

## Managing for Sustainability

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The global financial crisis has raised widespread concern about the strength and stability of the global economy. However, the continuing economic crisis may turn out to be a positive development. It may finally awaken Americans, Europeans, and others around the world to the fact that they have created an “unsustainable” global economy. Sustainability is about meeting the needs of the present without diminishing opportunities for the future. After two centuries of relentless, if not continuous, economic growth, we are still not meeting the needs of most people today and certainly are not leaving equal or better opportunities for those of the future, even in America. It's time to face reality; the global economy is not sustainable.

The basic problem is that all economic value ultimately is derived from nature by way of society, from natural and human resources. We have depleted and degraded both nature and society to the point where we can no longer sustain the economic growth that most nations of the world have come to expect from the economy. The environmental movement has made people aware of the negative impacts of industrial economic development on natural ecosystems. More recently, attention has shifted to its impact on the economic equality and overall civility within societies. Whenever these issues are raised, the ecological and social degradation has been defended as being necessary to allow continuing economic growth. But now, the economy has basically quit growing. In fact, most economic growth of the past 30 years has been more illusion than reality. Real economic growth is simply not sustainable.

Most economists say we simply need to “get the prices right.” They admit the economy sometimes imposes economic costs on natural ecosystems and human society that are not reflected in the economic costs and thus are not reflected in market prices. However, they restrict their concerns for sustainability to some small subset of the economy that they feel overlaps with society and the natural environment. To address these so-called “market failures,” they suggest internalizing the ecological and social costs and benefits, meaning to assign them a dollar-and-cent value and then, by various means, to bring them into the market place. They argue if we get the prices right, meaning prices that reflect social and ecological externalities, market economies are quite capable of sustaining their productivity.

Most economists seem to have a blind faith in the markets as the solution to all problems. However, this blind faith in markets is not the solution to, but instead the source of, the biggest problem of global society today, which is the lack of economic sustainability. As Albert Einstein once observed, we can't solve problems by using the same thinking we used when we created them. Getting the prices right, while necessary, simply is not sufficient to address the challenges of economic sustainability.

A sustainable economy must be built upon a different understanding of how the world works and of the place of humans within it. In the ecological worldview of sustainability, all human societies are subsets of nature, and all economies are subsets of those societies. Thus, all economic activities have impacts on society and on nature, not just some small subset. Those

things in society and nature that are outside of the economy have no economic value and thus cannot be internalized, yet they are critically important to economic sustainability.

The hierarchy of sustainability is a nested hierarchy. Higher levels in the hierarchy obviously provide the resources that support the lower levels – there is nowhere else to get anything other than from nature. Thus, everything of any use to human society, including everything of economic value, must come from nature by way of society. If the economy is allowed to destroy the integrity and productive capacities of nature and society, there will be nowhere to get anything of economic value.

Higher levels also define the purpose of lower levels and the principles by which lower levels function. Sustainable economies must respect the principles by which nature, including human nature, functions. However, lower levels are also important to higher levels, in that lower levels determine the possibilities for higher levels. For example, the continued economic extractions from nature and exploitation of society greatly diminish the possibilities or potentials of both nature and society. So, it's critical to the health and well-being of society and nature that economies function in harmony with the hierarchy of sustainability.

This hierarchy of nature can be ignored or denied, but the consequences of violating its principles – meaning the laws of nature or natural laws – cannot be escaped. We can ignore or deny the law of gravity, but if we drop something heavy on our toe, it's still going to hurt. The same is true for all laws of nature, including the laws of human nature.

Economic sustainability is based on getting the principles right rather than just getting the prices right. The basic principles of nature include the principles of economic and social relationships, as well as the principles of natural ecosystems. The fundamental ecological principles include holism: the whole is more than the sum of its parts; diversity: a necessity for resilience, renewal, and regeneration; and interdependence: mutually beneficial relationships among the diverse parts, which make wholes more the sums of their parts, rather than less. Social principles include: trust, which arises from honesty, fairness, and responsibility; kindness, which arises from empathy, respect, and compassion; and courage, which gives action to trust and kindness. The basic principles of economics include scarcity, which determines economic value; efficiency, meaning the greatest value at the lowest cost, and sovereignty, which means the freedom to make logical economic choices. The most fundamental principles are the most powerful, and they are mostly just common sense.

Contrary to popular belief, everything isn't ultimately a matter of economics. Economic value is fundamentally different from social or ethical values. Economic relationships are individualistic, instrumental, and impersonal. Economic value accrues to individuals, not to a community or society as a whole. An economy is simply a collection of individual enterprises. Economic value is instrumental in that economic decisions are always predicated on the expectation of receiving something of greater economic value in return. Economic value is impersonal in that economic value is determined through trade or exchange among different individuals. The specific individual or person involved in an economic transaction doesn't matter.

Social relationships are also instrumental, in that something of personal value is always expected from a social relationship, even though the expectations often are not precise with respect to what is expected in return. However, if we want to have a friend we must be a friend in return. Social value is fundamentally different from economic value in that social value is clearly personal. Spouses are not interchangeable and neither are true friends. Purely social relationships produce nothing of economic value because they cannot be exchanged among different people – they can't be bought or sold.

Social relationships are interpersonal, in that social values accrue to specific persons rather than communities or societies. However, social values naturally evolve into cultural and ethical values that are held in common within families, communities, and societies as wholes. As reciprocal expectations become less personal and less precisely defined, social values become linked with communities, societies, or nations, resulting in feelings such as community pride and patriotism. Eventually, social values spread to those of other nations and to humanity as a whole, including those of future generations. This is the process by which social values evolve into ethical values.

Ethical values are different from economic and social relationships in that they are communal, non-instrumental, and impersonal. Ethical relationships are ends in and of themselves, not means to ends. People who do things for purely ethical reasons have no expectation of receiving anything in return, at least not in their lifetimes. Ethical values are clearly impersonal or not specific to a particular person. If the particular person matters, it's a social rather than ethical matter. They are communal in that what's right for one person or one community is right for all people of all communities, for people in common, including those of future generations.

Certainly, there may be economic value associated with relationships that also have social and ethical dimensions. In economic jargon, “social capital” reduces economic “transactions costs.” Businesses can also “do well” financially by “doing good” because some people will pay premiums for ethically produced products. However, relationships that are purely social or ethical have no economic value but are nonetheless absolutely essential for economic sustainability. There is simply no economic value in doing anything for the sole benefit of someone else or for society as a whole, certainly not for the benefit of those of future generations. Economic sustainability ultimately depends on social and ethical values. If we are to create a sustainable economy we must make social and ethical investments that have no economic value.

As far as we know, humans are the only species that has the capacity for thoughtful, intentional decisions. Other species make choices by instinct or learn from experience. Humans have the capacity to make choices in conflict with their animal instincts and to anticipate consequences of actions that have never been experienced. If we simply follow our animal instincts, we know the ultimate consequences for humanity. Any non-intentional species that finds itself in a position of dominance within its natural ecosystem blindly expands its population until it uses up the resources that support it or dies off from disease or conflict caused by overpopulation. Humans are now the dominant species in the global ecosystem. If we are to sustain human life on earth, we must respect the hierarchy of intentionality.

Within the hierarchy of intentionality, our ethical values reflect our common sense of the most fundamental principles of nature, including human nature. Our social values reflect our sense of how we should relate to each other within our particular society. Our individual preferences reflect the ways in which we choose to differentiate ourselves from the rest of society. Since societies are parts of nature and economies are parts of societies, ethical values must take precedent over social values and social values over individual preferences.

The fundamental problem in today's global economy is that we have inverted the hierarchy of intentionality. We give the highest priority to economic growth. If our social values don't interfere with economic growth, they are fine; if there is a conflict, we give priority to the economy over society. If our ethical values don't conflict with prevailing social values, they are fine; if there is a conflict we give priority to our standing within society. Economic sustainability demands that intentionality be aligned with the hierarchy of sustainability, meaning the hierarchy of nature. We must rethink and realign our priorities.

This realignment of priorities will require that we first rethink and redefine the purpose of our economy. The purpose of our economy must change from generating ever-greater economic growth to providing those things of individual, impersonal, instrumental value that are necessary for human happiness or quality of life. Throughout the history of humanity, the pursuit of human happiness has been widely understood and accepted as the fundamental purpose of life. Ongoing research is confirming our common sense that beyond some modest level of material well-being, happiness is affected more by quality relationships and sense of purpose than by additional income or wealth. Economic well-being is only one dimension of happiness. Happiness requires harmony and balance among the economic, social, and ethical dimensions of life.

The ecological, social, and economic dimensions of sustainability are virtually identical to the ethical, social, and individual dimensions of human happiness. Both sustainability and happiness require harmony and balance among the three. The current economic crisis provides us with a prime opportunity not only to create a sustainable economy but also to create a new and better world by restoring harmony and balance among the ethical, social, and individual dimension of our lives. We have an opportunity to move beyond treating sustainability as a limit or constraint to economic progress to viewing sustainability as an opportunity to create a new and better world for ourselves and for the future of humanity.

The economics of authentic sustainability has important implications for management of all types of organizations: for-profit business, nonprofit organizations, government agencies, or civic associations. First, authentic sustainability is “deep” sustainability. Deep sustainability doesn't limit itself to examining how organizations relate to the natural and society; it also asks how organizations “should” relate to nature and society. It questions whether the functioning of an organization is ethically and morally “right and good.” A sustainable organization must accept the ethical mandate of sustainability; it must leave equal or better opportunities for the future as well as meet the needs of the present.

Deep sustainability also accepts that humanity has a purpose for being and that purpose is right and good – that humanity is worthy of being sustained. It accepts that individuals and

organizations find their individual purpose within the larger purpose of humanity. A purpose is not something to be achieved but rather is something to be lived or experienced: a productive process rather than an end product. A sustainable organization must be guided toward its specific purpose by the basic principles or laws of nature, including the laws of human nature or natural law. The specific principles selected to guide an organization must include those necessary and sufficient for the organization to achieve its purpose. Managing for sustainability is managing by principles rather than managing by goals or objectives or managing to maximize profits. The only means of sustaining profitability is for the organization to function in harmony with nature, including human nature.

Sustainable organizations are characterized by their purpose and principles. They are managed as wholes rather than as separate divisions, departments, profit centers, or enterprises. The relationships among the various components of a sustainable organization are just as important as the functions carried out within those components. A sustainable organization is not simply the sum of its parts. Sustainable organizations are diverse. The individuals and components within the organization have different capabilities, aptitudes, and aspirations. Diversity gives sustainable organizations the resilience and regenerative capacity necessary for sustainability. Relationships among individuals and departments, divisions, or components within sustainable organizations are interdependent or mutually beneficial, not dominant or submissive. Interdependent relationships make sustainable organizations something more than the sum of their parts, rather than something less.

Relationships among individuals in sustainable organizations are based on trust, rather than rules, regulations, or contracts. People within the organization recognize that principles or characteristics such as honesty, fairness, and responsibility are necessary for sustainability of the organization, as well as essential for their personal integrity. Rules and regulations are necessary only to identify those who are unwilling or unable to respect an organizational consensus of trust. Trust is necessary, but not sufficient, as humans are inherently fallible beings and sometimes need mercy or forgiveness rather than justice. A sustainable organization must be a caring organization where people neither isolate themselves from others or take advantage of the inherent weakness or frailties of others. Relationships are based on the core principles of empathy, respect, and compassion. Finally, those who manage sustainable organizations must have the courage to create an organizational culture of trust and kindness in a world that generally considers such relationships to be naïve or idealistic. It takes courage to manage a sustainable organization.

Finally, a sustainable organization must respect the basic principles of economics, regardless of whether it is a for-profit, nonprofit, government, or civic organization. It must produce or create something that is scarce and thus has value to society and humanity, regardless of whether they produce anything of economic value. For example, the protection of endangered species is valuable because members of the species in danger have become scarce. Feeding the poor and hungry is valuable because they don't have enough to meet their needs and there is a scarcity of people willing to help them. For-profit organizations obviously have to produce things that are economically scarce and thus have economic value, but all organizations must respect the principle of scarcity. Sustainable organizations must also be efficient: They must produce as much value as possible, economic or otherwise, from the limited resources they have

available to them, including the limited time and energy of the people in the organization. Sustainable organizations also must maintain their sovereignty, or freedom to make wise choices. If an organization sacrifices its sovereignty to gain some short-run benefit, it will have lost its ability to make the choices necessary for its long-run sustainability.

In general, a sustainable organization must be managed in a way that respects the essential hierarchies of sustainability. The purpose and principles that guide the organization must be derived from higher levels of organization, meaning from society and from nature. While the purpose and principles of a specific organization may include elements or aspects that are unique to the specific organization, a sustainable organization must respect the higher purpose of society, humanity, and nature, including its responsibility for the future of humanity.

Sustainability depends on maintaining a dynamic balance and harmony among the ecological, social, and economic dimensions of an organization. This requires continual vigilance on the part of organizational managers as well as all those within sustainable organizations. This harmony and balance depends on keeping the hierarchy of intentionality aligned with the hierarchy of sustainability. Ethical values must take priority over social values and social values must take priority over individual preferences, just as the laws of nature must take priority over the preferences of societies, and the well-being of society must take priority over economic growth.

Organizations will be managed sustainably only if the people who make up such organizations understand that it is not a sacrifice to be a part of a sustainable organization, but instead is a privilege or even an honor. The ecological, social, and economic dimensions of sustainability are essentially the same as the ethical, social, and individual dimensions of human happiness. Happiness and sustainability both require harmony and balance among the ethical, social, and individual dimensions of life. A sustainable organization thus contributes to the happiness of those who manage it, those who work within it, and those who are served by it or depend on it, including those of the future. Managing for sustainability is a better way to work, a better way to live, and the key to a better world both now and in the future.

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