adaptive leadership in your business, but not generally existing, maybe certain individuals.
Practitioners strongly suggests that more than just adoption is required, but a large portion of your business felt that if leaders adopt, change processes will result. Do you think it is that simple, that leadership adoption alone can drive change?	Retail-1	When our leaders adopt, it will be because it has a defined benefit, and makes business sense, then it will be facilitated. Whilst sustainability it is not a KPI, we are all on it one way or another. There is enough of a consciousness.
	Retail-2	It comes from our strategy, if we put it in, it will happen. The integration of leadership and strategy in our organization, as leaders we are very in tune with strategy and its appropriateness. There is a sense of alignment, well considered and relevant. Not pie in the sky. Home grown leadership that are in tune with the culture.
	Retail-3	It depends on whether sustainability adaption is understood, perhaps it is a cost issue, it is a big shift and the scale of change may be a challenge, maybe it isn't effective, or have the right tools in place to monitor the change and its impact.
	Retail-4	Incentive drives behaviour. It is also about leadership. There has to be a way of measuring the adoption.
	Retail-5	I don't know if it is doable to make it top of mind, draw up the frame of rules, and then audit it. There will always be people who will take the short route.
	Retail-6	Have to measure where you want to go. We need to get to measure the success and whether you are going in the right direction.
	Pract.-1	Leadership, the ability to go, business leadership, not thought leaders, you need that, but business leaders help change thought into action. But, often your thought leaders are not the ones of skill to implement.