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## From Corporate Social Responsibility to Corporate Responsible Behaviour: a Futures Approach: Proposing a New Conceptual and Operational Framework to Foster Responsibility within the Commercial Property Industry

Gillian O'Brien  
*Technological University Dublin*

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Dublin Institute of Technology  
School of Spatial Planning  
Faculty of the Built Environment

**From Corporate Social Responsibility to  
Corporate Responsible Behaviour  
A Futures Approach**

---

**Proposing a New Conceptual and Operational Framework  
to Foster Responsibility within the  
Commercial Property Industry**

Gillian O'Brien

Ph.D

2009

Supervisors:  
Professor John Ratcliffe  
Dr Lorcan Sirr

# Declaration

I certify that this thesis which I now submit for examination for the award of Doctor of Philosophy, is entirely my own work and has not been taken from the work of others save and to the extent that such work has been cited and acknowledged within the text of my work.

This thesis was prepared according to the regulations for postgraduate study by research of the Dublin Institute of Technology and has not been submitted in whole or in part for another award in any Institute.

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# Abstract

This research examines corporate responsible behaviour (CRB) and the role of Futures Studies, as both a philosophy and a critical research methodology in fostering a culture of responsibility within the commercial property industry in the UK. More specific objectives are to critically evaluate CRB and its role in business; to explore the potential role, effects and implications of futures in the development of CRB policy and practice; to propose an integrative conceptual and operational framework for guiding the commercial property industry in formulating systematic, executable CRB policies and practices; and to build a set of propositions that may influence the development of CRB policies and strategies for the commercial property industry in the UK.

Using a predominantly qualitative methodological approach, based on a multi-method design, the research addresses both the conceptual and operative challenges that arise when CRB is addressed in the context of commercial property. The research is divided into two phases: the first (Phase A) consisting of documentary review, environmental scanning, survey questionnaire, in-depth semi-structured interviews; the second (Phase B) involving collaboration on two separate but related futures projects to test the application of futures thinking and techniques in developing CRB policy and practice in the commercial property industry. The second phase, using the Prospective Through Scenarios Approach, consisted of environmental scanning, futures workshops, survey questionnaires and strategic conversations.

Ultimately both phases of the research gave rise to several practice-oriented propositions, designed to guide and influence the commercial property profession and related stakeholders in the development of CRB policy and practice, and as such is one of the key outputs of the research. The second major output of the research is the development of a holistic futures-oriented framework for CRB engagement, designed to assist companies in creating a new corporate mindset, based on values and knowledge development, in order to foster CRB as a manifestation of and contribution towards corporate sustainability.

# List of Abbreviations

Association of Chartered Certified Accountants (ACCA)  
British Petroleum (BP)  
Causal Layered Analysis (CLA)  
Corporate Governance (CG)  
Corporate Responsible Behaviour (CRB)  
Corporate Social Responsibility (CSR)  
Demographic, Economic, Governance, Environmental, Societal, Technological (DEGEST)  
Dublin Institute of Technology (DIT)  
European Corporate Sustainability Framework (ECSF)  
Foresight for Regional Development Network (FOREN)  
Futures Studies (FS)  
Gross Domestic Product (GDP)  
International Finance Corporation (IFC)  
Morgan Stanley Capital International (MSCI)  
Organisation for Economic Development (OECD)  
Operating and Financial Review (OFR)  
Property Working Group (PWG)  
Prudential Property and Investment Management (PRUPIM)  
Responsible Property Investment (RPI)  
Royal Institution for Chartered Surveyors (RICS)  
Socially Responsible Investment (SRI)  
Societal, Technological, Economic, Environment, Political (STEEP)  
United Nations Environment Programme (UNEP)  
United Nations Environment Programmes Finance Initiative (UNEP FI)  
United Kingdom (UK)  
World Values Survey (WVS)

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(visit [www.futures.academy.ie](http://www.futures.academy.ie) for the full report)

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# **Chapter 1**

## **Origins, Aim and Objectives of the Research**

## 1.0 ORIGINS, AIM AND OBJECTIVES OF THE RESEARCH

The world we have created is a product of our thinking; it cannot be changed without changing our thinking

*[Albert Einstein].*

This chapter introduces the reader to the research by briefly outlining the origins, aims and objectives, context and motivation, theoretical and practical justification, overarching philosophy and methods used in the study, as well as the structure of the research.

Therefore, the aims of this chapter are fivefold.

1. To briefly discuss the origins and overarching hypothesis of the research.
2. To outline the key aim, objectives, context and motivation of the research.
3. To introduce the philosophy and methods upon which the research is based.
4. To provide the theoretical and practical justification of this topic as a distinct field of study.
5. To provide a structure for the research.

The results of a comprehensive review of the literature, coupled with a series of initial interviews, highlighted a problem in identifying a suitable method to encourage companies to engage in the development of CRB policy and practice. The literature therefore points towards the need for a new business paradigm based on values and knowledge development to foster CRB as a manifestation of, and potential contribution to, sustainable transformation at the deepest level (e.g. Fuller and Tilley, 2005; Gardner, 2007; Wilber, 2004; Wilenius, 2004; Weymes 2004). Effective decision-making for the best policies and practices to support the goals of sustainable development will arguably require a multidisciplinary and futures-oriented approach. The overarching hypothesis of this research, therefore, is that: *In tackling the conceptual and operative challenges that arise in developing CRB policy and practice, decision-makers will arguably need to abandon obsolete mentalities, and find a new, more integrated approach. Futures Studies is an approach which encourages and fosters the development of responsible and sustainable commercial property policy and practice.*

Embracing such an approach will inevitably entail altering corporate priorities and perceptions, looking beyond traditional short-termist ways of thinking, breaking down political, economic and social norms and, essentially, questioning the fundamental role of



business in society. The potential for Futures Studies (hereafter, FS), as both a philosophy and critical methodology, to play an important role in embedding corporate responsible behaviour<sup>1</sup> firmly into the DNA of a company is significant, in that it can create what Inayatullah (2007) calls a *transformative space*, where questions such as sustainability, the role of business in society, the search for an improved quality of life, shifting consumer expectations and changes in the nature of work and society, can be discussed in a broader context, than with traditional strategic planning. As such, by embracing a futures-oriented approach, decision-makers can gain a more holistic understanding of complexity and change, and ultimately make more informed decisions, both in the short and long-term. In the context of CRB, it can bring about the opportunity to redefine business paradigms, develop clearly articulated goals and focus on aligning responsibility more closely with the philosophy and values of the organisation. By so doing, CRB can be perceived not merely as a means of improving profit, but rather as a force for change at the most fundamental and systemic level, and ultimately as a tool to respond to the overarching goal of sustainable development.

The commercial property industry was chosen as the focus of this research for two reasons. Firstly, it is perceived worldwide to be a high impact industry, particularly in relation to the environment, given that almost 60 per cent of the world's energy is used to heat, light and ventilate buildings (Sell 2007). For this reason, it is increasingly been seen as an industry ripe for delivering sustainable development. Secondly, it is an industry perceived as falling short in a number of key areas related to corporate responsible behaviour, particularly in terms of the social and ethical implications of commercial property activities. The literature confirms the impetus for sustainable construction (e.g. Carroll, 2000; James, 2006; Pearce, 2005) but this has failed in any significant way to trickle through to the commercial property profession, and as a result many companies in this industry are having difficulty integrating their social, ethical, and environmental concerns into their operations and stakeholder interactions.

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<sup>1</sup>The terms corporate social responsibility (CSR) and corporate responsible behaviour (CRB) are used synonymously throughout this study. While CSR is arguably the most commonly used term among commentators, governments, NGO's and business, the author has coined CRB as the preferred term, in the belief that CSR implies too narrow a focus on the 'social' aspects of responsibility, suggesting that responsibility is viewed as a separate function to mainstream business, rather than being fully integrated in company strategy and operations (holistic CRB). Arguably, the term CRB encompasses a wider commitment to all stakeholders, and, equally important, implies behavioural change towards something more transformational, something that could fundamentally change corporate purpose at a deeper, more systemic level.

Given the global economic downturn and the deterioration of property markets worldwide, decision-makers inevitably must focus, in the short-term at least, on ensuring the bottom line. Nonetheless, it is the longer-term success of property companies - driven by reputation, risk management and profitability - that may well be dependent on how companies rethink their current CRB approaches. Risk management and opportunity provision, in particular, are central to corporate longevity, and whilst future proofing the commercial property industry against all eventualities is not feasible, equally 'business-as-usual' may not be enough to sustain competitiveness during times of crisis.

Unquestionably the global economy is at a crossroads, from which the direction ahead is unclear, but what is emerging in current research (e.g. Godet, 2001; Slaughter, 1999; Visser, 2009) is that by developing a capacity to explore the future, companies may be in a better position to shape things to come and determine their own direction. Anticipating what may lie ahead, using a Futures approach, could place the commercial property industry in a unique position to make a worthy contribution to the long-term goals of sustainable development and enjoy the benefits of doing so.

To this end, the starting point of this research stems from an interest in developing a new conceptual and operational framework to guide decision-makers in formulating systematic, executable CRB policies and practices.

## **1.1 Research Aims and Objectives**

The specific aim of this research is therefore *to critically evaluate the viability of using futures methods to encourage companies to develop and implement CRB in the commercial property industry in the UK.*

In so doing, this research will examine issues of corporate responsible behaviour and the role of FS<sup>2</sup>, as both a philosophy and a critical research methodology, in fostering, enhancing and maintaining a culture of responsibility within commercial property companies. Using a predominantly qualitative methodological approach, based on a multi-method design, the

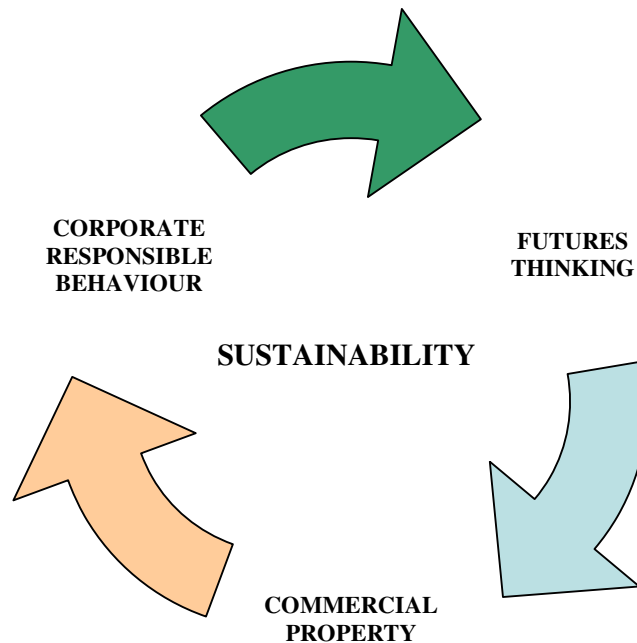
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<sup>2</sup> While not claiming to be predictive, futures research can prove to be a successful strategy for understanding change and complexity. During times of uncertainty and accelerated change, futures methodologies can help businesses anticipate what may lie ahead for their organisation and develop effective strategies to work toward desired goals (Described in chapter 3).

research addresses both the conceptual and operative challenges that arise when CRB is addressed in the context of commercial property, and proposes a new framework that can ultimately inform and influence the development of CRB policy and practice within this sector.

As part of the research aim, the following objectives were also identified.

1. To critically evaluate corporate social responsibility and its role in business.
2. To explore the potential role, effects and implications of 'Futures' in the development of CRB policy and practice.
3. To propose an integrative conceptual and operational framework to guide decision-makers in formulating systematic, executable CRB policies and practices.
4. To develop a set of propositions that may influence the development of CRB policies and strategies for the commercial property industry in the UK.



*Figure 1.1 Three Strands to the Research*

The main theoretical contribution of this study is to develop and empirically test a new framework for effectively developing CRB policy and practice. The commercial property

industry worldwide is perceived as a high impact industry, particularly in relation to the environment, and has, therefore, been selected to test the research hypothesis (see section 1.0) This study essentially develops on research in the fields of both CRB and ‘Futures’, which recognises the importance and significance of each phenomenon, but has not, in any substantial way, begun to understand the link between the two and the resultant business implications, in this case, for the commercial property industry.

## **1.2 The Research Process**

The research was conducted in two phases as follows (see Figure 1.2):

a) Phase one consisted of a baseline exploratory study to identify and critique existing CSR/CRB theories, models and practices at a global, European, national and individual corporate level. Using a combination of qualitative and quantitative methods and techniques, the results of the initial study were based on the following: literature review; 31 in-depth semi structured interviews with professionals across five sectors (Telecoms, Finance, Industrial and Energy) to establish a general sense of CRB across industry; 10 strategic conversations with leading experts across the commercial property profession (academia, institutions, consultancies, and commercial property professionals); a survey questionnaire (distributed to 150 commercial property companies in the UK); as well as ongoing environmental scanning to determine current discourse and innovation in the fields of CSR, FS and commercial property. The first phase concluded with the development of the research hypothesis (see page 17: section 1.0).

b) Phase two consisted of two related foresight studies to empirically test the research hypothesis developed in phase one. In her capacity as principal researcher<sup>3</sup>, the author collaborated with two international commercial property organisations in conducting both studies, to examine the benefits and limitations of using a futures approach in the development of CRB policy and practice in the commercial property industry. The Prospective Through Scenarios Approach (see figure 3.3) with elements of another futures

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<sup>3</sup> While carrying out Ph.D research as part of a bigger study presents an ethical dilemma, particularly in terms of ownership of the work, in this instance, the research design, methods and findings were all undertaken by the author, and all research that specifically related to the aim and objectives of the Ph.D research being carried out was conducted by the author. Both studies gave the author access to a large network of potential interview, strategic conversation and survey questionnaire respondents, as well as the opportunity to observe and investigate the viability of using a Futures Studies approach in addressing CRB within the commercial property sector.

technique by the name of Causal Layered Analysis were utilised throughout the process. In total, the second phase of the research consisted of three further survey questionnaires, each issued to 150 multinational companies operating in Europe, Asia-Pacific and North America respectively), three futures workshops (facilitated in London, Hong Kong and Chicago), a further 15 strategic conversations; as well as ongoing environmental scanning throughout the research process.

In order to explore specific topics and themes with relevant experts in the field of CRB and commercial property, two particular types of interviews were utilised: the semi-structured interview and the strategic conversation<sup>4</sup>. To capture deeper and more nuanced information about topics related to CRB policy and practice, that could not be gained from the survey questionnaires alone, and to gain a rich insight into particular developments or projects within individual companies concerned, considerable thought went into the choice of people to interview. The strategic conversation in particular was preceded by background research and preliminary discussions with the interviewees, to ensure a high level of expertise among participants. In her capacity as interviewer, the author played a proactive and strategic role in the conversation.

Figure 1.2 below is a graphical representation of the research process. It shows the two phases of the research as Phase one, conceptual and Phase two, empirical.

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<sup>4</sup> The term ‘strategic conversation’ is where an active dialogue has taken place between the interviewer and the interviewee, based on some prior understanding of each other’s views on the subject. In this context, the strategic conversation goes beyond the semi-structured interview, in terms of having a purpose as well as a topic, the purpose, in this case: to better understand the drivers and inhibitors in developing CRB policy and practice and to improve CRB competence in the commercial property industry and related institutions; the topic: CRB, Futures Studies and Commercial Property. The strategic conversation enabled both the interviewer and interviewee to suspend assumptions and essentially *think together* on issues related to both the long and short-term implications of CRB performance in business in general and the commercial property industry specifically. Strategic conversations differ from semi-structured interviews, in that they more effectively support the process of creating and sharing knowledge, and ultimately broaden and deepen thinking about future business environments affecting a company’s strategic choices related to CRB policy and practice.

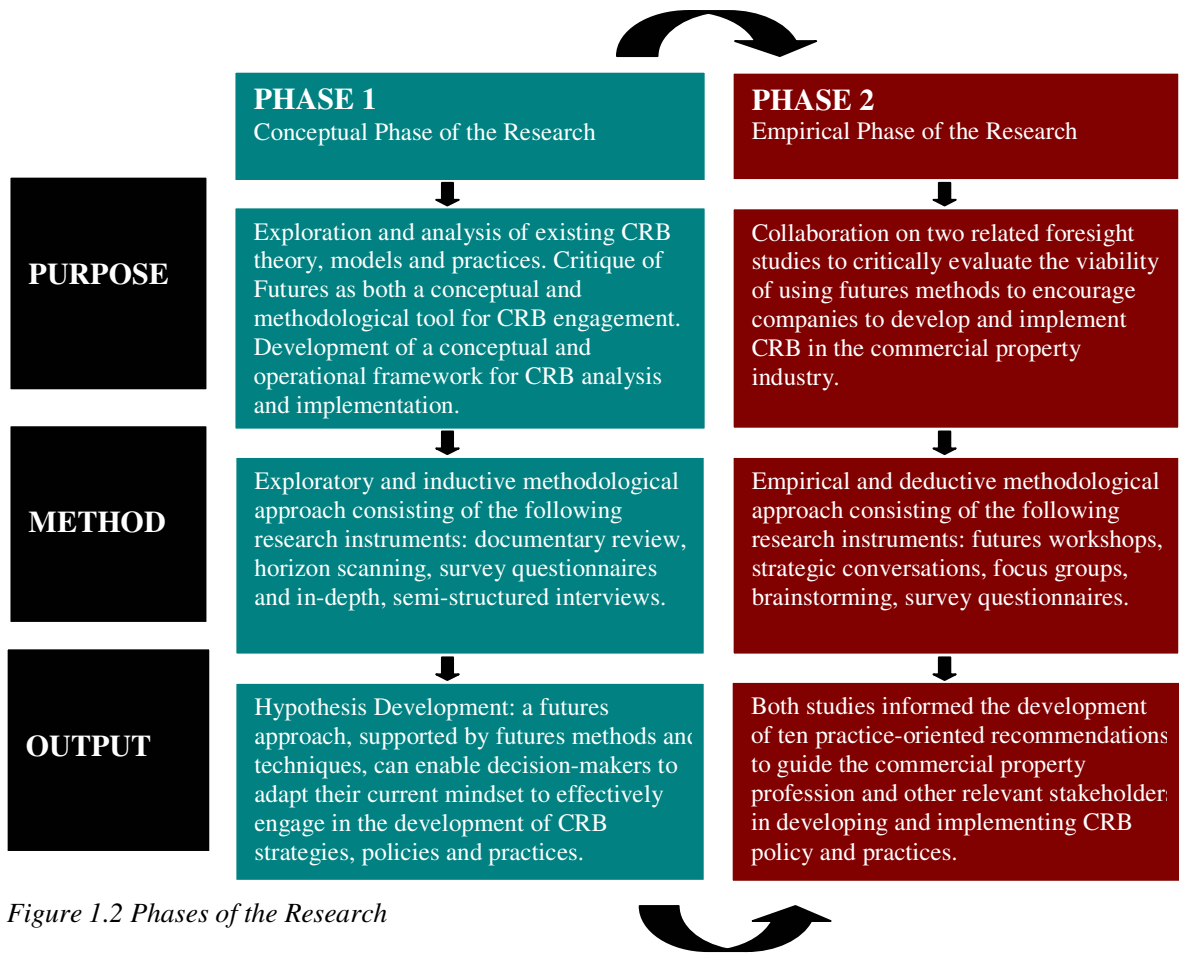


Figure 1.2 Phases of the Research

While ultimately, the outputs of phase one and two informed the development of several practice-oriented recommendations to influence and guide the commercial property profession and other relevant stakeholders in the UK market specifically, the scope of both studies was far-reaching (Europe, Asia-pacific and North America), in order to reflect the global nature of the commercial property industry, and the resultant implications for the development of responsible commercial property policies and practices in the UK.

### 1.3 Context and Motivation

Over the past two decades globalisation, deregulation and privatisation, coupled with advances in technology and a fundamental shift in the role between state and market (Bertucci and Alberti 2002), have transformed the basis on which global corporations are expected to operate. As companies gain more power and influence, while the authority of governments is diminished, the expectations that corporations will act in the public interest

have amplified (Andriof, 2001; Livesey and Kearins, 2002; Lenssen and Vorobey, 2005). Recent economic events unfolding, as this thesis is written, demonstrate that the present economic system is vulnerable, and that the coordinating mechanisms of both government and business are ultimately inadequate in responding to what Korten (2001: 15) has described as *the threefold human crisis of deepening poverty, social disintegration and environmental destruction*.

The emergence of concepts such as corporate social responsibility (CSR), corporate responsible behaviour, corporate citizenship and corporate accountability, indicates the blurring of boundaries between formerly nation-bound governmental control and increasingly global efforts to meet the ambiguous challenge of sustainable development. Various representative societal groups have thus called for new values and approaches to address these challenges. As a result, complexity within the business environment has increased significantly.

This increase in complexity can be largely attributed to globalisation, and the concomitant implications of managing employees and suppliers operating in different countries, different cultures, backgrounds, habits and regulations (Jones and Fleming, 2003). Strikingly this has led to a marked increase in the so called 'ethical' challenges facing individual companies (Van Marrewijk, 2003). Despite some well known skeptics (e.g. Friedman 1970; Wolf 2001), relatively few scholars and practitioners question the need for corporate responsible behaviour; however, what is up for debate is the extent of responsibility different organisations should take in what circumstances, and indeed, the way in which they should go about it. How companies can serve the public interest in a manner that creates long-term prosperity for both business and society is the challenge that continues to confuse both decision-makers and commentators.

#### **1.4 Revisiting the Roots of Capitalism: Learning from the Past**

While awareness within the business community towards environmental and social issues has increased significantly in recent years, owing largely to the frequent spattering of corporate greed and misconduct scandals, the idea of business having a responsibility to society has been around in various guises since the birth of the corporation itself (Micklethwait and Wooldridge, 2003). Contemporary scholars have traced the origins of discourse on the

relationship between business and society to the US at the turn of the 19<sup>th</sup> and 20<sup>th</sup> century, (Bowen 1953; Blumberg 1972). Closer to home, the French philosopher Montesquieu wrote in the eighteenth century that the introduction of commerce into Northern Europe effectively tamed the ‘warlike tendencies’ of man, providing them with an alternative and peaceful means of progress (Kerr, 1996).

David Hume, building on Montesquieu’s work, argued that early business transactions were founded on the conventions of ethics. Moreover, according to Adam Smith’s ‘system of natural liberty’, liberal capitalism would enhance harmonious progress by bringing business people together in a system of peaceful exchange and division of labour (Amadae, 2003). As such, irresponsibility was not in line with the classical foundation of capitalism, which, interestingly, was largely influenced by the protestant ethic (Calkins, 2000). It could be said therefore, that modern-day CRB has its roots in the protestant ethic and the Quaker tradition, examples of which can be seen in the philanthropy of both the Wilson and Clark families of 19<sup>th</sup> Century Europe, and in the subsequent charitable activities of Cadbury in the UK. In *The Protestant Ethic* and *The Spirit of Capitalism* it was argued that business men were:

neither dare-devil [nor] unscrupulous speculators, economic adventurers...nor financiers...they were men who had grown up in the hard school of life...shrewd and completely devoted to their business, with strictly citizen opinions and principles (Weber 1984: 89).

During the 20<sup>th</sup> century, Carnegie, Rockefeller and Ford were essentially the first of the industrial era to acknowledge the wider responsibilities of business. To quote Ford (1863-1947) *a business that makes nothing but money is a poor kind of business*. In this context, early forms of corporate responsibility were evidently linked to values, where it was considered a moral obligation for companies to redistribute wealth among people in the community, as opposed to just shareholders. Nonetheless, this period did not fully achieve its ideals of peaceful progress, and by the latter half of the twentieth century, corporate greed had begun to rot the roots of capitalism.

## **1.5 Current Discourse on CRB**

It is really only in the last five to ten years that the legitimacy and importance of CRB for company success in Europe, and around the world, has risen dramatically. In just twenty years CRB has evolved from being perceived as a fuzzy *leftie* notion at the fringe of



corporate practice into a central business concept, and many well known companies are going to great lengths to publicise their commitment to this phenomenon. Unsurprisingly, some firms seek ways to avoid genuine change by *greenwashing*. Yet some are seizing opportunities to create new approaches to conducting business, in a way that reflects personal values and simultaneously serves their shareholders. Companies such as Scottish Energy, Kingfisher, The Body Shop, Du Pont, Olsen Haus, and Royal Dutch Shell, to name a few, have long since recognised the importance of corporate integrity.

Whereas in the past, management could largely ignore issues of responsibility, in pursuit of the financial imperative, changing regulatory environments and shifting consumer expectations are forcing companies to balance, often conflicting stakeholder interests. As such, the CRB movement has unequivocally improved corporate *activity* on social, environmental and ethical issues, as evidenced in the abundance of codes and concepts that are now common parlance in business. However, whether many real and measurable improvements in corporate *performance* on social, environmental and ethical issues have been made is subject to much debate (Porter and Kramer, 2006). There has undoubtedly been progress, for example, in environmental efficiency and stakeholder management. This is largely offset, however, by the increase in the overall impact of corporate activity, as a result of the ongoing pursuit of economic growth and globalisation. Furthermore, given the speed of progress, decision-makers are largely unable to keep up with the growing complexities of a rapidly changing world.

For many companies responsibility is seen as linked to cost savings, staff retention, competitiveness, and, increasingly, risk management, as decision-makers mostly concern themselves with measuring the impact of sustainability activities on their bottom line (the business case), and less so on the wider societal and environmental needs (moral obligation). Perceived in this either/or way, CRB continues to be negligible in solving urgent social, environmental and ethical issues. Practically all of the indicators - be they for poverty<sup>5</sup> (such as the 1.4 billion people living in extreme poverty around the world), health<sup>6</sup> (spread of disease and mortality), climate change<sup>7</sup> (extreme temperatures around the world, melting

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<sup>5</sup> The World Bank (2008) World Development Indicators Poverty Data, A Supplement to the World Development Indicators 2008

<sup>6</sup> World Health Organisation (2009) World Health Statistics (2009)

<sup>7</sup> European Environment Agency (2009) CSI 012 - Global and European temperature - Assessment published Mar 2009

glaciers and flooding), biodiversity loss<sup>8</sup> (eco-system, species and genetic), deforestation<sup>9</sup> (impacts on vegetation and soil), or water<sup>10</sup> (water scarcity and security) – suggest that current approaches to solving *unsustainability* are failing, arguably due to the fact that they are grounded in a mindset that is ill-equipped to tackle the complexities of the current situation. Strategies that are anchored to the past make it difficult for companies to envision and shape a sustainable future. To move forward, therefore, business leaders may well have to think in entirely different ways.

To address the current failings of CRB it has been suggested decision-makers will need to employ a radically different approach. Visser (2009) has identified three key areas that need to be considered for CRB to become a real and measurable tool for corporate and social change. These are summarised as:

1. Connectivity - improved stakeholder relations through a variety of feedback mechanisms with a range of diverse interest groups.
2. Scaleability - the ability to scale up solutions, such as the switch to low carbon and water neutral processes, so that they make real impacts.
3. Responsiveness - the willingness to engage employees and take bold action on the most critical global issues of the day, through strong values-based leadership.

Elucidating the fundamental purpose of business is arguably an important first step in meeting the above conditions. Without a clear purpose, business leaders are more prone to making the type of decisions seen at Enron, WorldCom, Parmalat and the like. Furthermore, research suggests that the key to changing corporate behaviour lies in a heightened awareness and understanding of the role of business in society (Hart and Milstein, 2003, Paine, 2003; Shrivastava and Hart, 1995).

David Packard of HP questioned the rationale for business in the belief that a singular motivation for profitability is not adequate. His words to his management team in 1960

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<sup>8</sup>Scientific Consensus Report (2006) Convention on Biological Diversity (CBD): ‘Global Biodiversity Outlook: 2’

<sup>9</sup>Bernardo Strassburg, R. Kerry Turner, Brendan Fisher, Roberto Schaeffer, Andrew Lovett Reducing emissions from deforestation – the ‘combined incentives’ mechanism and empirical simulations. Global Environmental Change, Volume 19, Issue 2, May 2009, Pages 265-278

<sup>10</sup> Watershed and Water Scarcity Indicators <http://www.wri.org/project/watershed-scarcity-indicators>

demonstrate the importance of creating a vision that goes beyond the financial imperative alone:

we have to go deeper and find the real reasons for our being...a group of people come together to accomplish something collectively...they make a contribution to society, a phrase which sounds trite but is fundamental (Ellsworth: 99).

Attending to a broader purpose will inevitably be more complex than the traditional task of running a business, and thereby may need a new business model that inherently understands the reciprocal nature of pursuing both individual and common goals, where ethics and profit are not seen as mutually exclusive. Many decision-makers, however, focus on the tension between business and society, failing to see the interrelationship of purpose, profits and priorities (Paine, 2003).

## **1.6 The Need for a New Model of Capitalism**

Given today's turbulent economic environment, arguably there is an acute need for companies to address the existing dichotomy between profit and values and rethink the fundamental role of business in society. The current form of free market capitalism generally focuses on the needs of the individual, with little regard for the common interest. In this context, what some scholars are calling for is the development of a reciprocal economic system with a focus on both the individual and the collective. Reciprocity, in this context, has been described as *the social mechanism that makes associational life possible, when reciprocity finds economic expression for the provision of goods and services to people and communities it is the social economy that results* (Restakis, 2005:1). This new type of capitalism assumes that the dual pursuit of self-interest and common goals can be mutually enhancing, the contention being that if the traditional business model is not re-evaluated to encompass a broader purpose, then it can affect the bottom line over the short and long-term, not least in terms of heightened financial risk, reduced credibility in the marketplace and the threat of litigation. Failing to see the interdependence between priorities and purpose has in the past, and is likely to continue in the future, to make companies more vulnerable to the vagaries of the global marketplace and as a result unable to bring about positive and productive change. Without a clear business purpose beyond maximising profits decision-makers are more prone to take the type of decisions that can bring down an entire economy. One needs only look to the current banking crisis to get a clear picture of such a scenario.

The question that arises most forcefully now is not so much about the end of capitalism, as about the nature of capitalism and the need for change. This invoking of old and new capitalism played an energising part in the discussions that took place in the symposium on *New World, New Capitalism*, led by Nicolas Sarkozy, Tony Blair and Angela Merkel in January in Paris 2009. Amartya Sen, the 1998 Nobel Prize winner in economics, argues that the difficulties of today do not call for some *new capitalism*, but they do demand an open-minded understanding of the older ideas about the reach and limits of the market economy (2009).

What is required, perhaps, is the need to develop what Guptara (2009) calls a movement for *world capitalism* based on:

- a) the best of the human-capitalist tradition of Europe,
- b) the risk-friendly capitalism of the USA and the UK, and
- c) social justice and environmental and emotional care worldwide.

To echo Stuart Hart's (2007) proclamation – capitalism is at the crossroads. It needs to ignite new growth by creating sustainable products that solve urgent societal problems, to which the author would add – in a responsible manner.

### **1.7 From Responsibility to Reciprocity**

The emergence of a reciprocal economy is linked to what Wilson (1999) calls *consilience*, or the linking together of two otherwise opposing concepts, to form a mutually enhancing interdependent relationship. To put this in the context of sustainability, it relates to the synthesis of the individual and the collective, where organisations embrace whole systems thinking to participate in both economic and socio-political affairs (Svendsen and Laberge, 2005). Society is currently embracing an economic system that is failing to balance economic, social and environmental interests. In this regard, any *progress* made by companies trying to *do the right thing*, is negligible under the framework of a capitalist system that compels businesses to *do the wrong thing*. However, if one accepts Wilson's hypothesis, this system, albeit social, economic, or environmental will eventually collapse, as is now happening worldwide with the current financial crisis. Thus it is the system that needs to be changed. In accordance with the basic tenets of quantum physics, whole business

sustainability needs to be perceived as an ongoing process where everything is interconnected, where economic, social, political and ecological systems function as part of an integrated relationship (Folke *et al.* 2005).

Several converging concepts have helped the researcher gain a grasp of how systems thinking and an ecological mindset can help understand the reality of reciprocity. These include the following (Ratcliffe and O'Brien, 2009).

- a) Natural Capitalism. The key element of which is that the economy must shift from an emphasis on human productivity towards a radical increase in resource productivity (Hawken *et al.* 2000).
- b) A New Economics. The use of systems thinking and a more holistic approach as a way of breaking out of the narrow prism of GDP and market pricing that dominates conventional economic thinking (Henderson, 1999).
- c) Socionomics. A non-scientific theory with the central hypothesis that social actions and events do not cause trends in social mood, but rather changes in social mood produce trend changes in social action (Prechter, 1999).
- d) The Natural Step. A non-profit organisation founded in Sweden which has pioneered a 'backcasting from principles' approach to effectively advance society towards sustainability (Robert, 2002).
- e) Theory U. Using a learning methodology called 'presencing', Theory U develops and explores new territory for conducting research, pursuing institutional change and practicing transformational leadership (Sharmer, 2007).
- f) Synchronicity. An 'acausal connecting principle', in C.G. Jung's classic definition, where there is a meaningful coincidence of two or more events, where something other than the probability of chance is involved (Jakorski, 1998).

The world envisioned, perhaps in 2030 and beyond, may well need to be based on radically different perceptions of the world than are common today; perceptions that are more in harmony with the natural world. By recognising that nature is not something to be conquered, but rather is viewed as fundamental to corporate longevity, it will eventually enable decision-makers to create the conditions conducive to sustainability. To do so it is suggested here that a systemic worldview of complexity and uncertainty should be embraced by business. For companies to tackle the challenges of the 21<sup>st</sup> century, they will first have to abandon

obsolete mentalities and embrace a new mindset to create a more holistic, integrated and sustainable future.

Arguably, the most important of these is the need for a new fundamental shift of mind, or 'metanoia'<sup>11</sup>, whereby organisations operate with a conviction that they can shape their destiny (Jakorski, 1996). The world is entering a period of *Necessary Transformation* (Ratcliffe, 2009) where organisations around the world will arguably have to change from the dead-end *business-as-usual* tactics to transformative strategies that are deemed essential for creating a flourishing, sustainable and responsible built environment. This necessary transformation calls for fresh ways of thinking and learning - a new mindset - where the cognitive abilities that command a premium in the years ahead will embrace (Gardner, 2007):

- a) the disciplinary mind - mastery of major schools of thought (mathematics, philosophy, economics) and at least one professional craft;
- b) the synthesising mind - ability to integrate ideas from different disciplines or spheres into a coherent whole and to communicate that integration to others;
- c) the creating mind - capacity to uncover and clarify new problems, questions and phenomena;
- d) the respectful mind - awareness of an appreciation for differences among human beings; and,
- e) the ethical mind - fulfillment of one's responsibilities as a worker and as a citizen.

Armed with these well-honed capacities companies will be equipped to deal with what is expected in the future - as well as what cannot be anticipated. To echo the words of Meister Eckhart, moreover, people should consider not so much what they are to *do*, as what they *are*.

In a world of constrained natural capital, social capital and human capital, optimising only return on financial capital imprisons business in the shadow of a distant past...Business is a living system, and, like all others, it must continually adapt to be in harmony with a changing environment. (De Geus<sup>12</sup>, 2007)

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<sup>11</sup> From the Greek *μετάνοια*—compounded from the preposition *μετά* (after, with) and the verb *νοέω* (to perceive, to think, the result of perceiving or observing)—*metanoia* means "a change of mind". In Christianity, the term refers to spiritual conversion.

<sup>12</sup> Futurist speaking at a conference on the future of the corporation in Boston, November 2007

Without this transformational mindset, those engaged in business will inevitably be at the mercy of forces they cannot understand – overwhelmed by information, unable to succeed in the workplace, and incapable of making judicious decisions about personal, let alone professional matters.

## **1.8 Recession Proof Strategies and Policies**

In the current economic climate, developing failsafe sustainability policies is timely. As the recession deepens, growth slows and bankruptcies multiply, companies are being forced to cut costs and lay-off employees on a daily basis, all of which begs the question of whether a shadow might be cast over the trend towards sustainability and CRB. In such a harsh economic climate, companies may be forced to scale down their CRB initiatives and instead emphasise sustainability in its more literal sense: staying in business. During such times, it is argued that successfully moving toward responsibility, regardless of the industry, will require a major overhaul of companies' norms, values, priorities and perceptions. Organisational change can be achieved when decision-makers and employees break down their political, economic and social norms and begin to value new concepts - such as preserving and conserving the environment, improving the quality of life in local communities, or reducing the psychological stress of employees. Responsible companies of the future may need to develop what Wilenius (2004) describes as *principles of high moral quality*, in order to facilitate the creation of long-term value for both internal and external stakeholders. These principles or values need then to be reflected in the overarching strategy of the firm.

The question for decision-makers is no longer about taking a pro-growth or anti-growth stance, rather it is about recognising that growth itself is not the only path. What may now be needed is a shift in focus to the end - quality of life - rather than the means – unbridled growth. This, in essence, is what Eckerley (2002) describes as the postmaterialist challenge, where values-based goals such as sustainability, responsibility, opportunity and meaning are given equal measure to economic imperatives. In an economy of demand, businesses of the future will arguably need an awareness of their organisation as an innate part of society, and, therefore, will have to consider consumer demands.

When addressing CRB and sustainability, companies of the future may be required to recognise that there is something deeper than sheer economics, in the classical sense, at play. Today, consumers are concerned about how goods and services have been produced, an

interest that is undoubtedly related to a seismic shift in values. Growing groups of people in developed countries around the world are demanding companies to be socially responsible. New niches are appearing in the market, and companies that wish to operate in this new climate will be forced to apply a new, more holistic, systems based logic to the way they do business, moving away from the analytical, fragmented, and mechanistic approaches of the past century, towards more systematic, interdisciplinary, multi-perspective, and visionary leadership to effectively manage the complexity of change (Sydänmaanlaka, 2003).

## **1.9 Linking Futures Research to CRB**

The complex nature of responding to the CRB challenge is reflected in countless definitions (Gladwin, Kenelly and Krause, 1995) and the assertion that for the practice of CRB to be realised effectively, issues need to be treated systemically (Starik and Rand, 1995). Bradbury *et al.* (2000) further propose that the myriad complexities surrounding sustainability and responsibility stem from the need for such concepts to be addressed, firstly, by a diverse range of stakeholders with multiple agendas (behavioural complexity); and secondly by embracing the issue of futurity (generative complexity). Developing the organisational capacity for challenging assumptions about the fundamental role of business can be considered of equal importance as the capacity for technical innovation and cognitive complexity in companies (Handy, 1998). In this context, the potential for Futures to play an important part in embedding corporate responsible behaviour firmly into the DNA of the company is huge.

Using Futures in corporate policy and strategy development is not a new phenomenon. Shell for example, has been using scenarios for over three decades to explore potential developments and to test corporate strategies against potential future outcomes. According to Shell:

Scenarios are particularly useful in situations where there is a desire to put on the agenda proactively (for example when there are leadership changes and major impending decisions) and where changes in the global business environment are recognised but not well understood (such as major political changes and new emerging technologies)<sup>13</sup>.

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<sup>13</sup>[http://www.shell.com/home/content/aboutshell/our\\_strategy/shell\\_global\\_scenarios/what\\_are\\_scenarios/what\\_are\\_scenarios\\_30102006.html](http://www.shell.com/home/content/aboutshell/our_strategy/shell_global_scenarios/what_are_scenarios/what_are_scenarios_30102006.html)



Furthermore, the current uncertainty of the global economic climate demonstrates companies need to be thinking more rather than less about the longer-term implications of corporate decisions. To quote Fuller and Collier (2004:111) *responsibility without foresight is blind, but foresight without responsibility is dangerous*. After all, it was the sheer lack of responsibility and foresight in markets over the past decade that has led to today's current financial turmoil and recession in most international markets.

As such, by embracing a Futures-oriented approach (for more detailed analysis on Futures see Chapter 3) decision-makers can gain a more holistic understanding of complexity and change. It is suggested in this research that a combination of systems thinking and futures approaches can be useful in the development of holistic CRB policies and strategies, the contention being that whatever level of awareness and understanding a company has reached, there are always higher levels of complexity to master (Van Marrewijk, *op cit*: 20). By using a Futures approach to deconstruct reality from what is known to what is indeterminate, or by simply imagining ahead and planning backwards, the point of intersection may well emerge enabling decision-makers to engage in a reconstructive journey of exploration, towards more holistic and ultimately more effective policy-making and decision-taking.

The author has grappled with the theory expounded in David Bohm's book *Wholeness and the Implicate Order* (1980: 2) which at one level is highly technical, but at another describes an insightful worldview that gives a coherent and unified understanding of physical phenomena, suggesting that both the material world and consciousness are parts of a single totality of movement:

The notion that all these fragments is separately existent is evidently an illusion, and this illusion cannot do other than lead to endless conflict and confusion...this way of life has brought about pollution, destruction of the balance of nature, over-population, world-wide economic and political disorder and the creation of an overall environment that is neither physically nor mentally healthy for most of the people who live in it.

In other words if complex global problems, such as addressing sustainability and CRB are considered from a whole systems perspective rather than as *independent fragments*, decision-makers will be able to think wider than their own preconceptions, assumptions and beliefs and begin to develop more coherent solutions. Given the current climate it is potentially an opportune moment in history for businesses to begin to explore alternative futures for their

organisation, through methods and techniques, such as corporate foresight, strategic visioning, scenario planning and development, so that they may anticipate, and thus prepare for what lies ahead. The contention being that during turbulent economic times companies are arguably in a unique position, and are often forced to rethink the strategies and practices to find new and innovative ways to manage resources and impacts so that they may sustain business into the future.

### **1.10 The Commercial Property Industry: Relevance and Implications of Sustainability and CRB**

The commercial property industry is a significant part of the UK economy. According to the British Property federation, it is six times larger than the agriculture sector, more than twice the size of the oil industry and larger than each of the banking, leisure, transport and communications sectors. From the choice of site, right through to the design, construction, occupation, investment and disposal practices, the commercial property sector has a significant impact on the economy, society and the environment. Globally, an estimated 60 per cent of all materials go into the construction industry, and 60 per cent of the world's energy is used to heat, light and ventilate buildings (Sell, 2007). Property is also a significant investment asset class for the pensions industry and therefore crucial in terms of financing the retirement population. Whilst mainstream property activities have traditionally been driven by financial obligations alone, some innovative business leaders are beginning to recognise that the built environment is ripe for delivering sustainable development. This is due to several distinct, but interconnected factors that are driving the property industry to adopt more sustainable and responsible practices – from soaring energy prices, government regulations, rising consumer demands for socially responsible investments, to tenant demands for sustainable buildings. The globalisation of property markets has only served to intensify these trends.

Current literature confirms the financial benefits of sustainable construction (James, 2006) however this has largely failed to trickle through to the commercial property profession. This can be attributed to many things, not least political will, legal impediments, competitiveness, myopic thinking, or simply a lack of understanding. Pearce (2005: 481) supports the last point in particular, arguing that the commercial property industry *can be forgiven if it struggles to take sustainable development, or sustainability, on board since there is a*

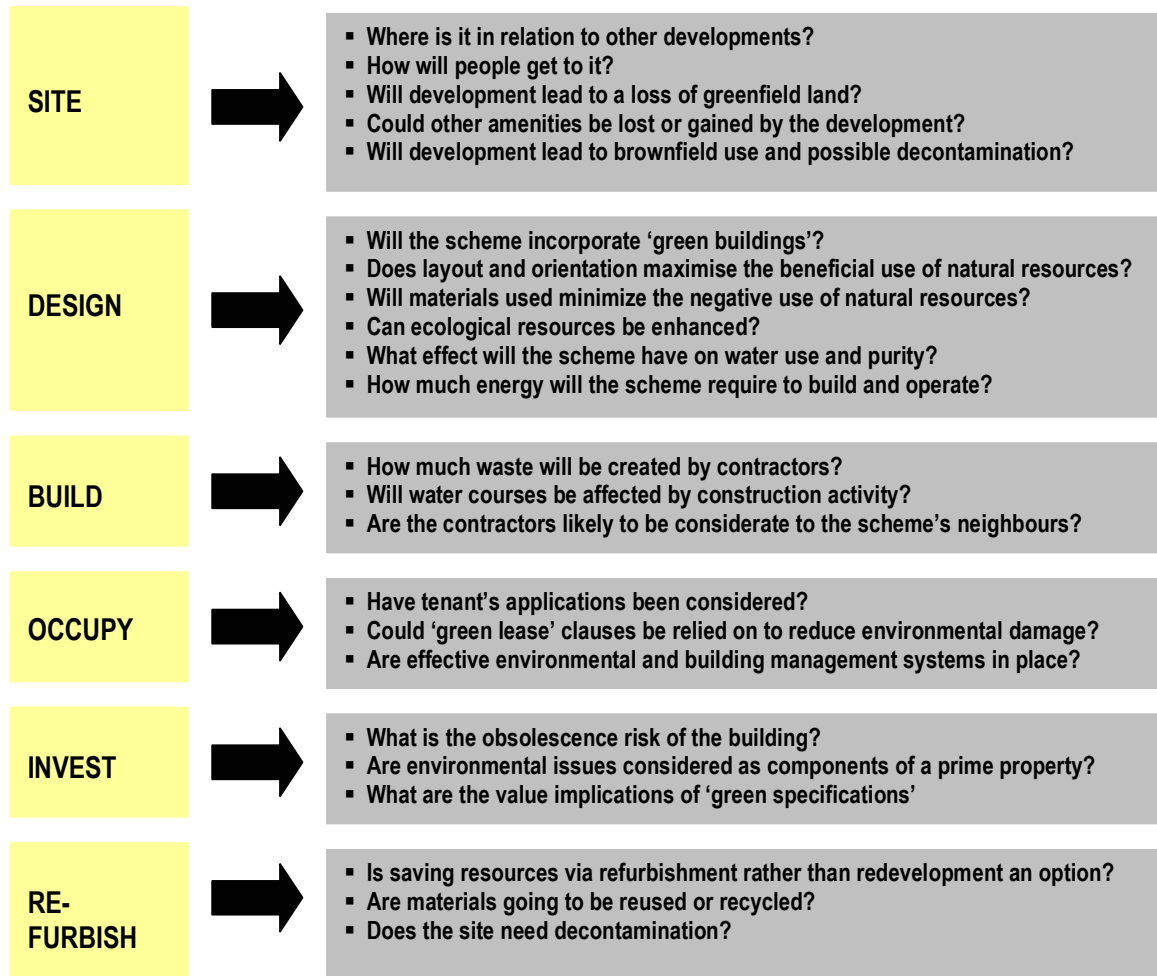
*shortage of sound guidance on just what the concept means for property and construction and what the industry would have to do to achieve it.*

There is a plethora of local institutions and international organisations developing their own sets of standards and definitions for sustainable property as it relates to them, but, by-and-large, they fail to denote a clear understanding of how best to move forward. The Global Reporting Initiative, for instance, produced a set of guidelines and generic indicators to measure the *non-economic* and *non-tangible* aspects of business activities, but there is much disparity in the way these are applied and measured. This is proving to be a significant obstacle to both the deepening and widening of sustainable policies in the commercial property sector as a whole (Carroll 2000). Sustainable commercial property is not just limited to green buildings, energy efficiency and the efficient technologies, it is also about the social implications of development and the need for an integrated long-term approach. In practice, every dimension of the property lifecycle is affected by sustainability, and decision-makers, at all levels, need to be actively involved in considering its implications, as well as the consequences of the decisions they make and the actions they take.

As the concept of sustainable development and corporate responsible behaviour has become more mainstream, the property sector is slowly becoming more willing to consider the impacts of their activities of the communities and environment within which they operate. Within the industry, sustainability is generally defined as relating to the three pillars of sustainability, nevertheless currently the focus remains almost exclusively on the environment. Most in the industry tend to think of climate change when addressing sustainability issues, driven by the well publicised imperative to reduce the carbon emissions of buildings. Much of the discussion has also focused on the *greening* of new buildings to the neglect of existing buildings, which, ironically, amounts to over 98 per cent of existing stock. Therefore, if the UK commercial property industry wishes to make a valid contribution to sustainable development, it will have to invest more heavily in making its existing building stock more efficient.

Figure 1.3 below illustrates the property lifecycle and the implications for sustainable commercial property development.

## SUSTAINABILITY AND THE PROPERTY LIFECYCLE STAGES



*Figure 1.3 Sustainability and the Property Lifecycle Stages*

*Source: Adapted from Ratcliffe et al. (2009) Urban Planning and Real Estate Development 3<sup>rd</sup> Edition*

To be sustainable commercial property companies need to take a long-term view of their impacts on local communities and the environment, as well as ensuring a return for investors – the essence of corporate responsible behaviour.

### **1.11 Theoretical Justification, Scope and Limitations of the Research**

Having set the three strands of in context: CRB, Futures, Commercial Property, the research seeks to investigate the phenomenon of CRB policy and strategy development from both an academic and industry perspective, by firstly evaluating the current conflicts around the

concept of CSR and by critiquing Futures Studies as both a philosophy and methodological tool for developing CRB policy and practice; and secondly, by empirically testing the research hypothesis (section 1.0) in a real-world context. The overarching intention of the research is to potentially bridge the gap between academia and business, by developing a framework that is conceptually broader and operationally more integrative than commonly contemplated in the commercial property industry at present. While extensive research has been documented on CRB imperatives and initiatives, very little has emerged that examines the specific attitudes and behaviour of the various stakeholders behind the strategies and codes of conduct, and virtually nothing on how to fully integrate responsible behaviour at all levels of company activity (e.g. defining the culture, values, decision-making, stakeholder dialogue and operations).

Company behaviour consistently points to a marked lack of correlation between stated CRB principles and practice. Through ongoing collaboration with project participants (academia, collaborating companies and institutions) it is hoped that a framework for best practice for the commercial property sector will be developed from the research and made available industry professionals, and for the participants in this research. While testing the framework is beyond the scope of this research, it is presented at the end of the thesis as a recommendation for further scholarly research in this field. A central aim of the overall project is to facilitate interaction between the collaborators in order to develop synergies between the various stakeholders developing CRB policy and strategy.

Part of the research included improving CRB competence in the commercial property industry and related institutions, through active dissemination of knowledge and interaction with relevant stakeholder groups. The literature indicates a gap between the theoretical and practical aspects of CRB development and practice (Minzberg and Lampel 1999), which highlights a growing need for a new approach to understanding the drivers and inhibitors in developing CRB policy and practice. As such, the broad range of disciplines, coupled with the relative novelty of CRB to academics and practitioners in the commercial property industry alike, have provided the scope for conceptually innovative and practically significant research.

## 1.12 Philosophical and Methodological Approach

As detailed in Chapter 4, the underlying philosophical approach to the research is based on a subjective view of the nature of reality, where the social world is essentially constructed by various individuals and groups (Berger and Luckmann 1966), and where reality is created based on the beliefs and perceptions of individuals and actors (Burrell and Morgan 1979). Furthermore, the research is characterised by both an inductive research approach (phase 1) and a deductive research approach (phase 2), where both phases are undertaken from a social constructionist perspective. Owing to the fact that it is people who perceive different realities, they inevitably play a significant part in constructing the social reality (Easterby-Smith, *et al.* 1991; Morgan, 1997). This aligns well with the qualitative methods of collecting data given that qualitative research is widely recognised as constituting the socially constructed nature of reality (Denzin and Lincoln, 2005), and thus the validity of qualitative research is not purely dependent on empirical findings but rather is *shaped by the theoretical interests of the researcher* (Ahrens and Chapman, 2006).

The constructionist paradigm is reflected in the emphasis on incorporating the views of a diverse range of stakeholders responsible for the development of CRB policy and strategy within the commercial property industry. Within the constructionist paradigm, a naturalistic methodological approach is taken (Miles and Huberman, 1998) and, as such, strategic conversations, in-depth semi-structured interviews and futures workshops are employed throughout the research. Furthermore, documentary review and environmental scanning provide any otherwise unavailable information so as to place the empirical data in context.

Exploratory, interpretative studies are concerned with two types of validity: constructive and external (Yin, 1994). In an attempt to guarantee the constructive *validity* of this research (in other words, the methods and techniques being used) a multi-method approach is employed: firstly, by a triangulation of data-collection methods – questionnaires, strategic conversations, interviews, internal and external document review; and secondly by verification of the results by research participants, where the accuracy of the data collected can be judged.

Following this multi-methodological design, the research is underpinned by an interpretive approach to investigate the potential improvements to the process of CRB in the commercial property sector. For the initial documentary review, theories of globalisation, virtue ethics

(who do we aspire to be?) and consequential ethics (what activities will generate the greatest good for the greatest number?) are used to provide a good understanding of the complexities of CRB. Beginning with the main ethical paradigms, CRB is understood and examined in terms of risk minimisation, through the ability to enter productive dialogue between businesses and various stakeholders. Within the social constructionist paradigm, insights from evolutionary systems theory, sense-making theory and FS are useful in assessing the performance of companies, as CRB activity is largely influenced by a variety of actors interacting in several arenas. Throughout the research, all of the above mentioned theories are used as an analytical lens through which to understand the data collected and contextualise the research (as described in more detail in chapter 4), and in practical terms to inform and influence the development of framework for more effectively developing CRB policy and practice.

By closely aligning the research with FS as a philosophy and critical research methodology, it is possible to explore, deconstruct, and critique future visions, perspectives, and value systems, going beyond personal, organisational, cultural and conventional views of participants, not necessarily to advance the CRB agenda or to achieve consensus, but as way of understanding. Hence, the research is inherently multidisciplinary, empirical and applied. It spans a range of disciplines from CRB and Futures to organisational behaviour, ethics and systems theory, in order to gain a broad insight into the data collected and the related implications for the future of CRB within the commercial property industry.

The research is fundamentally empirical with primary data gathered from participants who have main functional responsibility for developing CRB policies and strategies within the commercial property industry (31 in-depth interviews, 25 strategic conversations as well as three futures workshops were held between 2005 -2009). Four questionnaires were also conducted, adding a quantitative element to the research. The primary research data has been used to gain a greater understanding of how and why companies develop CRB policy and strategy in the way that they do, and identify what could be done to improve individual approaches, with particular emphasis on the commercial property industry. Lastly, the research is applied, with a focus on reducing the relevance gap between theory and practice, and in creating a set of propositions that can be used practically by the commercial property industry. Therefore, this research makes a unique contribution to knowledge in the context of a) CRB theory and practice, through the use of qualitative methods and techniques, and b)

facilitating practitioners to identify preferred strategic responses to ensure that companies can adapt to unfavourable climates and succeed in many different social and economic conditions. The overarching goal of the research is to influence business behaviour so that the global challenges of achieving sustainable development can be more effectively met.

### **1.13 CRB and Futures as Distinct Field of Study**

What then makes CRB a distinct area worthy of study? CRB is fundamentally based on realigning business with the principles of sustainable development, which essentially involves uniting social, environmental, economic and ethical issues, and perceiving them as interconnected and inseparable elements of society and the environment. Engaging in meaningful CRB challenges traditional assumptions of business theory and therefore illuminates the need for businesses to re-evaluate and possibly re-imagine their fundamental *raison d'être*. To provide a greater insight into the nature of CRB, the research is multidisciplinary, as it is composed of a range of disciplines such as business ethics, economics, futures, quantum physics and the like, and thus requires expertise from a range of individuals collaborating to create effective CRB engagement. In an academic context, this has myriad implications for accessing and understanding a wide range of literature from across a range of disciplines as indicated above.

Linking CRB with FS is particularly relevant as it opens up dialogue with both groups and individuals from both inside and outside of the traditional company structure, giving internal and external stakeholders a voice that they may not otherwise have had. The increased access of stakeholders to company processes and decision-making often requires a paradigm shift on the part of individuals in participating companies, in terms of the processes used to develop policies and strategies.

### **1.14 Structure of the Thesis**

Chapter 1 provides an introduction to the research and its key contributions, followed by the second, third and fourth chapters, which discuss respectively the key areas of relevant literature in CRB and Property (Chapter 2), Futures (Chapters 3), and the research philosophy, methods and data analysis techniques employed throughout the research (Chapter 4). This is followed by the core research findings, which are divided into two distinct chapters (Chapter 5 and 6): the first ultimately presenting and analysing the results of the first



phase of multi-method research. The findings in Chapter 5 ultimately formed the basis for the conceptual and operational framework, presented in the final chapter, for developing and implementing CRB within the commercial property sector. The second findings chapter presents and analyses the findings of two related empirical studies that fed into the research. Both studies enabled the evaluation of the application of futures approaches and techniques in a corporate context. The final chapter (Chapter 7) brings these key elements of the research together, discusses the benefits of using such an approach in shaping effective CRB policies and practices in the commercial property sector, presents a set of recommendations for that can hopefully be used by the property profession in developing CRB policy and practice and discusses the implications of the research for further study.

## **Chapter 2**

### **Literature Review Part 1**

## **2.0 RE-THINKING CSR: IMPLICATIONS FOR THE COMMERCIAL PROPERTY INDUSTRY**

Sustainability reflects both a monumental concept of life on a global scale and a simple notion of balance applicable to everyone  
[Morrison Institute for Public Policy: November 2007].

The first chapter provides an introduction to the research, its key characteristics and structure. The following two chapters (2 and 3) provide an overview of the relevant key concepts from within the CRB, and Futures Studies literature, focusing particularly on its implications for the development of CRB policy and practice in the commercial property industry.

This first of the two theoretical chapters has five aims as follows:

1. To introduce the general concepts of sustainability and CRB.
2. To describe current literature in the CRB field.
3. To introduce the critical elements of Futures research and link the two concepts.
4. To discuss briefly the implications of the two concepts for the commercial property industry.
5. To highlight the gaps in the current literature and the need for exploring and examining the research objectives.

What follows is a critical assessment of existing theoretical contributions to knowledge in the field of sustainability and CSR, illustrating the need for a new empirically based framework, to enhance the development of CSR policy and practice, with specific focus on the implications for the commercial property industry.

Part one, therefore, examines CSR in terms of the following: a) the current status of sustainability and CSR from global, institutional, corporate, and individual perspectives, such as sustainable development, corporate legitimacy, stakeholder management and ethical obligation; b) the definitional deficit: from theoretical developments within the field of CSR to the need for a re-evaluation of the term, such as CSR versus CRB, shareholder versus stakeholder theory, theory of the firm and the like; c) the key challenges facing the field, such as the difficulty in measuring social and business impacts, implementing policies and monitoring performance; potential approaches to achieving holistic CRB, such as FS, systems

thinking and values based leadership; and d) the implications of a new framework for developing CRB policy and practice in the context of commercial property.

## **2.1 Introduction: Sustainability, CRB and the Need for a New Business Paradigm**

Sustainability, manifestly, has become the elusive mantra of the 21<sup>st</sup> century. There are a large number of definitions of sustainability and sustainable development, most of which say the same thing: that sustainability is about balancing what goes in with what comes out so that the entire process of development is regenerative in nature. Concepts of sustainability and sustainable development emerged from political debates, and were popularised in the *Brundtland Report* (1987). The report defined sustainable development as *development that meets the needs of the present without compromising the ability of future generations to meet their own needs (ibid)*. This nebulous and oft repeated definition has been the subject of much criticism, particularly for its *implied anthropocentrism and utilitarianism* (Livesey, 2002). One notable shortcoming is that it fails to state clearly the importance of ensuring economic activities do not exceed the regenerative capacity of the ecosystem. Furthermore, the meaning of the term *needs* is too ambiguous to use this definition as a practical guide for human activities. Needs are generally defined as those relative to what individuals are used to. Consequently, a definition of the needs of future generations will merely reflect current standards of living.

At its most basic level the concept was intended as a framework for policies and practices that would resolve the dilemma of unbridled economic growth and the need for civil society to operate within the boundaries of a finite planet. However, it is becoming increasingly evident that this definition has struggled to be of any use in the face of growing complexity. According to Victor (2005L: 1)

As the central tenets of sustainable development have spread into practice, something has gone horribly wrong. The watchwords of nimbleness, resilience, and ingenuity have given way to a vast apparatus marked by bureaucracy, specialization, and mandates.

The author further suggests that while sustainable development has become the prevailing sentiment, the holistic nature of sustainability has rendered the term virtually meaningless - a chameleon concept that can be adapted to suit the ethos of any sector – large oil companies,

*green* architects, nuclear power plant companies and the like. In other words, rather than uniting social prosperity, environmental efficiency and sustained competitiveness under the three pillars of sustainable development, the concept is merely drowning in an ocean of ambiguity.

Those in support of the *business case* propose that sustainability can be efficiently addressed by corporations, and that by thinking strategically about societal and environmental concerns a reciprocal relationship between business and society will emerge (Hawken *et al.* 1999; Falck and Heblich, 2007). By contrast, from an ecological economist's perspective, sustainable development should represent *development without growth – without growth in throughput beyond environmental regenerative and absorptive capacity* (Daly, 1996: 9) where *throughput* is regarded as the flow of materials and energy from the human economy used to fuel the existence of life. The *regenerative and absorptive capacity* refers to the ability of the environment to provide resources and act as a sink for the waste that is produced. This debate has been captured in terms of *weak* versus *strong* sustainability, where weak sustainability has been described as when *development is non-diminishing from generation to generation. This is by now the dominant interpretation of sustainability* (Brekke, 1997: n.p).

While this perspective goes some way towards providing a working definition of sustainable development, there are also intrinsic weaknesses in that it fails to address the societal aspect of sustainability. Reducing sustainability to environmental issues in this way inevitably obstructs the path towards meeting the broad challenges of sustainable development: social prosperity, environmental efficiency and sustained competitiveness.

Doppelt (2003) identified Seven Sustainability Blunders as follows:

1. Patriarchal Thinking That Leads to a False Sense of Security
2. A *Silo* Approach to Environmental and Socio-Economic Issues
3. No Clear Vision of Sustainability
4. Confusion over Cause and Effect
5. Lack of Information
6. Insufficient Mechanisms for Learning

## 7. Failure to Institutionalise Sustainability

According to Doppelt, most companies addressing their environmental and social impacts are likely to make one or more of the above *sustainability blunders*. Furthermore, by developing an awareness of how the above mistakes can negate efforts towards sustainability, it is the first step towards creating a truly sustainable organisation.

### 2.2 The GDP Myth

There are a myriad of reasons to doubt that the standard capitalist creed will deliver sustainable development. Conventional economic thought assures us that economic growth, as measured by Gross Domestic Product (GDP), will lead to extensive improvements in income levels, firms will reap the benefits of economies of scale and that incomes will level off as poorer nations develop rapidly (O'Sullivan and Sheffrin, 2003). The current economic system has been based on well-intended theories (e.g. Smith, Weber and Keynes). However, it is becoming increasingly clear that current measures of GDP, as indicators of progress, fail to take into account the externalities, such as increasing inequality and environmental degradation (Van den Bergh, 2007). Moreover, societal and environmental problems are treated as economic gains. Markets by their very nature are blind to the negative impacts they help to create. Kapp (1977) cautioned that the market has an innate propensity to exacerbate environmental degradation and increase social costs.

Both Daly (1977) and later Gowdy and Mesner (1998) recognised that the market by nature is inherently incompatible with the goals of sustainability in its capacity to register social and environmental degradation. Cohen and Winn (2007) further note that *while the benefits of natural or social capital depletion can generally be privatised, the costs are often externalised, leading to social inequality and environmental degradation*. As such, natural capital is hugely undervalued by society since it is not fully aware of the true costs of the depletion. This implies that current perception mistakenly sees man-made capital to have a limit as opposed to natural capital. Since our economy is relying on the environment for natural resources it is in fact natural capital that is finite. Therefore, whilst economic logic can stay the same it is what individuals perceive to be scarce that needs to change.

### 2.3 Growth or Development?

The terms *growth* and *development* have caused much confusion in the context of sustainability. However, both concepts have been clearly distinguished: where *growth* has been defined as *the quantitative increase in the scale of the physical dimensions of the economy* (Daly, 1996: 167). In other words, an increase in the amount of natural resources taken from the environment and returned to it in the form of waste. In contrast, *development* has been defined as *the qualitative improvement in the structure, design, and composition of physical stocks and flows that result from greater knowledge, both of technique and purpose, that is, a more efficient use of resources through an understanding of their true value* (*ibid*).

Accordingly, the economy can grow without developing – or indeed develop without growing. Since the human economy is a subsystem of a finite ecosystem, which does not grow, despite developing, it is evident that uncontrolled economic growth cannot be sustained in the long-term. As Boulding (1953: n.p) famously noted *anyone who believes exponential growth can go on forever in a finite world is either a madman or an economist*. Scientific research suggests, therefore, that economic production needs to focus on quality over quantity, where goods are only a means to an end, and by recognising this, the economy can *develop* without *growing* in physical terms. Hence, the term growth can be replaced by sustainable development, and *value* can be replaced with *values*. From the literature, it is evident that the issue of sustainability and social responsibility reveals uncertainty around the competing tenets of *neo-classical economics, social justice and environmentalism* (Livesey, 2002), making it increasingly difficult to effectively respond to the ethical challenges companies face. In this context, the developed world is a long way from reaching consensus on what needs to be done in order to meet global, social and environmental challenges.

It is widely accepted that sustainability is predominantly a cultural and political issue, strongly linked to societal values and beliefs (Weymes, 2004). Sustainability is seen as essentially a behavioural concept involving the creation of a preferred future under conditions of complexity and uncertainty (Byrne, 2005). Accordingly, the transition towards a more sustainable society exposes the need for a dramatic change in the belief systems or predominant world views in Western society. To explore alternative theoretical and practical paths to capitalism, it has been suggested that a cultural, ethical and futures approach to environmental and social challenges might be a step in the right direction (Collier and Wanderley, 2004). Giampetro (1994) further argues that cultural values and beliefs are an

important factor in making decisions related to sustainability. Contributors to the World Bank Symposium, which examined both the ethical and spiritual dimension of sustainable development, emphasised the importance of values and institutions in shaping corporate behaviour towards society and the environment (Serageldin and Barrett, 1996). Prior to the period of industrialisation, the process of changing assumptions and belief systems, by and large, took centuries. Since the ICT revolution, however, and the concomitant speed of receiving new information that challenges predominant beliefs and values, it is interesting to note that society will more than likely have witnessed a major paradigm change in the space of just one generation.

## **2.4 Current CSR Debates from Industry to Academia**

Much like sustainable development, the concept of corporate social responsibility is a litigious one. Debates continue to rage in various circles - academia, business, government, and institutions - over exactly how to define responsibility as it relates to business, and perhaps more importantly over how it can be practiced. To suggest that an authoritative blueprint for responsible behaviour has been developed would be ludicrous, nevertheless, environmental and ethical factors are increasingly being promoted as relevant to financial performance, and companies which show the integrated management of these issues can create both social and financial benefit (e.g. Burke and Logsdon 1996; Porter *et al.* 2002, 2006; Prahalad and Hammond, 2002).

Discussion around the role of business in society has been taking place for decades, if not centuries. Clark (1916: 223) noted that *if men are responsible for the known result of their actions, business responsibilities must include the known results of business dealings, whether these have been recognised by law or not.* Kreps<sup>14</sup> (1940) introduced the subject of Business and Social Welfare to Stanford University, coining the term *social audit* which stressed for the first time the need for companies to report on their social responsibilities. Drucker (1942, 1973: 325) argued for companies to address both the social and economic dimensions of strategic management, stating that *in modern society there is no other leadership group but managers. If the managers of our major institutions, and especially of business, do not take responsibility for the common good, no one else can or will.*

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<sup>14</sup> Global Sustainability, RMIT University (2001) Global Sustainability: The History / Time Line of an Idea



Nevertheless, research in the field of business and responsibility, during the past thirty years, has only begun to provide real insight into its nature as one of the principle ways in which the corporate sector can respond to the issue of sustainable development (e.g. Handy, 2002; Weymes, 2004).

The Rio Earth Summit in 1992 set out an ambitious agenda to address the environmental, economic, and social challenges facing the international community, and was arguably the first notable event associated with the development of a CRB agenda. Following this, the meeting of the EU Council in Lisbon 2000 made a special appeal to businesses to consider the principles of social and environmental responsibility in their decision-making, marking a turning point in terms of the role that corporate executives could play in helping to achieve sustainable development. More recently the World Summit on Sustainable Development, held in Johannesburg in 2002, called for the acceptance of corporate-led initiatives as a potential panacea for the world's social and environmental ills. Despite the positive impact of such global events, in terms of heightening awareness the CRB debate has been guided mainly by concern for the credibility of such an elusive concept and while activity has increased, mainstream businesses have yet to be convinced of the myriad benefits to be accrued from socially responsible behaviour. In the last decade in particular there has been mounting scepticism among politicians, academia and within business itself.

## **2.5 Correcting the Definitional Deficit**

With no clear definitions or objectives, companies are finding it difficult to gain a comprehensive understanding of how best to move from rhetoric to reality (Carroll, 1991). Frankenthal (2001) suggests that the current weaknesses of CRB integration can be attributed to the following:

1. procedures of corporate governance;
2. the market's view of the organisation's ethical stance;
3. lack of clear definition;
4. lack of formal mechanisms for taking responsibility; and
5. placing and priority that most organisations give to social responsibility.

Schwartz and Gibb (1999) further suggest that CRB companies are failing to address their responsibility for several reasons:

1. managers focus exclusively on financial indicators of performance;
2. employees are discouraged from thinking about their work in a holistic manner;
3. decision-makers rarely venture outside same circle of people for information and resources; and
4. senior managers consider ethical or social issues as outside the realm of business.

Other significant scholarly contributions have been made, specifically in terms of what CSR means (e.g. Carroll 1979 and Wood 1991) what the concept is (e.g. Jonker *et al.* 2004), the level of alignment with core business philosophy (McWilliams and Siegal, 2001), how to manage it (e.g. Husted 2003), what stakeholders should be involved (Donaldson and Preston 1995), how to communicate CRB policy and practice (e.g. Morsing, 2003), the drivers motivating firms to engage in it (e.g. Vogel 2005, Porter and Kramer 2006), and the role of business in society (e.g. Swanson 1999, Van Marrewijk, 2003).

Still, academics and practitioners have yet to reach consensus on a formal definition by which CRB, (and synonymous terms, such as corporate citizenship, corporate social performance, corporate social leadership, corporate accountability, corporate sustainability, triple bottom line, sustainable development, responsible business, and stakeholder theory) can be understood (Waddock, 2004). The general consensus from available literature is that these terms are similar (e.g. Matten and Crane 2005, Matten and Moon 2008, Garriga and Mele 2004), and that the basic premise of CRB is that companies have an obligation to consider and address the needs of society and the environment, rather than acting solely in the interests of shareholders or their own self-interest. As such, this research follows a similar rationale, where all terms have roughly the same meaning and are referred to throughout this research as CRB. For the purposes of this research, CRB is defined as: *corporate behaviour that considers present and future economic, social, and environmental needs - that is integrated into company values, culture, decision-making, strategy and operations (internal and external) in a transparent, accountable and reciprocal manner* (O'Brien, 2009).

## 2.6 Theoretical Trajectory of CSR: Shareholder, Stakeholder and Societal

While there are several schools of thought on business and its responsibility to society, currently CRB can be generally understood from one of three conflicting perspectives: the *classical view*, embedded in the neo-classical approach and advocated by various free-market economists; the *stakeholder view* conceived by Freeman (1984), which addresses morals and values in the management of companies (see also Carroll's (1991) Pyramid of Social Responsibility, and Elkington's (1994) Triple Bottom Line); and the *societal view*, advocated by more contemporary scholars in the field - most notably Van Marrewijk's (2003) Three Approaches.

Friedman (1970) questioned the very concept of a company being socially responsible averring that *there is only one social responsibility of business: to use its resources to engage in activities to increase its profits, so long as it stays within the rules of the game*. Friedman supporters argue that that CRB is in fact antithetical to the true objective of business, which is to make a profit, questioning whether a company can contribute to sustainability issues without it significantly impinging on shareholder profits, and that even if such financial impingements prove to be marginal, do corporations have the capacity to tackle social and environmental problems, and should the corporate sector have to make amends for societal woes, when perhaps the real problem can be attributed to ineffective governance rather than ill-behaving corporate executives (Hilton, 2002). This position on CRB, however, has been described as fundamentalist (Klonoski, 2001) arguing that the aim of CRB is not to take away from the benefits of the free market but rather to minimise the potential ethical problems created by capitalism.

It could be said, therefore, that CRB is rooted in the *stakeholder* theory, which looks more closely at business and its role in society, under the assumption that managers, and companies, are obligated to serve the interests of those who have a stake in the company – shareholders, employees, suppliers, customers and the communities in which the company operates. Some argue that stakeholder theory lacks specificity and, thus, cannot be operationalised in a way that allows measurability (Key, 1999). The lack of specificity around stakeholder identity remains a serious obstacle to the further development of stakeholder theory and its adoption in actual practice by business leaders.

Van Marrewijk (2003) identified a broader *societal view*, which supports the notion that companies are an integral part of, and responsible for, society as a whole. By embracing CRB companies can ensure their license to operate, in order to serve the needs of society. The *societal approach* appears to be a strategic response to changing circumstances and unprecedented corporate challenges, requiring corporations to fundamentally rethink their position in terms of the complex societal and environmental context of which they are a part. This, however, is a new and much less understood approach among both academics and practitioners.

## **2.7 Towards an Integrated Theoretical Approach**

Both Garriga and Mele (2004), and Windsor (2006) undertook extensive research to categorise CRB theory in accordance with the primary motivations for engagement in CRB planning and development: the business case (utilitarian); or the moral obligation (ethical). For instance, Garriga and Mele (2004) divided their research into four types of theory – instrumental, political, integrative and ethical – all of which reveal why CRB is and/or should be important to corporations (such as to improve profits, to improve relations with stakeholders, or to enact social change).

Windsor (2006) and Meehan *et al.* (2006) similarly provide further clarity on the potential and limits associated with ethical and business case theories, particularly those which attempt to combine both. Meehan (*ibid*) in particular built a CSR model that focused on both the social and ethical commitments of business. Aguilera *et al.* (2007) describe three types of theories, instrumental (business case), relational (focused specifically on the individual, his/her identity and relationship with management) and ethical. While Garriga and Melé (*ibid*) highlight the need for further research to investigate the point of intersection where all theories and approaches meet, the degree to which society's demands should and can be fulfilled in practice is the common strand throughout CRB research as a whole. Furthermore, the potential for Van Marrewijk's (2003) societal perspective, to take CRB beyond rhetoric, has been largely uncharted in the research, thus presenting a key opportunity to examine this approach in more detail throughout this study. Firstly, it is necessary to highlight the potential and limits of all three perspectives, to gain a broader insight into why companies do what they do, which will hopefully offer insight on the lack on integration of CRB in business, and pave the way towards identifying a new approach.

### 2.7.1 The Utilitarian Perspective

The 'classical' view generally assumes the dominant economic paradigm of neoliberalism, characteristically seeking to justify socially responsible, or sustainable business by considering the link between CRB and profitability (e.g. Elkington, 1997; 2001; Hawken, and Lovins, 1999; McWilliams and Siegel, 2001). Margolis and Walsh (2003) note that there has been a thirty-year quest for the 'business case' which supports an empirical nexus between CRB and wealth maximisation.

Current research has been largely centred around developing a business case.

There is a growing perception that sustainable business success and shareholder value cannot be achieved solely through maximising short-term profits but instead through market-oriented yet responsible behaviour (Akgeyik, 2005: n.p.).

In this context, CRB is perceived as a tool to enable companies to enjoy the various tangible and intangible benefits, while simultaneously protecting the company's bottom line. Increasingly, a vast number of studies indicate that a high percentage of business leaders believe that social responsibility initiatives will increase sales. According to Kaodi *et al.* (2007), companies that have publicly committed to CRB perform better on three out of four financial measures than those that have not. It was also reported that these companies had, on average, 18 per cent higher profits. In another study in 2005 by Germany's Oekom Research, an independent sustainability rating agency, sustainability is inextricably linked to financial performance. While initially having to bear costs, by adopting a CRB approach a company can increase its profit in the long-term. The study, conducted with Morgan Stanley Dean Witter (Judge 2003), examined over six hundred companies included in the Morgan Stanley Capital International (MSCI) World Index, concluding that shares of companies with good sustainability records perform better than those of their less socially responsible competitors. Some of the business benefits are agreed to include compliance and risk management, accountability and transparency, market differentiation, competitiveness and operational efficiency.

1. Compliance and Risk Management – Companies are no longer able to ignore social and environmental legislation relevant to their industry, whether it has to do with land remediation, waste management, health and safety, or equal opportunity matters. By

engaging in CRB, companies can benefit from having an infrastructure in place to comply with legislation. CRB is also a significant part of risk management. Taking the property sector as a relevant example, this is of particular significance given that stg£35 billion of property may soon be uninsurable, due to climate change-related issues. Furthermore, producing social and environmental reports illustrates a company’s commitment to CRB, while also enabling companies to exchange information. By doing so, companies are able to avoid the risk associated with adverse public reaction to the neglect of environmental, social or ethical considerations. In a new Ernst and Young study (2008), risk management has been identified as a way to ‘improve operations, financial performance, and shareholder value.’ The ten most significant risks and their related impacts, identified by this study, are as follows:

<b>RISK</b>	<b>IMPACT</b>
Climate Change	Long-term, far-reaching and with significant impact on the industry.
Demographic Shift in Core Market	Offers business opportunities but risk that other sectors will capitalise first.
Catastrophic Events	Rising costs and serious impact on earnings for insurers.
Emerging Markets	Risk and opportunity but competitive threat from new players.
Regulatory	Increased scrutiny impacting on operations and practices.
Channel Distribution	Technology is changing the way insurance is sold and purchased.
Integration of technology with Operations and Strategy	Enabler to keep pace with competition but lack of integration is a threat at the strategic business level.
Securities markets	Changes in capital providers and the way capital is entering the Insurance industry are causing major changes in the industry.
Legal risk	Significant and unexpected change in the legal environment, such as government legislation or evolving case law, will continue to have a critical impact on the insurance industry.
Geopolitical or Macroeconomic Shocks	Likely causes unknown but consequences potentially severe.

*Table 2.1 Ernst and Young Study: Strategic Business Risk 2008*

2. Transparency – In a world where socially responsible investment (SRI) is increasing, CRB is said to attract investment and reduce costs associated with dealing with regulators, banks and insurers. Since 2005, all UK quoted companies (circa 1,290) are required by law to publish an annual Operating and Financial Review (OFR), which includes a statement of company objectives and strategies and its subsidiary undertakings; a description of resources available to the company and its subsidiary undertakings, potential risks and uncertainties facing the company, and its subsidiary undertakings; capital structure, treasury policies and objectives and liquidity of the company and its subsidiary undertakings. Information must

also be provided about company employees and its subsidiary undertakings, and environmental, social and community matters.

Since the enactment of the mandatory OFR, it would seem that pulling the blind no longer protects business leaders from the wider business community. Nevertheless, while it is regarded by regulators as an adequate vehicle for social and environmental information disclosure, there has been a considerable narrowing of scope in terms of purpose of, and audience for, such disclosure. For instance, little interest is paid to the concerns of non-financial stakeholders, whereas the primacy of the shareholder group as the audience for OFR reporting is firmly established as the Government pursues a policy of increased shareholder engagement. According to a study carried out by ACCA<sup>15</sup> in 2004 (Owen *et al.* 2004) *the mandatory OFR requirement possesses limited potential as a catalyst for improved social and environmental disclosure.*

Similarly, since June 2005, the financial industry demonstrated their commitment to environmental and social leadership, having agreed on the Equator principles<sup>16</sup>, which are an industry benchmark for *determining, assessing and managing social and environmental risk in project financing* (Bris, 2007: 115). By adopting principles, banks and institutions agreed to use clear, responsible and consistent rules for environmental and social risk management in project finance lending. Theoretically, the move was a clear indication of good leadership, in an area where banks have seldom gone before, however given the current banking crises, how much good this has done seems negligible. After all, the Equator Principles are a voluntary set of guidelines developed and adopted by banks voluntarily in identifying and managing environmental and social issues in project finance lending. Interestingly its framework is based on the environmental and social standards used by the International Finance Corporation (IFC), the private sector lending arm of the World Bank Group. The principles apply globally to a bank's project finance business with a capital cost of \$50 million or more. Four banks were pivotal in developing the Equator Principles: ABN AMRO, Barclays, Citigroup and West LB.

3. Market Differentiation, Competitiveness and Operational Efficiency – In an increasingly global world, firms need to differentiate their product or service from their competitors.

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<sup>15</sup> [http://www.accaglobal.com/general/activities/research/reports/global\\_integration/rr-089](http://www.accaglobal.com/general/activities/research/reports/global_integration/rr-089)

<sup>16</sup> See: [www.equator-principles.com](http://www.equator-principles.com): standards in corporate sustainability

Responsible behaviour can ensure a competitive advantage over other, less responsible, firms and thus create the potential to maximise profitability. By taking a proactive stance in the CRB debate, companies can shape the agenda to suit their own circumstances. Several factors have brought about such a favourable reception of good behaviour, which has resulted in the emergence of a new *license to operate* for the corporate world. These include the emergence of the Environmental Index of Corporate Environmental Management (1997), the Dow Jones Sustainability Index (1999) and the FTSE4Good Index, which followed in 2001.

Given the myriad benefits of embracing CRB, as presented above, why then has CRB failed to be integrated into mainstream business on a larger scale than is currently the case? Crook (2005) states that most permutations of CRB are not worth the cost, berating most forms of CRB as *probably delusional*, in that the corporate costs will more than likely exceed the societal benefits produced. Crook (ibid<sup>17</sup>) goes on to say that the *basic set of attitudes that it (CSR) represents undermines support for capitalism and enterprise and the prospects for further economic advance*, arguing that CRB can potentially do more harm than good. Critics argue that the business case for CRB is relatively weak, voluntary and market-driven, in other words, companies will get involved in it only to the extent that it makes business sense to do so, and by doing so, are missing out on key opportunities (Vogel, 2005). Baken (2005), however, argues that since businesses are legally required to do everything in their power to make money, their financial interests are bound to conflict with the broader interests of society. Moreover, companies will always act in their own self-interest, and therefore should not be trusted to do what is right for society of its own accord.

Academic research tends to focus on the relationship between CRB and financial performance. It develops a view which can be called *functionalist* according to which companies might get a direct financial benefit by behaving in a responsible manner. Having a good CRB record would then have a direct positive correlation to their financial performance. Despite several studies there is little empirical evidence to support the correlation between CRB and financial performance (e.g. Margolis and Walsh, 2003) and while a positive link can be found this has proved negligible (Orlitzky, Schmidt and Rynes, 2003). Agluiera *et al.* (2007) suggest that enhanced financial performance should not be the only reason to embrace CRB, but rather as Allouche (2006: b) claims, CRB should be perceived as a way to

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<sup>17</sup> See Economist article online: [http://www.economist.com/displaystory.cfm?story\\_id=3555212](http://www.economist.com/displaystory.cfm?story_id=3555212)



reconnect corporate performance with the public good, thus suggesting that business should have three interconnected, mutually enhancing goals: sustainable growth, profit with principle and investment in the future.

### **2.7.2 The Ethical Perspective**

The *ethical* or *morality-based* theories of CRB suggest that companies have a moral obligation to be responsible. Stakeholder theory supports the view that companies have an ethical duty to recognise the intrinsic value of all stakeholders (both internal and external) who have a legitimate interest in the activities of the company. The emergence of business ethics as a discipline during the 1980s inspired careful study of this issue (e.g. Waddock 2004; Buchholz and Rosenthal 1999). Garriga and Melé (2004) refer to the *common good approach* as the basic premise of business ethics. Ethically grounded theories suggest that the motivation for CRB engagement is a key factor in terms of the level of integration of CRB policy and strategy. Under this assumption businesses engage in CRB because it is the *right thing to do* and not because of any advantages or benefits accruing to the company or its stakeholders as a result. The key question in this context is which decisions taken by decision-makers are inherently right. Nevertheless, ethical decisions are normally subject to the values and belief systems of individual managers, and as a result difficult to measure.

The four main schools of moral philosophy that have implications for guiding companies in terms of what is the appropriate way to conduct business can be summarised as follows:

1. *Virtue Ethics* as taught by Aristotle (who do we aspire to be?) (McGinnis, 2006),
2. *Deontological Ethics* as taught by Immanuel Kant (what is the right thing to do – as per religious beliefs or established universal principles of human behaviour?) (Beauchamp, 1991)
3. *Consequential Ethics* as taught by the utilitarian ethicists (which decisions will generate the greatest good for the greatest number?) (Darwall, 2007)
4. *Relativist Ethics* (where the right thing to do is dependent upon one's social group) (Leiter, 2007)

While Descartes works are influential in modern philosophical debates, the trajectory of classical philosophy can be traced back to Plato and Aristotle, whose collective works on human nature, and the search of identity bears significance to the current CRB debate. Plato,

and later Aristotle, described moral behaviour as *what the moral or virtuous person does*, where the virtuous person develops a sense of right and wrong (Bernard, 1972). Aristotle described human nature as *the good to which all things aim*, in the belief all human activities aim at some higher purpose, and that good actions promotes happiness, a virtue he described as the keystone of human behaviour. To apply Aristotelian ethics to the CRB debate, profit maximisation, at the expense of society would be amoral, thus developing an approach to make a profit while at the same time enacting social change would lend itself to the idea of a higher purpose. Marx's theory of the individual being constituted through social activities defined as labour, language, customs, and institutions (economic) shifted philosophical theory away from relationships towards individual material gains. Smith further attempted to show that self interest preserves justice and promotes social well being as a whole, thus influencing the development of bureaucratic control and command of the many, for the gain of the few, a philosophy in direct opposition to Aristotle.

Ethical duty is associated with Immanuel Kant (1724-1804). Kant believed that morality and choice, about what is inherently *right* or *wrong*, is not dependent on particular circumstances or, based on the consequences of the action (Crane and Matten, 2004), rather that morality is a question of specific eternal, abstract and unchangeable principles that individuals should apply to all ethical problems. Kant is criticised, however, for being theoretically narrow and therefore inadequate in addressing complexities and change in organisational life (Beauchamp and Bowie, 1979; Bowie, 1999). Moreover, the ethical argument is often not applicable to the practical realities of operating a business in modern western social and economic systems (Bansal, 2005), as it lacks clear measures for evaluating the success of socially valuable activities. Furthermore, it is difficult to link multiple ethical activities without benchmark indicators.

### **2.7.3 Contemporary CSR Theory: Towards an Integrated Approach**

Moving on to current debates, Carroll (1991) argued for a *pyramid* of four kinds of social responsibilities - economic, legal, ethical, and philanthropic—thus integrating CRB within a stakeholder perspective. Elkington (2001) argued that *CEOs and corporations can fuse values and value creation*. Vogel (2005) used a broader concept of CRB when describing it as *the market for virtue*. Roberts (2001) argued that CRB provides a new approach to management - environmental, social, and ethical considerations to complement financial imperatives, suggesting that current CRB approaches do not stem from a concern for others

but rather as out of the need to be seen to be ethical. This he describes as *the ethics of Narcissus*, and is similar to Wijk's (2007) theory on the paradoxical nature of ethical business. Roberts (2003) and Zadek (2004) further propose that there is a huge difference between CRB as a reactive or proactive strategy.

Henderson (2001) claims that ethical CRB represents both a positive and broad perspective: positive in that changes in corporate philosophy and practice are seen in terms of recognising and grasping new opportunities (proactive), rather than adapting to outside forces (reactive); broad in that it encompasses all aspects of responsibility, not purely from an economic perspective, but in terms of reevaluating the role of business as agents of progress. In this context, the role of business needs to be recognised, made explicit, and given expression in the objectives that firms set themselves as well as in their policy and operations. Businesses, in this situation embrace, and give effect to, the notion of corporate citizenship. Reidenbach and Robin (1991) argue that ethical CRB actively seeks a greater balance between profit and principle and that there is an overt effort to manage the organisation's culture to produce the desired ethical climate. This change in culture involves recognition of a 'social contract' between business and society.

While each motivation has its own benefits and flaws, taking the *either/or* stance merely diverts attention away from the point of intersection; where economics and responsibility unite and where potential solutions can emerge. Bansal (2005) argues that the nexus is not found by recasting ethical issues in economic terms or in disregarding economic models, but by linking social processes to economic ones, so that responsible decisions are both socially and financially responsible. The degree to which these two perspectives are complementary fuels the growth of CRB, while the degree to which they are contradictory impedes it. Porter and Kramer (2006) further suggest that by focusing on the tension between business and society rather than the interdependence, companies create bland, fragmented strategies, loosely based on corporate purpose, thus rendering them incapable of identifying, prioritising or addressing the social and environmental issues that matter the most or make the biggest impact.

## **2.8 Current Tensions Surrounding Sustainability and CRB**

Porter and Kramer (*ibid*) argue that the failure to fully benefit from CRB policies and strategies is due to the fact that, firstly, business and society are seen as mutually exclusive; in other words companies are failing to see the interdependent relationship between the two; and secondly, companies are being forced to consider CRB in a generic way, rather than considering it in a manner appropriate to the firm. Banerjee (2001) and Göbbels (2002) support this belief pointing out that by its very nature CRB is too broad in its scope to be relevant to organisations. Furthermore, a more holistic notion of CRB, encompassing all aspects in their entirety, would be too vague to be useful in furthering academic debate or in facilitating its development in business.

Existing literature on CRB is lacking a holistic analytical and operational framework for the development of CRB policy and strategy. Most studies include information about individual CRB as separate programmes, which could explain why most approaches are fragmented and disconnected from business strategy, preventing the opportunity for CRB to benefit society, the environment or indeed the company in any meaningful way. Currently CRB is generally understood and practised at an operational level. For instance, most companies break CRB up into sub-agendas, as can be seen in published annual reports, where some concentrate on human rights, tax avoidance, waste management, climate change mitigation and the likes. However, most companies, with the exception of a few truly exceptional examples, tend to neglect CRB at a conceptual level, where companies can examine, perhaps more philosophically, the boundaries of their obligations to society.

## **2.9 Rethinking the Philosophical Framework of Management Theory**

If, as Porter and Kramer (2006) suggest, companies were to examine their CRB capabilities at the conceptual level, using the frameworks and mindset with which they analyse their core business competencies, ethics and economics would no longer be seen as mutually exclusive and instead could become a source of *opportunity, innovation, and competitive advantage*, while simultaneously meeting the goals of sustainable development. However, challenging the conventional purpose of corporations, Korhonen (2002) suggests, will call for paradigmatic organisational change that goes beyond the business case, requiring a holistic understanding of the social role of corporations. Weymes (2004: 338) berates the traditional purpose of business to maximise shareholder wealth as *historic and possibly arcane*, arguing

that for companies to truly embrace CRB, they will have to rethink the philosophical framework of management theory. While business in general has adopted a more human approach to management, the importance of knowledge creation, sustainable relationships and organisational responsibility indicates it is now time for a reflection on the purpose of business as adding value to society, rather than focusing on the accumulation of personal wealth.

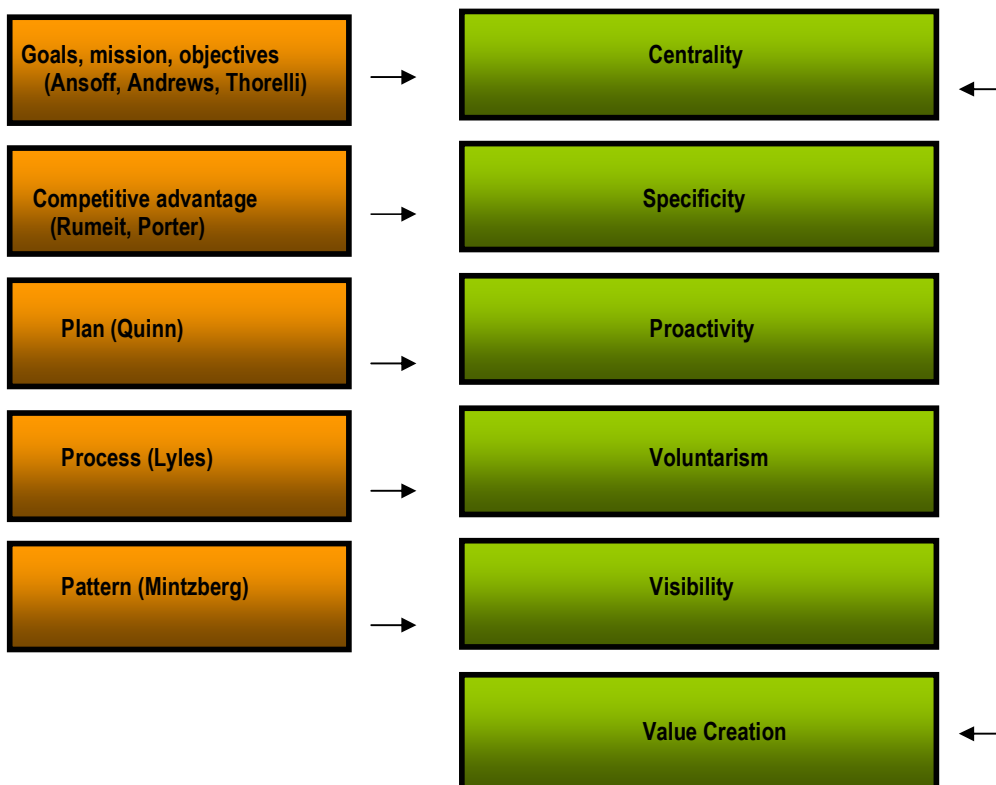
Werther and Chandler (2004) herald synergistic or holistic CRB as the way forward. CRB can be described as synergistic when it yields significant business benefits to the firm by supporting core business activities, thus allowing the firm to achieve its bottom-line objectives while also addressing the wider issues of responsibility more effectively. Porter and Kramer (2006) argue that this type of approach is a win-win for all stakeholders involved, both inside and outside the company. Moreover, businesses need to look both *inside out*, which they define, for instance, as a company's impact on climate, and *outside in*, in terms of how issues such as climate regulatory change may affect the business environment in which the company competes. Only then will the company's competitive advantage come in to play *companies that persist in treating climate change solely as a corporate social responsibility issue, rather than a business problem will risk the greatest consequences* (Porter and Reinhart, 2007). Adding value to the organisation, not only in terms of profit maximisation, but also in terms of society and the environment, is the overarching objective of implementing CRB in a synergistic manner. To achieve synergistic CRB the placing and priority of CRB within companies is a significant factor.

Burke and Logsdon (1996) developed a broad set of criteria to assess how firms can correlate their own economic interests with the broader goals of sustainable development. Five dimensions of corporate strategy (see figure 2.1 below) critical to the long-term success of the firm and useful in terms of linking policies and processes to value creation within the firm, were identified as follows:

- a) Centrality: closeness of fit to the firm's mission and objectives
- b) Specificity: ability to capture private benefits by the firm
- c) Proactivity: degree to which CRB is planned in anticipation of emerging social trends and in the absence of crisis

- d) Voluntarism: the scope for discretionary decision-making and lack of externally imposed compliance requirements
- e) Visibility: observable and recognisable acknowledged by internal external stakeholders of the firm.

While all five dimensions are crucial to the successful application of CRB, what is of great significance for business is the issue of centrality, which essentially enables firms to measure the linkage between CRB and the overall mission, providing direction for the organisation, as well as being a means to assess the viability of existing CRB policies. In this context, centralised policies receive more attention and ultimately yield more benefits to the firm. CRB policies that are closely linked with the firm’s mission are said to have a higher centrality, as opposed to peripheral philanthropic policies. Where CRB is central to the core purpose of the company, value is seen to take on a broader meaning than the conventional business case.



*Figure 2.1 Five Dimensions of Corporate Strategy*  
 Source: Burke and Logsdon (1996)

Holistic CRB has been identified in the literature as going even one step further, where each level of CRB includes and goes beyond the previous level based on awareness and circumstances, as well as the prevailing value systems. CRB that is fully embedded in every aspect of business, with the aim to contribute to improving the quality of life has been labelled 'holistic'. Research indicates that companies tend to demonstrate different levels of corporate sustainability and have a differentiated set of definitions for each level. To be able to develop CRB policy holistically, business frameworks that facilitate sustainable development need to be developed and adapted to each organisation depending on individual contexts. Accordingly changes in worldviews and value systems are crucial to the emergence of truly responsible and sustainable organisations.

## **2.10 Worldviews, Value Systems and CRB**

Worldviews and value systems play a crucial role in understanding, and indeed driving, responsibility within organisations. By identifying with a worldview companies are better placed to ascertain what is right and wrong about a certain path they choose, while at the same time taking steps to preserve what is right and rectify what is wrong. Determining a worldview depends largely on culture. Different cultures view the same world in dramatically different ways. A worldview that is appropriate under one set of conditions may not apply under alternative circumstances.

The world is continually changing. As little as two hundred years ago natural resources were in abundance and seen as limitless, whilst people, civilisation, machinery and basic consumer goods were perceived to be limited. Society lived within a harmonious natural system. Now however, the world has undergone revolutionary changes in a short space of time. In today's era of rapid technological advances, population growth and excessive resource consumption, the world appears to be changing much faster than people's worldviews. For hundreds of years the mechanistic worldview has dominated Western society. According to this worldview, actions have an equal and opposite reaction, and only by studying systems at smaller and smaller scales, can we come to fully understand these reactions (Ratcliffe 2007). Several elements of the mechanistic worldview are no longer in harmony with today's environment. In many cases what was once seen as a solution to complex global problems has now become part of the problem. Early thinking in the field of sustainable development and CSR tended towards the mechanistic, whereby the issue was to be addressed primarily by

tackling a series of separate problems in a largely reactive manner, invariably by means of technology, and referable against a set of indicators by which progress could be measured.

As is evidenced in the abundance of corporate sustainability and CSR reports, most companies subscribe to this way of thinking when addressing current sustainability challenges, failing to acknowledge the interrelatedness of complex global issues. The difficulty with this predominantly reductionist approach is that many of the criteria are qualitative, not quantitative, and, therefore, subject to personal, political and cultural differences. What is more, these criteria change as their relationships with one another change, making it virtually impossible to define acceptable quantitative parameters for certain concerns. Another significant issue with this approach is that by breaking down complex problems into separate components, coherence between related issues or problems is difficult to maintain, making it more difficult for decision-makers to see the bigger picture (Van Marrewijk, 2003).

In terms of corporate sustainability and the issue of responsibility, there is a growing need for a more holistic approach in dealing with issues of responsibility and sustainable development. This calls for a more proactive and flexible systems approach, where instead of measuring progress towards a specific goal, holistic thinking monitors fluctuations within the system so that adjustments can be made to keep the system in dynamic balance. Rather than posing mechanistic questions along the lines of how much can we use, for how long, it tries systematically to provide answers in the form of as little as possible, for as long as possible. Sustainable development, therefore, requires tools and techniques drawn from both the mechanistic and systemic traditions so as to perceive, guide, measure and evaluate the impact of policy formulation, decision-making and intervention.

## **2.11 Complexity, Systems and Futures: Integrative Thinking for CRB**

Complexity can help companies understand more clearly the dynamics of the wider context in which decisions and strategies are being made. Both futures thinking and systems thinking lack a core and a strong academic base. Futures thinking and systems thinking nevertheless has significance for the current CRB debate (Futures Survey, 2008)<sup>18</sup>, in terms

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<sup>18</sup>*The Future Survey* (30:4, April 2008) notes books that apply systems thinking to the nuclear terrorism problem, to community growth management, to building sustainable cities, and to shaping successful leaders who 'win through integrative thinking'.



of providing a new framework for developing a global or whole-system perspective when addressing strategic and organisational issues. In other words, systems-thinking enables decision-makers to challenge their own assumptions, embrace new ideas and essentially see current issues and trends from alternative perspectives (Vickers, 1968)<sup>19</sup>. Marien (2008: 3) develops this further arguing that *systems-thinking, done well, is an ever-evolving quest to see linkages, variables, trends, and possibilities in a broad frame*. Current reality is changing owing to the rising complexity and instability brought about of unsustainable development (Lazlo, 2002), thus what is now needed is a communal understanding of how complexity can be addressed and systems managed.

Values are increasingly becoming the preferred mode of decision-making in business. The growing amount of literature in this field indicates that adaptable and values-driven companies are the most successful companies (e.g. Beck and Cowen 1996; Van Marrewik 2002, 2003; Weymes, 2004 and Barrett 2007). Barrett (*ibid*<sup>20</sup>) argues that *when companies unite around a shared set of values, they become more flexible, less hierarchical, less bureaucratic, and they develop an enhanced capacity for collective action*. Moreover, it was also suggested that when employees share similar values and vision, the performance of a company can be improved considerably.

According to Barret (*ibid*) values-based leadership is based on the Seven Levels of Consciousness Model, built on the foundation of Maslow's early works (Maslow 1968). When business leaders believe that their prime goal is societal welfare they get results. The great leaders from Washington, Jefferson, and Lincoln to contemporary businessmen, the likes of Max De Pree, Bertrand Collomb and James Houghton have something in common: they always encourage change and self-reevaluation; they foster an atmosphere of open-mindedness and fresh thinking, in which assumptions can be challenged and goals reassessed. This, essentially, is what is needed to make the concept of CRB worthwhile, both for society and business.

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<sup>19</sup> Vickers states that all communication depends on shared appreciative systems (ways of conceptualizing and valuing) and that "it is essential to any society that its appreciative system shall change sufficiently so as to interpret a changing world, yet should remain sufficiently shared." Competing ideologies, he notes, determine what possibilities are open to government.

<sup>20</sup> <http://www.valuescentre.com/docs/ValuesBasedLeadership.pdf>

Maslow (1968) identified five basic human needs, and suggested individuals would strive for the next need once the previous one is fulfilled. Graves (1996) concluded that there are many ways of satisfying needs, and that individuals, companies and societies as a whole undergo a natural sequence of orientation in responding to prevailing circumstances, be they historical (time), geographical (place), existential (problems), societal (circumstance). Graves defines sequential orientation as follows: survival, security, energy, power, order, success, community, synergy and holistic life systems. The orientation impacts on worldview, values systems, belief structure, organisational principle and mode of adjustment (Beck and Cowan, 1996). If, for example, societal circumstances change, inviting corporations to respond to and consequently reconsider their role within society it implies that companies have to realign their business institutions across the board (mission, vision, policy development, decision-making, reporting, corporate affairs etc) to this new orientation.

Consider the difficulties for companies in responding to the challenge of sustainable development. Companies tend to align themselves with the shareholder or stakeholder theory rather than the role of business in society. In keeping with Graves (1965) theory, growing groups of people in developed countries around the world are demanding companies to be socially responsible. Consumer satisfaction no longer ends with the quality of goods and services, rather consumers are now demanding goods and services that apply ethical principles to business transactions, such as social justice, equity, and environment efficiency (Boyce, 1995). New niches are appearing in the market and companies that wish to operate in this new climate will be forced to apply a new, more holistic, logic to the way they do business.

## **2.12 The Onset of Changing Values and the Implications for CRB**

Since the 1970's, a team of researchers have been conducting cross-national surveys – the World Values Survey (WVS) to demonstrate this significant value shift in industrial societies (Figure 2.2). Welzel *et al.* (2003) links the shift in values to the continued path of economic growth, where people growing up in a more resource constrained family environment are more likely to have materialist values while the more affluent individuals are more likely to have a post-materialist value orientation. Inglehart and Baker (2000) explain that in most industrialised societies there is evidence of a marked shift from traditional towards secular-rational values. In contrast societies that are experiencing economic decline tend to revert to

more traditional values. The World Values Surveys were designed to provide a comprehensive measurement of significant areas of human concern - from religion and politics to economic and social life. Through analysis of various indicators, the authors found that values systems could be explained using just two dimensions as follows: a) Traditional/Secular-rational and b) Survival/Self-expression values.

The Traditional/Secular-rational values component represents the contrast between the traditional society, where religion features as a significant part of daily life, and the more secular/rational societies. Societies associated with traditional values place emphasis on the importance of parent-child ties and respecting authority, coupled with traditional family values. Societies with secular-rational values have the opposite preferences on these topics. The second dimension polarises survival with self-expression and is strongly linked to the shift from industrial to post industrial societies. High levels wealth generated by past generations in advanced societies have resulted in a large proportion of society taking survival for granted, instead focusing on well-being, self expression and quality of life. Self expression values place emphasis on environmental protection, tolerance of diversity, and rising demands for participation in political and social life (WVS, 2007). Founded on the WVS Survey, Inglehart and Welzel developed a map (see Figure 2.2), which clearly illustrates the position of various countries in relation to the two dimensions.

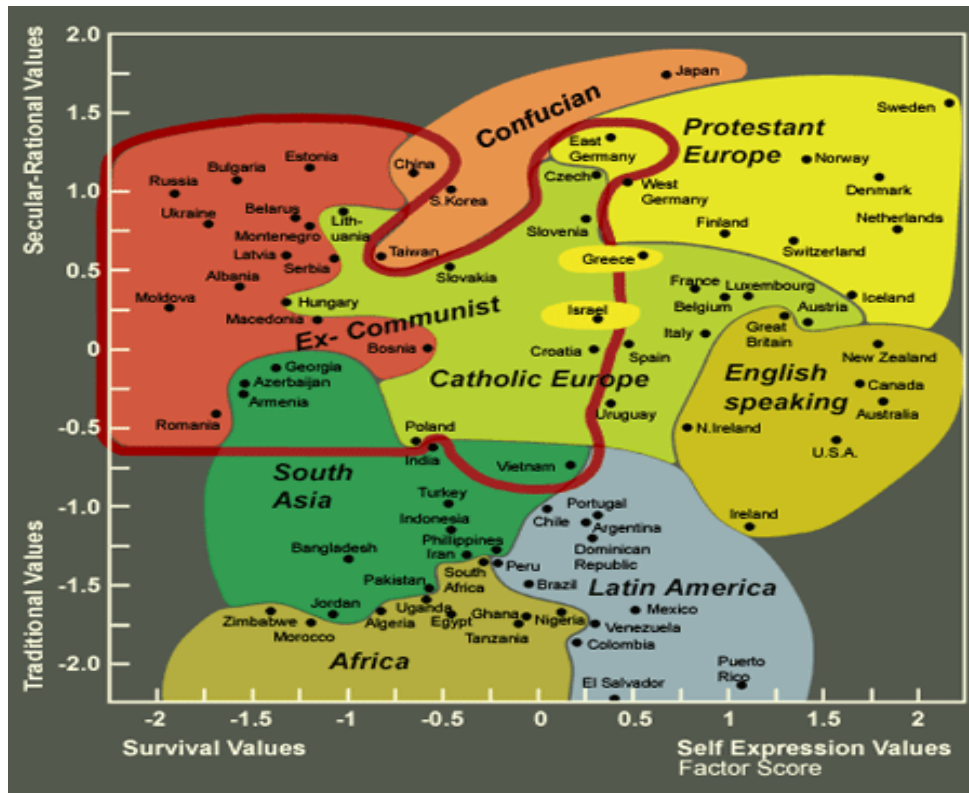


Figure 2.2 Inglehart Welzel Cultural Map of the World

Source: Inglehart and Welzel, (2005: 64) *Modernization, Cultural Change and Democracy*. New York, Cambridge University Press, based on the World Values Surveys

Findings from the survey suggest that economic and social progress in Europe since World War Two has enabled a larger number of people in society than ever before to achieve high levels of stability and security (Carrusco, 2007). Inglehart (1997: 28) suggest that *in a major part of the world, the disciplined, self-denying and achievement oriented norms of industrial society are giving way to the choices over lifestyle which characterise post-industrial economies*. As a result, there has been a shift in values related to emotional well-being, self-esteem, self-expression, trust in oneself and the group, aesthetics, subjective welfare, quality of life, and holism (Inglehart 2005). Inglehart and Baker (2000) further argue that while values do change, they tend to still reflect the traditional value systems brought about by centuries of cultural development. Over the long-term, however there the direction of values is unquestionably shifting, as human development moves away from an emphasis on limited personal freedom, and towards an emphasis on choice. This can also be understood sociologically in terms of modernisation and postmodernisation. In the process of modernisation, societies progress from religious and communal values, represented by traditional authority and steady state economies, to achievement and motivation values

characterised by rational-legal authority and economic growth (see Figure 2.3). Subsequently in the shift towards postmodernisation, society tends to be characterised more so by postmaterialist values, seen through a weakening of authority and economic growth, with more of an emphasis on well-being.

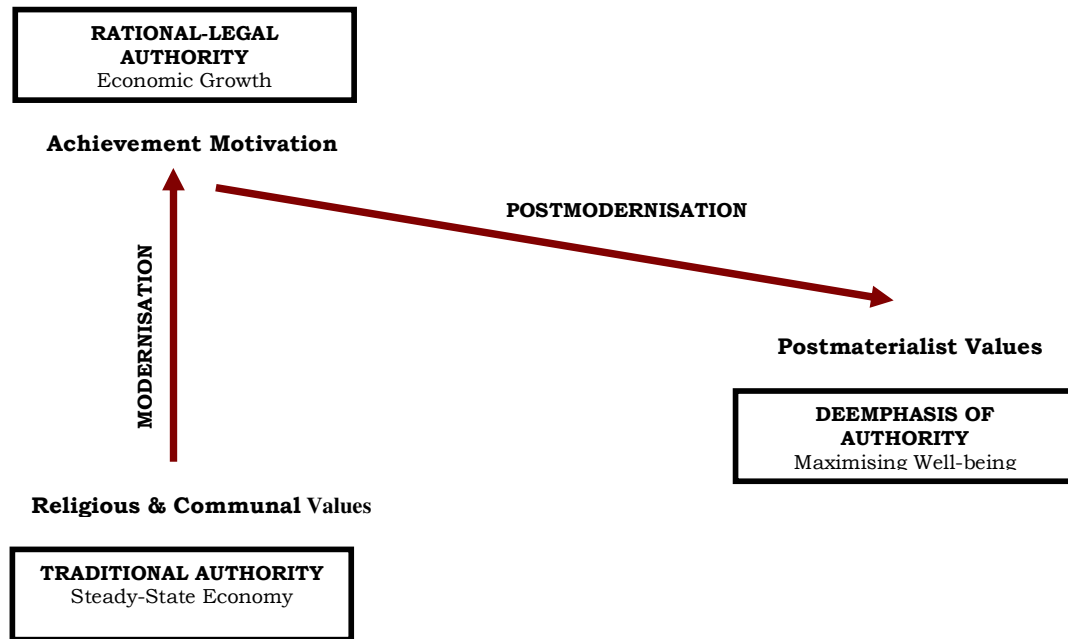


Figure 2.3 Authority and Value Systems

Source R. Inglehart, *Modernisation and Postmodernisation* (Princeton, 1997)

Value changes are crucial in terms of understanding CRB. If we accept the hypothesis put forward by Inglehart and Welzel (2005), then less developed societies will inevitably put more emphasis on economic growth, while the more advanced societies will value environmental protection and cultural diversity, as opposed to the promotion of wealth maximisation. For, as Carrusco (*ibid*) argues *post-materialistic values demonstrate a greater openness to ideas, acceptance of advances in science and technology, and a stronger sense of global ownership.*

This inevitably has implications for companies operating globally - from seeking low cost suppliers to outsourcing various business functions - as emerging economies have not yet reached similar levels of development as in the West. Currently research suggests that environmental and social issues will be given more importance in Europe and less so in Eastern Europe, and the emerging Asia-Pacific countries such as India and China.

Beck and Cowen (1996) suggest that companies either meet the challenges the situation provides, or risk extinction. The challenge of adequately responding to life conditions results in various survival strategies, founded on a specific value system, where values systems reflects their specific vision of reality (worldview) their awareness, understanding and definition of truth, and where each new value system is more sophisticated than the one before it. A value system encompasses a consistent system of values, beliefs and corresponding behavior. Values help individuals to assess situations and to make decisions (Werre, 2003). This implies that companies needs to continually realign their value systems to tackle the challenges they face. The natural hierarchy develops in relation to each new challenge or threat. For example, when societal expectations change, the corporate response is to reconsider their role within society if they are to remain competitive. Nevertheless, companies often fail to align their strategies with societal interests, for many of the reasons set out in Doppelt's (2003) Seven Sustainability Blunders.

### **2.13 Van Marrewijk's SqEMF Mult-Stakeholder Framework**

In response to a growing need for a model to assist companies in developing and implementing clearly articulated CRB policy and practice, a research team in the Netherlands (Van Marrewijk, 2003) developed the SqEMF multi-stakeholder framework. Under this framework the corporate sector can play a crucial role in bringing standards above the accepted levels, and, to this end, shape the CRB agenda to suit their individual needs, while simultaneously contributing to the wider goals of sustainable development. The framework has been described as *a new generation*, multi-layered business framework with contextual situational analytical and dynamic dimensions, which provide a coherent set of corporate institutional arrangements, including or based upon value systems, management philosophies, methodologies, business concepts and related sets of measurement tools and practices (see Table 2.2 below).

<b>SqEME Approach</b>	<b>Window I</b>	<b>Window II</b>	<b>Window III</b>	<b>Window IV</b>
<b>Basic Phases</b>	<i>Constitution</i>	<i>Chemistry</i>	<i>Conduct</i>	<i>Control</i>
<b>Alternative Phrasing</b>	<i>Drivers</i>	<i>Communication, Chemistry, Content</i>	<i>Action</i>	<i>Monitoring and Learning</i>
<b>Elements</b>	<i>Mission, Ambition, Strategic Orientation, Quality Orientation, Values,</i>	<i>Vision, Understanding, Cause and Effect, Structures and Processes</i>	<i>Actions and Interventions, Procedures, Contracts and Tasks, Corporate Behaviour</i>	<i>Control System, Self-assessment, MIS and KPI's, Reporting, Benchmarking</i>
<b>Results</b>	<i>Direction</i>	<i>Norms</i>	<i>Achievement</i>	<i>Evaluation</i>
<b>Focus</b>	<i>Where to go?</i>	<i>How to get there?</i>	<i>What to do?</i>	<i>Where are we?</i>

Table 2.2 Matrix SQEME Approach

The dominant values of senior management determine to a large extent the motives for change (and therefore the perceived need for change), the perception of the desired situation and the manner in which change can be successfully implemented. A clear awareness of, and fit with, the values of managers and employees is therefore essential for successful development of CRB policy and strategy (Van Marrewijk and Werre, 2003). The values and beliefs also act as a perceptual filter for incoming signals. The ability to pick up certain trends and essential signals in the environment – i.e. changes in economic or social conditions – are to a large extent determined by the current values and beliefs of top-management. Understanding the very nature and dynamics of value systems can improve the success and efficacy of organisational change and the selection of the necessary tools, concepts, approaches and leadership styles along the development process.

Changes in worldviews and value systems are crucial to the emergence of a sustainable world. Strategies envisioned, perhaps in 2050 and beyond, will arguably need to be based on radically different perceptions of the world than are common today; perceptions that are more

in harmony with the physical constraints imposed by a finite planet. By recognising that nature is not something to be subjugated, but rather is something that business depends upon to meet its needs, it may eventually lead to the creation of conditions conducive to sustainability.

Evidence suggests that the rationalistic perception of business, based on the ailing business philosophy of 20<sup>th</sup> century– short-term profitability, growth, return on investment, management by numbers, quantitative analysis – is no longer adequate in understanding the complexities of concepts such as sustainability and corporate social responsibility. By contrast, what is needed is a new management framework, based on a more holistic notion of the relationship between business and society. Hawken (1993: 38) notes *if every company on the planet were to adopt the best environmental practice of the 'leading' companies, the world would still be moving toward sure degradation and collapse*. The author goes on to explain that instead of being a management issue, there is an inherent flaw in the current business model, and that sustainable development will not be possible unless business systems and processes are designed in a way that can restore the imbalance in the global system.

According to Capra (2002: n.p) *understanding ecological interdependence means understanding relationships. It requires the shifts of perception that are characteristic of systems thinking – from parts to the whole, from objects to relationships, from contents to pattern*. The basic pattern of organisation of all living systems is the network, which are a fundamental building block of living systems including both ecosystems and social systems. Each network is *nested* within a complex web of relationships. Within a network, actions taken by one part of the system can cycle around affecting other relationships, until they eventually return to the original source, with magnified feedback. Feedback loops are described as the mechanism in networks that enable both self-regulation and self-organisation. Holistic systems theory, therefore, can provide a sense of direction to inspire individuals and companies to undergo a transformation, by exploring the limitations of traditional strategic thinking, metaphors and practices, contemplating alternative perspectives, and examining how companies can develop a more symbiotic relationship with the natural world (*ibid*). According to Van Marrewijk (2003) *individuals, organisations and society need to develop adequate solutions to create synergy to restore the current imbalance*



*in the global system.* Thus companies will arguably need to adapt to its environment, adjust to changing circumstances and be accountable for its impact. If not, the system (social, eco, financial) will automatically attempt to correct it.

## **2.14 Creating a Mindset for Transformational Change**

To achieve such a transformation, a new mindset will arguably be needed, for companies to anticipate and prepare for the future, a mindset that embraces individualism, collaboration and innovation; a mindset that addresses societal and environmental, as well as economic imperatives. Above all, what is arguably needed is a mindset that can tackle complexity, uncertainty and change. Futures, foresight techniques and scenarios are said collectively to provide a methodology that combines these approaches, so that a holistic or systemic process of decision-making is informed by a mechanistic means of measuring performance (see chapter 3 for detailed analysis of FS). Currently corporations tend to demonstrate different levels of corporate sustainability and often have a differentiated, fragmented set of definitions for each level. To be able to develop CRB policy holistically, business frameworks that facilitate sustainable development need to be developed and adapted to each organisation depending on individual contexts. Rather than a one size fits all approach, businesses need to embrace what is known as *complex adaptive management* to achieve sustainable development.

The concept of sustainability implies a long-term intergenerational focus. Looking ahead to conserve natural resources, mitigate global warming, or contribute to social development, is arguably the best way to avoid surprises and crises, most of which, if unprepared for, could impose a considerable financial burden on companies. It is generally agreed that taking responsibility for the impacts of business on society and the physical environment is ultimately self-serving for companies as well as beneficial for humankind, if of course it is approached in the right way (Fuller and Collier, 2004). Furthermore, given the current economic crisis, CRB could have a significant role in the recovery of world economies<sup>21</sup>. According to Löhman and Steinholtz (2003: n.p) *success in a globalised economy requires a redefinition of a company's policies and practices resulting in efficient use of economic capital and the ability to build, sustain and effectively deploy human, social and natural*

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<sup>21</sup> The Global Plan for Recovery and Reform, which emerged from the G-20 Summit 2 April 2009

*capital*. Hence, it is now time to question how both the resources and ingenuity of companies can be harnessed to build maximum wealth and prosperity for both business and society.

## **2.15 Deconstructing CRB: Implications for the Commercial Property Industry**

Whilst the activities of property professions have gone uncontested for decades in a traditionally non-transparent industry, rising energy costs and increasing concerns about global warming have catapulted property sustainability into the national and global spotlight. The traditional approach to property activities (excessive energy consumption, waste and pollution) has put substantial pressures on the environment, particularly so in the last thirty to forty years. Evidence confirms that buildings have a considerable environmental impact and are recognised to be a major factor in global warming, given that buildings in cities alone are responsible for over one-third of CO<sub>2</sub> emissions worldwide, and that globally, an estimated 60 per cent of all materials go into the construction industry, and 60 per cent of the world's energy is used to heat, light and ventilate buildings (UrbAct, 2008). Arguably, the time has come for the property industry to incorporate responsibility more profoundly into its thinking and practice. Yet, despite legislative and social pressures, the global property industry ostensibly needs a more convincing reason, and indeed a strategy, to do so.

Certainly concepts such as responsible property investment (RPI) and green building design have gained increasing recognition, and, to demonstrate this, some of the more progressive property firms and related institutions, such as King Sturge, Jones Lang LaSalle, Hermes, and Prupim, have begun to take a closer look at the wider issues of sustainability so as to manage their risks and to exploit opportunities. But such examples are relatively scarce: the same few familiar names pop up again and again. Like most industries, the business of responsibility has a handful of leaders, a large number of followers and many laggards, whose stated sustainability policies are more honored in the breach than the observance. Furthermore, the accent, in general, is more on 'green buildings', 'green travel plans' 'smart workplaces', with less focus, for example, on the issue of futurity, or the socio-cultural dimensions of property investment, development, and management within the communities where these companies operate. According to Awad, director of property development at Abu Dhabi Future Energy Company (MASDAR) *Green is overused misused and abused...green doesn't mean sustainable and doesn't address energy issues as it should* (Sell, 2007). Neither is built

environment sustainability just limited to energy consumption. In essence it is also about culture, history, values, and about finding ways to preserve such important characteristics.

In 2007, Oxford Brookes University reviewed the existing literature in order to identify the scope and boundaries of responsible property investment, and to examine the approaches, reporting methods and procedures of the five largest property investment and management companies in the UK (Roberts *et al.* 2007). The study revealed that within and between companies themselves there seems to be a large discrepancy in the way the term SRI is defined and used, with CSR, SRI, and CG (Corporate Governance) being used interchangeably, with no real differentiation between each term. The research suggests that for companies to enhance their understanding of, and to make a greater contribution to sustainable development, more emphasis needs to be placed on finding a common definition. Despite this, it seems the main question on boardroom agendas, regarding RPI, is whether it is financially viable, which realistically is a long way off without the development of common approaches and definitions.

The United Nations Environment Programmes Finance Initiative (UNEP FI) has developed a Property Working Group (PWG), demonstrating to property fund managers how and why it is financially beneficial to manage their existing built assets in a responsible way (McNamara, 2007). While this work is clearly valuable, the problem with a singular fixation on the business case can mean that sustainability, and wider CRB issues, are abandoned during, for instance, an economic slowdown or turbulent stock markets. Moreover this research suggests that without a business case, companies are justified in continuing on business as usual. With this kind of thinking endemic across the profession, sustainable development could remain an impractical concept, embraced only when it is deemed financially viable.

In a survey conducted in late 2007 at a series of Corenet Global Summits in the UK, Australia, the US and the Far East, to capture the thoughts of key property professionals worldwide, the results show that over 61 per cent of respondents in Europe feel that property sustainability is an important issue, with 53 per cent in Australia and only 44 per cent in the US (Mosca, 2007). Furthermore, almost 77 per cent of respondents were of the belief that incorporating sustainability into property transactions will be integral to business competitiveness in the next one to two years. It seems the property world has never looked greener.

Myriad companies produce glossy sustainability reports boasting that CRB is now *fully integrated into core business strategy, part of the corporate DNA, a long-term investment*. Yet concrete examples of sustainability are by and large proving hard to find, and most initiatives in their current form are criticised for the limited value they generate for companies and for offering only a partial or short-term response to the challenge of sustainable development. The reason for this is unclear.

The economic benefits of sustainable design and construction are now well-documented in the literature. The knowledge and technologies needed to produce sustainable buildings are available. Cadman (2000) claims the misalignment of incentives between the providers of buildings and those who are going to invest in or occupy buildings are standing in the way of progress. This has become known as the ‘Vicious Circle of Blame’ (see Figure 2.4).

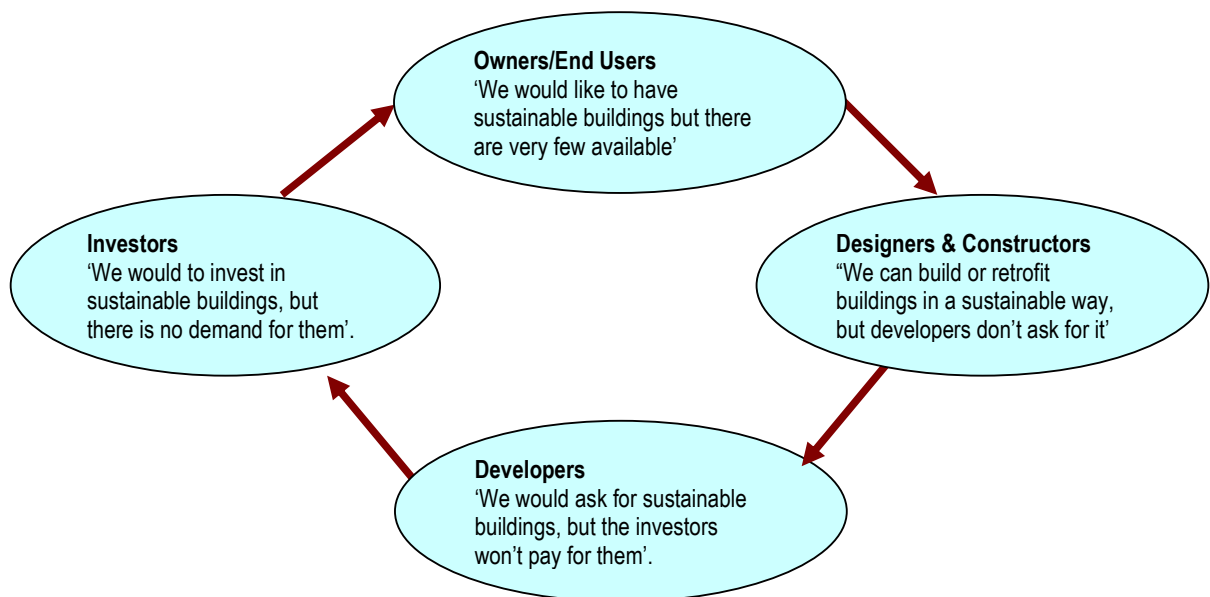


Figure 2.4 The vicious circle of blame (adapted from Cadman 2000)  
Source: RICS (2008) *Breaking the Vicious Circle of Blame Fibre*

In theory, each of these statements can be turned into a positive, turning the vicious circle in to a virtuous circle (see Figure 2.4). According to Cadman (2000: 6) *Realigning incentives, and thus installing appropriate feedback mechanisms, can be seen as the fundamental precondition for breaking the vicious circle of blame not only in theory but also in practice*. Nevertheless, for this to come to fruition, it is vital for stakeholders across the built environment profession – from developers, investors, bankers, valuers and academics –to

collaborate at all stages in the property process, to increase an awareness and generate a better understanding of the inherent links between the environmental, social and economic dimensions of building performance. According to White (2005: 10) *with the right mix of wisdom and will, the next few decades may witness a shift from the deleterious effects of single minded shareholderism towards next-generation of CRB that meets the dual goals of prosperous societies.* In this context, exploring alternatives outcomes creates the space and setting where different groups of experts can come together to explore the future, which can ultimately yield rich insights into where companies find themselves today and provide guidance about where they would like to be in the future.

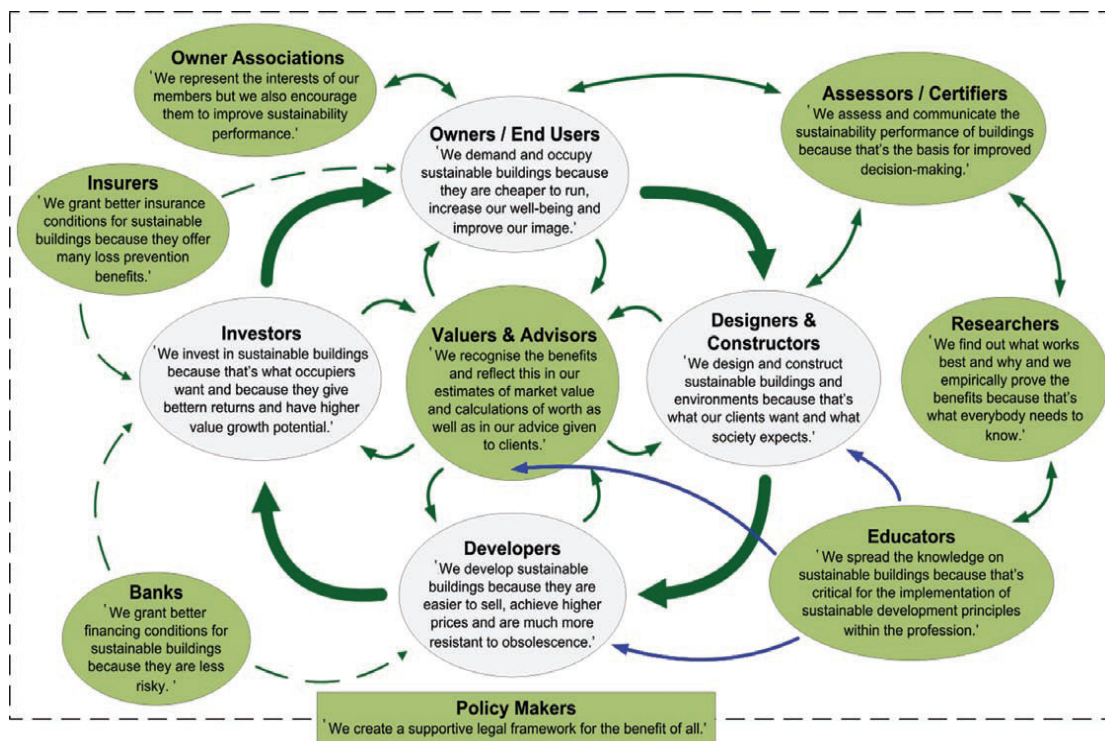


Figure 2.5: The virtuous circle (adapted from Cadman 2000)  
Source: RICS (2008)

If property companies are unprepared for future uncertainty and change, it will be difficult, if not impossible, to generate long-term returns for shareholders. A lack of understanding about what clients may want, about how valuable the business is to the community, or about crucial changes in the regulatory environment will leave the company open to significant risk. Put simply, sustainability is inherent to corporate survival, but it is essential to have a broad understanding of the company's responsibility to drive competitiveness in the long-term. The path ahead defies easy prognosis, nevertheless, new legislative measures across Europe will

inevitably have profound implications for the future of business, and indeed for the property industry, and to ignore CRB will leave companies open to significant risks (outlined in chapter 1).

For instance, just last year, European governments committed themselves to reducing greenhouse gas emissions by at least 20 per cent of their 1990 levels by 2020. Coupled with new international accounting and reporting standards, the increasing application of ethical investment models and a heightened awareness of risk and human rights issues, CRB and sustainability will need to be placed at the heart of future property practice. What the property industry may need to consider is that sustainability is not so much an end to be achieved anytime soon, but the means to an end – a journey towards intergenerational equity in terms of resource availability and environmental quality. This will require anticipating changes in market demand, technology, industry growth potential, and regulation. Most of all, perhaps, it will take a change of mindset.

For commercial property professionals committed not only to a responsive form of corporate social responsibility, but also to engaging with their stakeholders over the long term to create sustainable economic, social, and environmental value, a new direction is clearly needed.

The FORGE Group (2007) identified seven challenges facing the property industry.

1. Balancing longer term CSR considerations with short term commercial goals within overall property strategy
2. Balancing innovative building design with the business requirement of high returns
3. Achieving behavioural change in tenants to enable building design features to achieve full effect
4. Achieving cost effective refurbishment
5. Quantifying the environment and social benefits
6. Keeping CRB in perspective with other business priorities
7. Obtaining organisational endorsement and support

Embracing Futures for whole system change is a potentially powerful way for companies to drive sustainability forward. Current corporate approaches to addressing responsibility tend to be grounded in a mindset that is ill-equipped to deal with the complexities of change.

Policies that are anchored to the past make it increasingly difficult for decision-makers to respond to the need for change and shape the future for their company. CRB is not just about the present, it is also about assuming responsibility now for future footprints. White (2005: 8) aptly states that *the global future is inextricably linked to the corporate future therefore CRB is not an option: it is a reality. The core challenge facing companies today is to define the appropriate strategic responses associated with responsibility that will harness the full potential of business to serve the public interest while preserving and enhancing core assets.* Furthermore, the author notes *a futures-oriented company needs to be motivated by the belief that sustainability is the only alternative, that everything is interconnected, and by the notion that business has a universal responsibility.* The author proposes three conditions for achieving this: creativity, innovation and competitive drive: key elements of the necessary steps towards transformation.

## **2.16 Key Reflections**

The above review of literature reveals a number of key insights which highlight the need for this research.

1. Existing CRB theories are relatively underdeveloped, and many illustrate CRB *either* as a conceptual issue *or* as a practical tool. In fact most current CRB approaches are conceptual, and thus lack the operational relevance to ensure the development of effective policy and practice.
2. Evolutionary / holistic systems theory is a robust, well developed theory to investigate CRB in a broader context and to respond to the need for a more holistic CRB approach to be developed
3. Evidence suggests that CRB needs to be re-evaluated as a *fundamental internal change challenge, rather than solely as a stakeholder engagement one, where change needs to take place across organisational culture, strategy-making processes, structures and operating processes* (EABIS 2006). Full alignment of the principles of responsibility and sustainable development with corporate purpose needs to take place.
4. The literature points towards the need for a new paradigm, based on values and knowledge development to foster CRB as a manifestation of, and contribution to sustainable transformation at the deepest level.

5. A new participatory and collaborative approach among companies and stakeholders needs to be embraced, to facilitate the development of internal change processes required to embed responsibility throughout organisations, thus, highlighting the potential for FS to be examined as a creative and holistic approach to developing effective CRB policy and practice.
6. Several distinct factors are driving the property industry to adopt more sustainable and responsible development and operating practices. The globalisation of property markets has only intensified this trend. If the property profession is not prepared for heightened complexity and change, they are leaving themselves open to significant risks. In this context the profession as a whole arguably needs to come together to explore new and innovative ways to both drive and shape the sustainability agenda.

This review of literature clearly demonstrates the gaps presented by a lack of empirical research on the development of CRB policy and strategy. It also shows the underdevelopment of CRB theories and the need for theory building that incorporates the wider context of CRB. Based on the concepts presented, it is possible to suggest that CRB is philosophically dissimilar from the traditional business models. It is also possible to suggest that much scope exists for examining the development of CRB policy and practice from an evolutionary systems perspective. The review also identifies the need for the development of a new conceptual and operational framework, based on Futures, to bring about the required organisational change to embed CRB within business. Futures, as both philosophy and critical research methodology will be discussed in greater detail in the following chapter.



## **Chapter 3**

### **Literature Review Part 2**

### **3.0 FUTURES AND CRB: TOWARDS A NEW ALLIANCE**

The objective is not to forecast the future, for no-one can tell what the future will be. The objective is to take responsibility as an organisation for the future

[Hughes de Jouvenel, Futuribles]

The previous chapter examined the notion of CRB, its relevance for the commercial property industry, and the potential and benefits of organisations using a Futures approach for the development and implementation of CRB policies within this industry. This chapter critically assesses the Futures field, beginning with a broad overview of the need for anticipation, in the broadest sense of the term – from the pre-scientific use of prophecy, through to numerical forecasting and qualitative methods of FS, developed towards the end of the previous century. The chapter ends with an evaluation of the implications of FS on strategic planning, and the potential of a Futures approach in helping to create and maintain a culture of responsibility within the commercial property sector.

In this context this chapter critically examines the evolution of FS as both a philosophy and critical research methodology for practitioners struggling to define and manage opportunities and risks in a rapidly changing world. The chapter focuses on the underlying needs of companies in developing and implementing their CRB policies and practices. Specific methodologies are targeted which, while not an inclusive list of techniques, represent a variety of approaches. Finally, the benefits of incorporating FS into CRB development and implementation are explored in an attempt to provide an additional managerial tool that will enable business to more effectively meet the goals of sustainable development. Similar to the previous chapter this chapter is intended to be informative, integrative, and evaluative.

Therefore the aims of this chapter are:

1. To introduce the general concept of Futures.
2. To describe current literature within the Futures Field.
3. To examine the critical elements of Futures research and both the conceptual and practical implications for CRB development and implementation.
4. To discuss the implications of the two concepts for the commercial property industry.

5. To highlight the gaps in the current literature and the need for exploring and examining the research objective.

### **3.1 Introducing the Futures Field**

The future is an abstract concept through which both individuals and organisations can bring a sense of stability and order to the present and assign meaning to past events. Essentially the future and past meet in the present (Aaltonen and Barth 2004). Recent decades have witnessed increasing interest in the development of methodologies and techniques that help individuals and groups play a greater part in shaping the future. While the future is principally unknown, future outcomes are not merely accidental. The literature indicates that while people have always possessed the desire to anticipate the future, this has not been achieved effectively, using any of the three types of approaches that have traditionally been used: prophecy, forecasting, or FS (Bell 1997, Gordon 1994, Slaughter 1999, 2002, Slaughter *et al.* 2004).

FS can be categorised in myriad ways, and utilises an array of methods and techniques, ranging from forecasting, strategic planning, trend extrapolation, to scenarios and anticipatory approaches (Poli, 2009). Amara (1981) suggests that there are three fundamental assumptions upon which the futures field rests: firstly, that the future is not predetermined; secondly that the future is not predictable; and thirdly that future outcomes can be determined by present choices. Furthermore, the future is at least partly governed by the past and can be better tackled by broadening minds and challenging assumptions. Taking the first proposition to be true, the future is perceived as part of a structured narrative whose past and present are at least partially known, where the myriad forces that have shaped both past and present situations will still apply as the future unfolds. The core premise here is that the future is embedded in the past; and is essentially a projection of the past through the present. Time series analysis, trend extrapolation, and forecasting pertain to this typology.

By contrast, the second assumption involves preparing for an uncertain future. The physical processes of the universe are fundamentally indeterminate, therefore there is no one single predetermined future; rather it is widely acknowledged that there are many potential alternative futures. Anticipating a wide variety of outcomes enables individuals and

organisations to distinguish among what Bell (1996) describes as possible, probable, and preferred futures. These entail:

1. Searching for possible and probable futures for individuals, groups, and whole societies.
2. Engaging in critical dialogue; emphasising the importance of challenging assumptions.
3. Identifying preferred futures.

Such activities come under the heading of FS; scenario development being the most widely known and adopted methodologies among practitioners. Interestingly however, forecasting and scenarios development are not mutually exclusive, since they address the future from two different standpoints, and can thus only enhance the process of anticipation. FS represents a dynamic, fluid body of knowledge that is continually being learned, unlearned and relearned. It is not foundational in the sense of constituting a set of monolithic, unchanging uncertainties rather the future evolves over time as a result of a range of processes including: critique, innovation, new voices and synthesis. Inayatullah (2002) writes *FS is the systematic study of possible, probable, and preferable futures, including the worldviews and myths that underlie each future.*

One of the key challenges FS has had to face since its emergence as a discipline has been the fact that in an era dominated by Positivism, FS contrasts as epistemologically at odds with this traditional paradigm, not quite meeting the rigid standards of scientific investigation imposed by the main stream Positivist field (Slaughter, 1998). In spite of its impressive advances in theory, methodology and applications, the shadow cast on the field owing to its epistemological ambiguity, undermines to a large extent the credibility and authority of FS as a discipline in its own right. In this context, developing an epistemology of FS currently represents one of the philosophical and methodological priorities in the field.

Inayatullah (1998) argues that FS does not possess the boundaries of traditional disciplines rather it is transdisciplinary in nature with a knowledge base that is still being defined (Slaughter 1996a). Although there have been many scholarly attempts to map the field (Bell, 1997; Kurian and Molitar, 1996; May, 1996; Slaughter, 1996a, 1996b), FS remains without a hegemonic paradigm defining it. It is argued that its illusiveness and openness towards self-

definition is one of its strengths giving it an advantage over the traditional disciplines that have become institutionalised and domesticated (Inayatullah, 1998). In spite of the ongoing debate, several definitions have been proposed by various futurists. Inayatullah (*ibid*) contends that FS is *about understanding the human condition, what it has become, and how we can participate in changing it*. Slaughter (2004) states that FS *represents a body of research that allows people to order their priorities, navigate a complex present and proactively deal with the uncertainty of the future*. In other words, FS offers a unique perspective for understanding and dealing more effectively with the future by facilitating people to make more informed decisions, through a rehearsal of possible futures (Schwartz, 2004).

### **3.2 Ontological and Epistemological Assumptions of FS**

For most people, the future is an abstraction, and standing within a logical positivist frame, people typically ask: *If the future doesn't exist, how can it be studied?* Or similarly *How can we know what we don't know?* Slaughter (1998), by contrast, argues that *the future does exist and that it represents a vital component of the present, a principle of present action*. The majority of futures scholars adopt a social constructionist view of the nature of knowledge that emphasises the importance of social processes over the role of external reality in the production of knowledge (Gredler, 2005). This perspective focuses on the central role of social interaction in the construction of knowledge and meaning. By contrast, Dator (1998) insists that all knowledge is *personal*, advocating a personal constructivist view of knowledge. This perspective instead states that it is primarily the individual who creates knowledge and constructs concepts. FS, therefore, can be viewed as aligning with a range of constructivist theories of knowledge.

While it is common in everyday discourse to speak of the future (Gidley *et al.* 2004), most futurists insist on the reality of alternative futures, thus are rendering attempts at prediction futile. The future, therefore, can be considered as fundamentally plural and open, or as May (1998) describes it, *an arena of possibilities, and not of discernible inevitabilities*. FS serves to explore transformative spaces by encouraging people to look beyond the familiar and to search for alternatives. Galtung (1982) was one of the first to formally identify a way of conceptualising different futures as: probable futures, possible futures, and preferred futures. Building on this work, Bjerstedt (1982) identified a fourth orientation referred to as

prospective, with its roots in the French philosophy of existentialism that views humans as masters and creators of their own destiny. FS therefore should be seen as a multifaceted reality that affects one's understanding of the world in profound ways; and omitting FS from, for example, the development of new business practices, results in the omission of a whole layer of reality for practitioners (Slaughter, 1998). According to the author *this represents a paradigmatic turning point in the production and use of knowledge, and has important implications for the world of strategic planning.*

### **3.3 Futures Studies: A multi-Paradigmatic Perspective**

FS adopts a number of theoretical perspectives and could be characterised as a multi-paradigmatic. It is generally accepted that FS straddles a number of theoretical perspectives: empirical or predictive (behaviourist), interpretive (constructivist), and critical, with each dimension having different assumptions about what is real, what is true, and about the nature of the future (Gidley, Bateman and Smith, 2004; Del Pino, 1998; Inayatullah, 1998). Inayatullah (1998) states that FS in business should be approached using all three dimensions in order to contextualise data, give meaning to it and then locate it within various historical and socio-cultural / economic structures of power and knowledge. FS involves the weaving together of both the cognitive and humanist traditions. Cognitive theory is concerned with the active engagement of the mind and the development of higher-order thinking skills. Similarly, humanist theory is a learner-centred in its approach, but is more concerned with the development and fulfillment of the individual as a whole, towards what theorists such as Carl Rogers and Abraham Maslow call, *self-actualisation* (Merriam and Caffarella, 1999). FS encourages this by helping people clarify the nature of their preferable future and ways of working towards these (Dator, 1996).

### **3.4 Levels in Futures Studies**

Slaughter (1989, 1999) distinguished different levels of depth in FS, the most relevant of which are conceptualised as follows:

- a) **Problem-oriented Futures Studies:** looking at deeper issues and their causes. At this level researchers are often concerned with how organisations and society can, and should, respond to challenges in the relatively short-term future. For example

corporate strategic thinking would fit into this category, touching on key challenges, such as climate change, or sustainability.

- b) **Critical Futures Studies:** addressing the root causes of problems being addressed at the previous level. This level of depth explores with how problems are created in the first place, and challenges assumptions in order to break out of the traditional mindsets. This is essentially concerned with how individuals and groups create meaning in a social context, re-evaluate what constitutes social life, imagine a world where, for example increasing consumption is no longer considered integral to the satisfaction of human needs, a world where individuals can fulfill their needs and desires by other means, where happiness, creativity, freedom, participation and understanding, are integral to survival. While there has been relatively little work done at this level to date, there are increasing efforts in this area.
- c) **Epistemological Futures Studies:** at the deepest level, this is where the foundational areas of the futures field feed into the whole futures enterprise: philosophy, epistemology, and ontology, the study of time, the nature and influence of consciousness on the human endeavour. Slaughter suggests that it is at this level that the most powerful and insightful forms and approaches to futures work operate, *unfreezing everyday life we take for granted* and *identifying new sources of freedom and new ways ahead*.

This 'layering' of futures thinking has been used to develop an analytical method called causal layered analysis (Inayatullah, 1998), which, while beyond the scope of this research, is useful in workshop settings to address the core issues beneath the problems which tend to capture and divert attention, causing inactivity (Voros, 2005). Today's unprecedented rate of change requires that decision-makers use effective procedures to deal with the increasing complexity and uncertainty regarding the future results of their decisions. Strategic planning is a middle-to-long-range method that fills this need.

### **3.5 Futures Studies as a Mechanism for Understanding Change and Complexity**

On a global scale, society is experiencing a period of unprecedented change. The factors driving and being driven by social change are widening and deepening, owing to several distinct but relevant factors, such as the globalisation of markets, rapid technological

advances, the growth of the knowledge economy to managerial innovation (Stevens, Miller and Michalski, 2001). Both the substance and pace of change are fundamentally different from what has occurred in past decades and centuries. Changes are no longer occurring in relative isolation, or over longer time spans. Patterns of change now constitute a social and ecological transformation of unprecedented magnitude, which in many cases is beyond the skill set of most individuals and organisations. Reactive strategies to deal with change no longer suffice; therefore anticipating change has become critical to human survival. This is not only the case for individuals, but also for organisations (Weingand, 1995). Recent futures literature has explored ideas such as complexity theory, catastrophe theory and chaos theory. Originating in the physical sciences, concepts as such are being integrated into critical Futures thinking. Chaos and complexity theories have also been referred to in the strategic management and social sciences literature. However, Hull (1998) challenges what he describes as *the complexity fad*, questioning whether the issue of complexity has legitimacy in corporate management.

Other scholars have developed a new *evolutionary* approach to FS where complexity can be better understood through the lens of general systems theory. Systems thinking emerged in response to the need for a greater understanding of the deeper issues lying beneath the problems being addressed. The combining of systems thinking and complexity theory has been termed *complex systems theory*. Funtowicz and Ravetz (1997) further the debate on complex systems, introducing the concept of reflexivity. The authors use society and consciousness as examples of reflexive properties in a global societal context. The critical implication for FS is the need to construct visions of possible and preferred futures that embrace what Slaughter *et al.* (2004) describe as *hierarchical* and *holarchical* dimensions of reality.

Lo Presti (1996) offers two key reasons for the increasing focus on complexity: firstly that any field of interest involving uncertainty and indeterminacy will ignite generate discussions on complexity; and secondly that there is an *epistemological similarity* between the practitioners of FS and the physical sciences. Nevertheless, the approach to linking complex systems thinking and futures thinking has been said to lack theoretical rigour. According to Burns (2002: 6) *the current search for a 'Theory of Everything' may help to dispel the art versus science debate...with the development of a more inclusive framework to consider the future...moreover the multi-disciplinary focus of FS may even be further progressed by*



looking to the evolutionary theories of Wilber's synthesis and Wilson's consilience for possible solutions (see section 3.12). While a deep exploration of complexity theory and Futures is beyond the scope of this research, it would be an interesting and timely subject to explore in further research.

### **3.6 The Need for a Futures Approach**

Helmer (1967) recognised the increasing awareness of the potential for individuals and groups to exert *considerable influence over the future*. Moreover, he acknowledged that there are many possible futures, with associated probabilities that can be estimated and manipulated. In recent years a new attitude has emerged in both academia and industry. Philosophically speaking there is a greater understanding of what it means to talk about the future. On a practical level there is growing awareness of the need to anticipate and prepare for the future, which derives from the perception that not only is demography, technology, society, the economy and the environment undergoing change, but that the rate of such change is accelerating. As a result, new methods and techniques have emerged to facilitate individuals and organisations to explore alternative futures.

Business leaders are now forced to prepare their organisations for the challenges associated with unprecedented change. In order to effectively anticipate what is to come, it is argued in this research that developing a working knowledge of futures research can facilitate leaders in effectively managing change and uncertainty. By adopting a Futures approach, managers can prepare themselves for a variety of alternative futures and be better able to adapt to rapid and unpredictable changes in their environments.

Brodzinski (1979) identifies four principles, under the assumption that futures methods and techniques are no better than the data they use and that perspectives on the future can be inhibited by organisational culture, values and beliefs.

1. The future is determined by a number of distinct but related factors, not the least of which is human choice. What is decided today will have a significant effect tomorrow.
2. There are alternative futures. There is a range of decision and planning choices. It is necessary to seek out and determine these choices and select the best possible alternative.

3. People operate within an interdependent, interrelated system. Any decision, development, or force that affects any part of the system is likely to affect the entire system. It is necessary to be aware of changes taking place within the system.
4. Future challenges are developing today. Seemingly small problems ignored today can have catastrophic consequences five or ten years into the future. Gradual changes or distinct trends and developments need to be recognised. Exploring the future needs to become an integral part of current decision making.

Prior to identifying the strengths and weaknesses of the key relevant techniques, it is essential to acknowledge the limits of FS. Becker (1985) highlights the following limitations: the future is probabilistic, not deterministic; methods are highly judgmental and rely greatly on assumption rather than empirical or scientific fact; important events always will be omitted; accuracy measurements are paradoxical as forecasts often lead to policies intended to change the forecasts; and value judgments, leading to policies, are based upon present value standards--and values change. Despite the myriad limitations listed above, FS is arguably an effective approach and technique to challenge corporate assumptions across many levels, and ultimately help decision-makers to identify gaps in current and future CRB policy development and how to enhance their organisation's capacity to survive and thrive in an uncertain and complex environment.

### **3.7 Overview of Methodologies Relevant to Current Research**

While there are a substantial number and variety of Futures Methods and Techniques, ranging from simulation modeling, trend extrapolation, to futures workshops and scenario development, only the most relevant methods to this research study will be discussed. These include: Environmental / Horizon Scanning, Cross Impact Analysis, The Delphi Survey, Strategic Conversations, Futures Workshops, Scenario Development, and Wind Tunnel Testing.

#### **a) Horizon Scanning**

A prerequisite of virtually all serious futures work is environmental scanning. In essence, this involves a broad scrutiny of all major trends, issues, innovations, events and ideas across a wide spectrum of activities (OECD, 2002). Multiple areas are examined under the DEGEST framework, to include: demographic, economic, governance, environmental, social / cultural

and technological. The objective of environmental scanning is not to predict the future but to help decision makers in situations of increased uncertainty. Data can be gathered from both primary and secondary sources, both external and internal to the organisation. It has become increasingly important, mainly as a consequence of the growing need for planners and policy-makers to have information on the general environment outside their specific area of interest as well as within it. The perspective gained is thus more of an outside-in than an inside-out one. Careful scanning results in the development of a body of information with a range of uses and the process of scanning itself has the value of sharpening observation and analytic skills while providing opportunities to hone discriminations, judgement and expression.

### **b) Cross-Impact Analysis**

The cross-impact concept originated with Helmer and Gordon (1977) in an effort to develop the forecasting techniques of the Delphi method further. Going on the assumption that everything is interconnected and interdependent, cross-impact analysis is a technique, that can both identify and evaluate the impacts of probable future events upon each other, and can thus aid both researchers and decision-makers in analysing one trend or event in light of the occurrence of a series of related events. A matrix can be used to facilitate this comparison, enabling the researcher to systematically examine the interactions among events, to organise the data descriptively, to use only a small number of input events and to test the outcomes against a variety of possible outcomes (Enzer, 1971).

In terms of limitations, the cross-impact model is able to consider only pairs of events, does not consider the effects of non-occurrence, lacks specific definitions of the cross-impact factors and cannot directly assess the likelihood of specific events. However, when cross-impact analysis is used in conjunction with another methodology, such as the Delphi technique, the benefits of such a methodology are considerably enhanced. The technique is commonly used to explore assumptions and to identify significant points of divergence and agreement. It can also be the driver of further directed study, evaluation and research. Moreover, it is more frequently used in a qualitative rather than a quantitative manner and is a technique which should be used as part of a larger system. In this way, cross impact analysis illustrates a common feature of future tools, in that they rarely stand alone and are best employed as part of a continuing chain of interactive processes.

### **c) Delphi Method**

Developed at the RAND Corporation by Helmer and Dalkey (1953), the Delphi Method, is a popular method used by researchers, to enable groups of individuals, as a whole, to deal with complex problems. This technique uses an iterative, independent process that challenges a panel of experts to assess the probability, significance and implications of drivers of change and issues and trends related to the problem being considered. The process involves:

1. Identification of the problem and the definition of objectives.
2. The construction of a questionnaire as an instrument of data collection.
3. The selection of individuals (respondents) whose opinions are to be studied, usually experts (to serve as “oracles”) on the topic being investigated.
4. The initial measurement of the opinions of the respondents by means of a questionnaire.
5. The preliminary organisation and summary of the data resulting from the initial measurement.
6. The communication of the results of the initial measurement of opinions as feedback to all the respondents.
7. A re-measurement of the opinions of the respondents as they have been informed and may have been changed by their knowledge of earlier results including those of other respondents supporting comments for their opinions.
8. An analysis, interpretation and presentation of the data and the writing of the final report.

The application of the Delphi method, however, is time consuming and difficult to organise, requiring much attention to the selection of participating experts and the preparation and testing of the questionnaires.

### **d) Scenarios**

Scenarios are powerful tools for strategic policy analysis, especially where policy makers have too much fragmented, unstructured and biased information. Scenarios are guides to a number of distinctive futures which, when analysed, can provide a comprehensive, clear and accessible insight into how policies might play out in various different futures. Scenarios, thus, are an invaluable way of evaluating the complex and uncertain future of business. Envisioning positive [and negative] images of the future has long been recognised as a

necessary precondition for creating desirable futures. Wilson (1994) outlines necessary criteria for scenarios as: hypothetical in that they provide a narrative of a possible future and holistic in terms of their approach to the future. Scenarios are not forecasts of the future, rather plausible descriptions of what might happen. Scenario logics lie at the core of the scenario process. Widely considered to be the organising principles around which scenarios are structured, the logics focus on critical issues or pivotal uncertainties.

At the Futures Academy in the Dublin Institute of Technology (DIT), a combined methodology for exploring and shaping the future has been developed and applied to a range of policy issues across the built environment. The Prospective Through Scenarios Process (see figure 3.2) enables decision makers to envision a preferred future for their organisation and navigate uncertainty in order to make better decisions. By considering alternative scenarios that might play out along the way and establishing a preferred future condition, individuals and organisations can respond to the opportunities and risks that may arise. Scenarios are powerful tools for business, especially where decision-makers have too much fragmented, unstructured and biased information. They provide a comprehensive, clear and accessible insight into how policies and strategies might be played out in various different futures. In this context, scenarios are an invaluable way of evaluating the complex and uncertain future of the property industry.

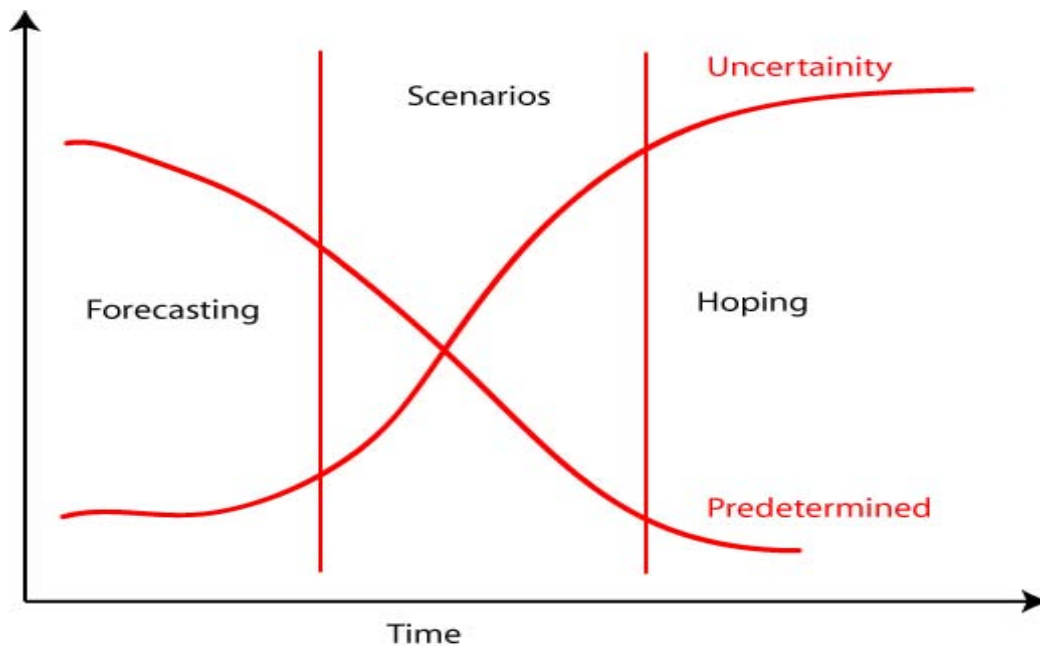


Figure 3.1: Predictability and Uncertainty Axis  
Source: The Centre for Futures Studies

Examples of the approach resulted in the publication's European Property Scenarios: Nirvana or Nemesis, and the Built Environment Foresight 2030: The Sustainable Development Imperative, undertaken as part of this research study between 2004-2008 (see appendix for the full reports).

#### **e) The Strategic Conversation**

The strategic conversation is, in essence, an active and creative *in-depth* interview technique used by The Futures Academy in most studies it conducts. The reasons for using such an approach can most usefully be summarised as follows:

- a) Establishing the goals and objectives of the organisation concerned.
- b) Comprehending the mental models of the decision makers.
- c) Bringing to the surface trend-breaking developments in the business/ organisational/ community environment.
- d) Correcting institutional myopia.
- e) Recognising fresh external signals of prospective change.
- f) Eliciting strategic insights and intuitions.
- g) Discovering the concerns of "key players" about the future.
- h) Identifying burning questions of the moment.
- i) Confirming issues and trends.
- j) Assisting in understanding predictability, impact and uncertainty.
- k) Helping to construct a set of scenario logics.
- l) Capturing a range of perspectives to tackle and reduce complexity.
- m) Determining competitive advantage and distinct competencies.
- n) Committing decision makers to the scenario-planning process.
- o) Diagnosing difficult decisions or awkward people that might hamper the process and defusing them.
- p) Setting the strategic agenda and forming a strategic vision.

The researcher's approach towards interviewing – moving from a more structured, disinterested format, to a less formal, participatory style – mirrors the development of interviewing across the social sciences from structured questions to negotiated text.

### 3.8 Foresight, Strategy and Planning

The literature highlights some confusion over the relationship between strategic thinking, strategy development and strategic planning. According to Voros (2001), the confusion arises from the belief that they all similar concepts, if not the same. The author argues that in fact, while the three concepts are *mutually interdependent... they require require different styles of thinking*. Mintzberg (1994) drew a distinction between the three concepts as follows:

- a) ***Strategic planning and development***, on the one hand is about analysis - breaking down corporate vision into steps for implementation; estimating the anticipated consequences of each step, and measuring the manner by which progress is being made. This form of planning is programmed activity requiring thinking which is strongly analytical, logical and deductive.
- b) **Strategic thinking**, on the other hand, is about synthesis and is primarily intuitive in its attempt to go beyond what logical thinking can inform. Owing to the fact that information about potential futures is probable as opposed to determinate and as such incomplete, the thinking required for a Futures approach needs to be *synthetical* and inductive, as opposed to analytical and deductive.

According to Bell (1996):

Futurist's sometimes fail to test adequately our beliefs and ideas. If our beliefs—even our most cherished beliefs—are wrong, we ought to want to find out that they are indeed wrong. But designing research so as to put ideas at risk, rather than merely seeming to confirm them, is challenging.

Foresight, therefore, is part of strategic thinking, as it can open decision-makers up to a range of futures possibilities to ensure more effective development of corporate strategies, incorporating both short and long-term. Strategic thinking is based on exploration and options, as opposed to strategic planning which focuses on the implementation of policies. Foresight, therefore, is an element of strategic thinking, which informs strategy-making, which informs strategic planning and action. It does *not* replace strategic planning, which is a proven methodology for implementing, monitoring and reporting on strategy. Rather, foresight work enriches the context within which strategy is planned, developed and

executed. Most strategic decision-makers continue to use tools designed for stable environments, on the assumption that with the right type of analysis, businesses can anticipate and even shape future outcomes. However, in a world of rapid change and growing uncertainty it is becoming increasingly difficult to continue with traditional strategic approaches. Instead, a more structured and creative FS approach should be adopted by those concerned about the prospects that lie ahead for their company. In the context of CRB, as discussed in Chapter 1, FS can bring about the opportunity to redefine business paradigms, develop clearly articulated goals and focus on aligning responsibility more closely with the philosophy and values of the organisation.



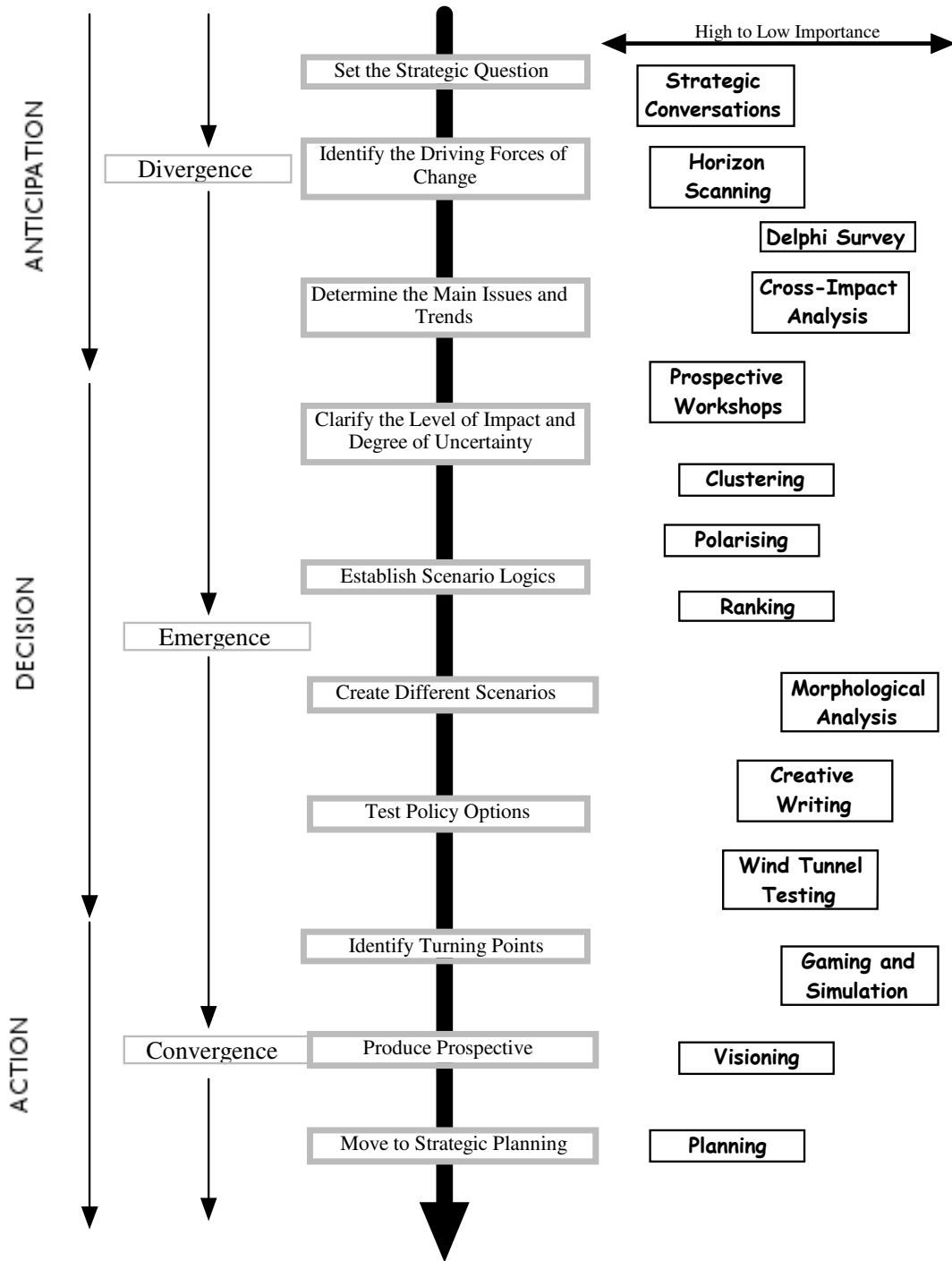
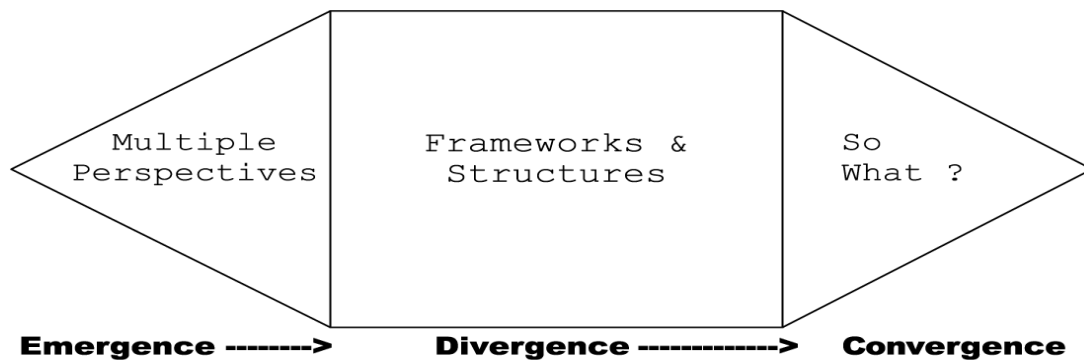


Figure 3.2: "Prospective through Scenarios"  
 Source: Ratcliffe and Sirr (2003) *The Futures Academy*

Ratcliffe (2006) argues that there should be three distinct phases in any Futures exercise: divergence, emergence, and convergence (see figure 3) - and that currently many foresighting

studies emphasise the second stage – Emergence, while neglecting to a large extent the first and third – Divergence and Convergence.



**Source:** Outrights

*Figure3.3: Emergence, Divergence and Convergence*

The author further suggests that as a result it is becoming difficult to tell the difference between foresighting programmes and most conventional strategic surveys, analyses and plans.

### **3.9 Corporate Foresight**

Companies embrace strategic futures out of a desire to anticipate and prepare for what the future may hold. Often prediction is confused with understanding. Business leaders want to reduce the anxiety caused by the uncertainty of the unknown. This immediately creates a source of disappointment, for it is never possible to know the future. A key best practice observation, therefore, is that organisations are able to make effective use of strategic futures work only when they accept that it is impossible to predict future outcomes. Therefore, rather than predicting the future per se, the aim of applying a futures approach to planning and policy development is essentially to bring a new set of skills and perspectives into the organisation. According to Dator (2000) *the single best practice is to help the organisation become futurists themselves.*

Many public and private sector organisations engage in strategic futures work, in attempting to illuminate and understand the future and to use this insight to inform strategy and policy. The overarching goal of organisational futures is to attempt to create a better today by

choosing more wisely and responsibly potential alternative futures (The Henley Centre, 2001). It is put forth in this research that corporate foresight, often described as ‘futures’ studies for business, can play an important role in creating a culture of responsibility within corporations. Corporate foresight has been described as a systematic, participatory, future intelligence-gathering and medium-to long-term vision building process aimed at present decisions and mobilising joint actions (FOREN, 2001). Applied futures research, or foresight, can widen companies’ planning horizons, more so than traditional methods of strategic planning.

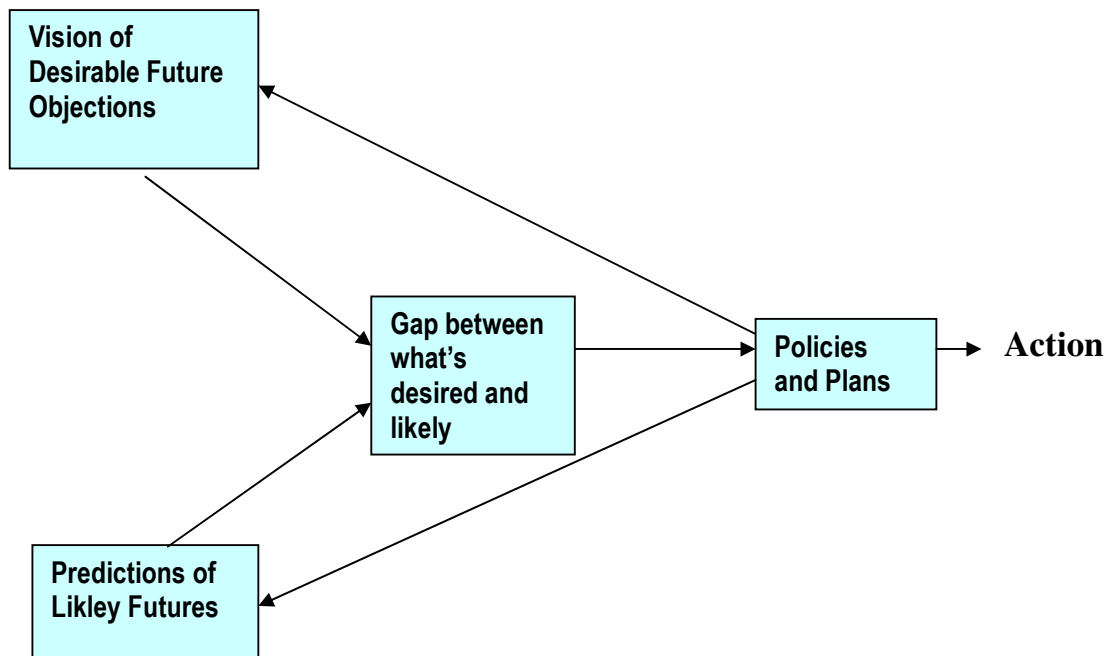


Figure 3.4: The Relationship between Forecasting and Planning.  
 Source: Gorgen (1994) Futures Research Methodology

Foresight can increase an awareness of emerging opportunities, enrich the transformational dimensions of the vision, and enhance the flexibility of planning strategies. ‘Futures’ tools can be integrated into the planning process where they are most useful. By linking potential external developments to internal decision-making, it enables key decision-makers to develop *strategic visions* for the company (*ibid*). The potential for foresight to play an important role in embedding corporate responsible behaviour firmly into the DNA of the company is huge, in that foresight creates an atmosphere where questions such as the responsibilities of corporations, sustainability, the search for an improved quality of life, the further internationalisation of markets, the growth of ethical investment and changes in the nature of

work and society can also be discussed in a broader context, than with traditional strategic planning. (Ratcliffe *et al.* 2005)

### 3.10 The Challenges Facing Foresight

In identifying the challenges facing the field, Slaughter *et al.* (2004) suggests six key reasons for the lack of institutionalised foresight approaches in companies as follows:

1. competitive, consumption oriented mentalities
2. survival of the fastest and fittest
3. discounting anything that is not empirically measurable
4. short-termism
5. where social innovations lag technological innovations
6. lack of investment in the timeframes and cost of acquiring the prerequisite knowledge and skills

For Foresight to gain further legitimacy in the corporate world therefore, the author further suggests the following is needed:

1. visionary leaders who are prepared to take a much longer term perspective and actively apply foresight approaches to inform their strategy and actions;
2. the funding of additional education in Foresight at all levels;
3. the funding of additional academic and applied research into Foresight;
4. the establishment of Institutes of Foresight that can act as catalysts for increased adoption of Foresight; and
5. increased effort to communicate emerging foresight theories and ideas into easily applied tools and methods.

Gordon (1994) lists a number of caveats that need to be addressed when considering the use of foresight techniques, the most relevant of which are summarised and reviewed below:

1. **Trend extrapolation is bound to be wrong:** merely examining past trends and stretching them into the future is simple, but this type of projection assumes nothing

has changed along on the way to deflect the trends, and that the only forces shaping the future are those that exist in the past. Ultimately, this assumption will be wrong.

2. **Forecasts will be incomplete:** Forecasts based on discoveries not yet made are exceedingly difficult to include. As Kahn notes, *'The most surprising future is one which contains no surprises.'* This point is pertinent to the current global economic crisis, the political catastrophes, or natural disasters, where changes are increasingly rapid and unprecedented, and can have a considerable impact on societies.
3. **Scenarios must be dynamic:** Because of inaccuracies and incompleteness, any scenarios based on indeterminate forecasts are subject to mistakes. Therefore, as new information is gained, scenarios need to be revised.
4. **Futures depend on chance:** The consequences of developments initially seem unimportant and unconnected but later, through tenuous interlinkages, become dominant in their effects.
5. **The Futures process is not value free:** Beliefs, right or wrong, impact on one's perception of the future. Personal values will also affect the line of questioning taken. To counteract bias and misguided judgements an effective approach therefore is to capture as many alternative views as possible, through techniques that show ranges of potential outcomes, such as scenarios.
6. **Futures work can be self-fulfilling or defeating:** By forecasting the possibility of a new technology for example, that technology may become more likely. Similarly, by forecasting severe flooding in a particular region the impact may be reduced if the forecast triggers action. The same can be said for the thinking around the concept of CRB, in terms of the shift from strategy as an internal process to strategy as a stakeholder process. This is an area that can have a huge impact on the effective development of CRB policy and practice.

The following section explores the potential for the concept of CRB to be used as a good model to test the use of foresight in companies, demonstrating the potential and benefits of foresight applications, and providing a catalyst for wider interest and adoption.

### **3.11 Futures, Foresight and CRB**

Wherever companies fall on the CRB spectrum, the research suggests that a concerted effort is needed to better align strategies to take full advantage of business opportunities, while

simultaneously including stakeholders in the strategy-making process. The following part of this chapter explores the use of Futures methods and techniques (strategic conversations, futures workshops, and scenario planning), in the development of CRB policies, from both a conceptual and practical perspective, suggesting that using a Futures approach (e.g. strategic conversations), in the development of CRB policy and strategy can maximise stakeholder engagement and move closer towards achieving corporate responsibility and sustainability.

Maignan *et al.* (2005) developed what could be described as a *futures-oriented approach* to integrate CRB into the long-term goals of companies, which was designed to build *an organisational identity and reputation based on stakeholders' norms and values*, by leveraging stakeholder engagement. Using a futures approach to engage with stakeholders has been proven to be a successful method in identifying a company's core values (Urde, 2003). Recent decades have witnessed an increasing recognition of the importance of people and personal values in creating a vision for the organisation. Moreover, ethics and values are fast becoming a feature in corporate visioning.

Futures workshops, strategic conversations and scenario development remain an important tool in testing the robustness of a company vision. Made famous by Shell in the 1970s, through the use of economic models, a number of robust and intricate scenarios were created, focusing on population growth and oil prices. However, scenarios are now created with a more participatory and collaborative approach, using information from a range of stakeholders, both inside and outside the organisation. Corporations still need to gather quantitative data for scenario planning, but that data covers many more dimensions of society: income distribution, demographic shifts, climate change impacts and the like. This aspect of strategic planning has essentially evolved in order to enhance *the capability of organisations to perceive what is going on in their business environments, to think through what this means for them, and then to act upon this new knowledge* (Van der Heijden *et al.* 2002). The authors refer to this strategy as adaptive organisational learning, a holistic, proactive approach to the strategic management process that focuses on scenario development to explore a range of potential outcomes and implications for companies. As just two approaches to scenario planning, strategic conversations, and futures workshops evolve when a group of experts come together in a setting to share information, thought, and perceptions. The concept of managerial stakeholder engagement indicates the structural shift in models of corporate communication.

In a similar context, Wilber (1995) described the *natural tendencies of evolution* as the Principle of Agency (or self-determination) and the Principle of Communion. In combination, these two principles allow each organisation, individual or group to act according to its awareness, capability and best understanding of the situation in hand, once it does not conflict or interfere with the freedom of others in obtaining similar objectives. In other words, the right to be, the right to define its role within a given situation is balanced by the moral obligation to be accountable for one's impact on society and the environment (Van Marrewijk, 2002). Wilber's research culminated in the development of his four quadrant model, which introduced the Four Corners of Reality concept. Wilber recognised that most theories are partial truths applying to particular situations or contexts alone, and that this lacked a holistic examination of reality. By employing the Four Quadrant Model Wilber managed to encompass 'everything' into one basic concept.

The quadrant below provides a summary version of this model.

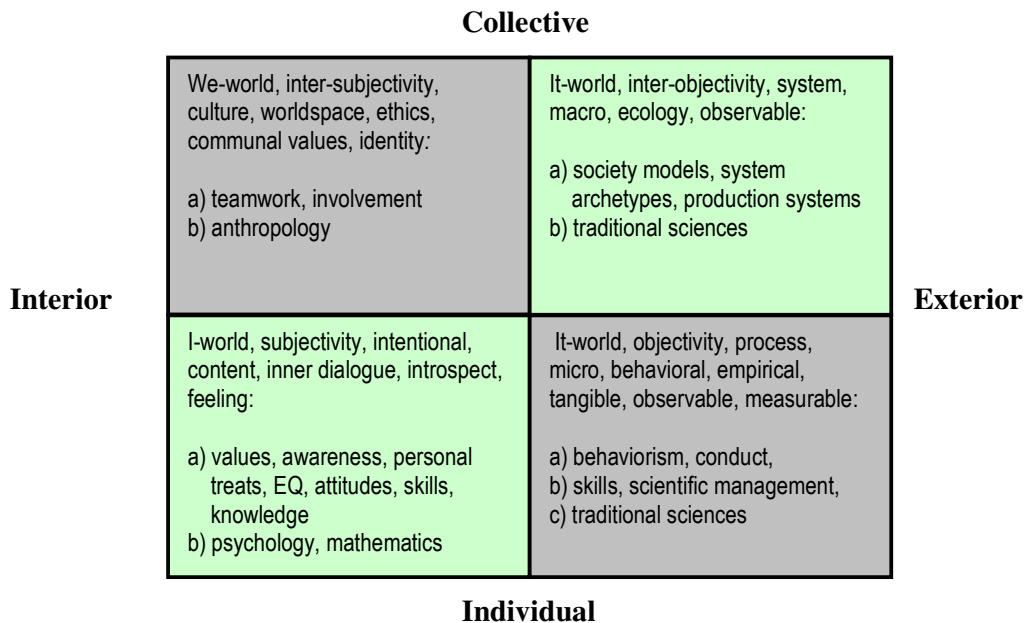


Figure 3.5 Wilbur's Four Quadrant Matrix  
 Source: Wilber, K. (2000) *A Theory of Everything*

According to Wilber (*ibid*), strategic thinking should move away from a singular focus on the traditional managerial domain, and also consider organisational culture and personal involvement. Furthermore, the author suggests that *reality* should not be reduced to one of the quadrants alone. Targeting CRB policies to just one of the quadrants would be ineffective, as

in order to ensure the development of truly lasting transformational policies, strategic thinking must be holistic and anchored in all quadrants.

Quadrant	Company Question
<b>Internal – Collective</b>	<ul style="list-style-type: none"> <li>▪ What is our identity and purpose?</li> <li>▪ What are our communal values and worldviews?</li> <li>▪ What are those of our main stakeholders?</li> </ul>
<b>External – Collective</b>	<ul style="list-style-type: none"> <li>▪ What are our life conditions?</li> <li>▪ What are the societal circumstances, major challenges and corporate risks?</li> <li>▪ What about the market in which we function?</li> <li>▪ Are our people motivated to change?</li> </ul>
<b>Internal – Individual</b>	<ul style="list-style-type: none"> <li>▪ What are our values, attitudes, Knowledge and capabilities?</li> </ul>
<b>External – Individual</b>	<ul style="list-style-type: none"> <li>▪ What added value can we provide?</li> <li>▪ To whom?</li> <li>▪ At what costs?</li> </ul>

*Table 3.1 Adapted from Wilbur’s Four Quadrants Model: Company Questions*

In identifying the transformational process, using Wilbur’s model companies need to ask themselves a set of questions such as those in table 1 above.

### **3.12 Strategic Conversations for Effective CRB Strategy Development**

Strategic conversations have been described as a multi-directional, multidimensional approach to better shaping and integrating the strategic objectives of decision-makers. For strategic conversations to be effective in the development of CRB strategy, the process needs to involve both talking and reflective listening by all participants. Typically, strategic conversations have been used as a means of information sharing between *channels of information*: for instance between top and low levels managers, enabling those at ground level to understand the strategic mission of the company’s leaders, whilst, according to Miles *et al.* (2006), at the same time ensuring that top-level management gain a thorough understanding of alternative, potential futures for the organisation, as well the capacity to achieve the a desired future.

The emergence of the concept of CRB has changed the way decision-makers use strategic planning in business. By its nature CRB relates to the relationship of business and the wider societal goals. Perceived in the right way, (as discussed in Chapter 2) CRB can be a source of



opportunity for companies, in terms of exploring how wider societal issues relate to business and vice versa. In developing CRB policies and strategies, questions such as where will new markets be, what will consumers want in ten years time, what will employees demand from organisations in the future, are significant, and both futures workshops and strategic conversations are dynamic, creative approaches that can help companies to deal with fundamental changes in business direction.

As a case in point, DuPont, during the 1990's considered developing a titanium dioxide mine adjacent to the Okefenokee National Wildlife Refuge in Georgia, however soon realised that such a move was likely to come up against strong criticism. To understand the nature and impact of this decision, DuPont brought together the relevant stakeholders with national and local environmental groups, economic development groups, and regulators to conduct strategic conversations, and as a result DuPont made an informed decision to abandon the strip-mining project (Sissell, 1999). It is interesting to note the driving force of DuPont's strategy reversal was not due to environmental legislation, on the contrary, it was through a series of strategic conversations between DuPont and its key stakeholders that the decision was made, thus indicating that the approach was significant in facilitating a more effective strategy making process. Liedtka and Rosenblum (1996) see Futures approaches as

a way of thinking about how organisations address (its) external and internal questions, which is oriented towards the advancement of the company, to the creation of the future for the business. You (in theory) meet with other people in the organisation to discuss issues of a different nature than operational issues.

Nonetheless, according to Miles *et al.*, (2006) more work needs to be done to assess the potential and implications of using strategic conversations *to better align the goals and aspirations of decision-makers with wider stakeholders needs*. Eisenhardt *et al.* (1997) suggest that strategic conversations can help to bridge the knowledge gaps both within and outside of the company, by bringing together the relevant people (e.g. those responsible for strategy development, those responsible for executing strategies, and all relevant stakeholders who are impacted by corporate activities). In addition, strategic conversations between decision-makers, employees, and external stakeholders can be an essential component of corporate decision-making to adopt, for example, international environmental and social accountability standards and its subsequent implementation of the standards.

CRB certification frameworks, such as ISO14000 and SA8000, require that the participating companies engage its external stakeholders in some form of strategic conversations. What is significant from the DuPont case above is that futures techniques, such as strategic conversations, and scenario development, proved invaluable in the development of CRB policies and practice, in that through the use of such techniques, the transformative space was created for decision- makers, lower level managers, as well as internal and external stakeholders to initiate dialogue, and expand knowledge on key strategic issues related to CRB, risk management and corporate reputation.

Futures approaches, therefore, can be seen as critical to a company's ability to compete in an uncertain, complex and constantly changing business environment, because they can help shape the mindset of decision-makers, management, employees and stakeholders. Markides (1997) stated that *a prerequisite to strategic innovation is an honest, fundamental questioning of the mental models or industry recipes that seem to govern the behavior of any individual or organisation*. Bronn and Bronn (2003) further suggest that *organisations are undergoing dramatic changes as stakeholder groups exert an ever-increasing influence on the place and responsibilities of organisations in society. Important drivers in this process include the environmental movement, the search for total quality management, and the concept of sustainable development, ethics and organisational learning*.

Miles, *et al.* (2006) describe two inherent weaknesses in current organisational approaches to the development of CRB policy and strategy: the first relating to what they describe as the *Perception - Performance -Capability Gap*, and the second relating to the *Futures Gap*. The former relates to the discrepancies between the perceptions of a company's current CRB performance and its CRB capabilities as viewed by various stakeholders: decision-makers, employees and relevant stakeholders. Often decision makers are so insulated from the reality of the company's operations that they fail to understand the fundamental strengths and weaknesses of the firm, its customers, suppliers, and competitors and is, therefore, myopic in terms of the issues of paramount importance to external stakeholders. By contrast, employees tend to have a deep understanding of the firm's capabilities, but this understanding can often be narrow and relevant only to their specific areas of responsibility. This is significant for CRB in that it could account for why CRB approaches are fragmented and disconnected from the core values of the organisation. Futures workshops and strategic conversations can

facilitate the engagement of all three groups to enable the transfer of knowledge throughout the organisation thus providing a more realistic picture of what the company can do.

The latter is related to differences between a) the vision of the *most probable* future b) the vision of a *preferred* future; c) the various visions, held by decision-makers, employees and stakeholders, and d) the company's role in the creation of these futures. The Futures Gap can be conceptualised as the discrepancy between the values of decision-makers, employees and stakeholders. For example, BP recently reinvented itself as a *green* energy company concerned about long-term environmental and economic sustainability. While some of BP's more environmentally oriented stakeholders envision BP as a leader in the commercialisation of alternative energy, BP's executives admit to seeing a different short-term future, given the world's economy and thereby BP remaining highly dependent upon coal, oil, and other carbon based sources of energy.

The authors (*ibid*) further suggest that the role of strategic conversations is to reduce the scale of the *Perception-Performance-Capability* gap, thus providing a common ground upon which to base future dialogue and decision-making, as well as helping to minimise the *Futures Gap* to enable the entire company to undergo the necessary transformation; and to enable the company to evaluate CRB in respect of the overall mission and capabilities of the company. While a plethora of research on strategy development exists (e.g. Mintzberg and Lampel, 1999; Eisenhardt and Sull, 2001), little research has been done to examine the implications and consequences of using Futures to initiate open and problem-oriented discourse among decision-makers, employees and stakeholders.

### **3.13 Key Reflections and Implications for the Research**

Decision-makers are becoming more aware of their role in achieving sustainable development: social prosperity, environmental conservation and sustained competitiveness (See chapter 2 for a more detail analysis). As such, there are myriad instances of companies demonstrating the benefits of a 'pluralistic mindset' - Johnson and Johnson, Procter and Gamble, Shell are examples of companies who have linked shareholder profit maximisation with a holistic approach to CRB (GEMI, 2004). It is becoming increasingly clear that traditional models of strategic decision making fail to support the effective adoption of CRB policies and strategies that align the interests of stakeholders, decision makers, and

employees. By adopting both an inside-out, and out-side-in perspective to strategic decision making, as Porter and Kramer (2006) suggest, the perspectives of all relevant stakeholders can be more involved in the CRB policy and strategy development process.

In spite of the uncertainties, the lack of scientific validity and reliability, and the relative newness of critical Futures research, companies are faced with challenging times ahead. The scale of the problems, the need for urgent solutions, and the unprecedented and rapid rate of change is rendering traditional strategic management approaches inadequate. This calls for an interdisciplinary, creative approach to address both current situations and anticipated future outcomes. It is proposed in this research that a Futures approach, supported by tested methods and techniques, can enable decision makers to adapt their current mindset to effectively solve tomorrow's problems today. In the context of CRB engagement, it is the normative aspect that can be best addressed through the concept of Futures. It is, therefore, the premise of this research that the most effective processes, outcomes and overall value of Futures in the development of CRB policy and strategy are yet to be fully comprehended by both academics and practitioners.

By examining CRB through the concept and methods of FS, it is seen as an interactive process from which CRB is systematically analysed and developed, by deconstructing and recreating a framework to develop CRB policies and strategies, based on both internal and external stakeholder participation. Thus, applying Futures to the study of CRB opens a range of alternative perspectives and implications for academia and industry. In this context, the current research is both timely and necessary in its attempt to empirically test the research hypothesis in a commercial property context.

## **Chapter 4**

# **Research Philosophy and Methodology**

## **4. RESEARCH PHILOSOPHY and METHODS**

The previous two chapters identified the need for empirical research around the development of CRB policy and strategy, the concomitant implications for the commercial property industry and the potential and benefits of utilising Futures Studies both as an organisational philosophy and as a critical research methodology for practitioners and academics respectively - thus providing scope for investigating the research aims and objectives (see section 1.10). This chapter communicates the philosophical and methodological approach behind the research, and provides the rationale for collaboration on the two futures studies, as well as the role of the researcher.

### **4.1 Overall Research Philosophy and Framework**

The research is underpinned by an innate belief in the subjective nature of reality from within the interpretive paradigm (e.g. Burrell and Morgan 1979, Saunders *et al.* 2007). In this context, this chapter highlights both the philosophical basis and the methodological approach undertaken for the collection and analysis of data at both a conceptual and empirical level of analysis.

Therefore this chapter has four key aims as follows.

1. To describe and discuss the ontological, epistemological and methodological foundations of the research.
2. To describe the multi-method approach (semi-structured qualitative interviewing, strategic conversations, and futures workshops).
3. To discuss issues of reliability and validity of the approaches and methods and techniques used in the research.
4. To describe and provide examples of how the data was collected and analysed.

### **4.2 Research Purpose**

According to Ritchie and Spencer (2002), applied research can be distinguished from theoretical research '*through its requirements to meet specific information needs and its potential for actionable outcomes*'. This is not to say that applied research is atheoretical,

rather, high-quality applied research is based on a solid foundation in theory (Gummesson, 2003).

The aim of this research is *to critically evaluate the viability of using futures methods to encourage companies to develop and implement CRB in the commercial property industry in the UK*. In so doing, this research will examine issues of corporate responsible behaviour and the role of FS, as both a philosophy and a critical research methodology, in fostering, enhancing and maintaining a culture of responsibility within commercial property companies. This research poses questions at both the conceptual and practical level: firstly, at the conceptual level it aims to examine the issue of corporate responsible behaviour, and the emerging need for alternative business paradigms to achieve sustainable development. At a practical level, the research explores the application of FS methods and techniques in the development of CRB policy and practice in the commercial property industry. In order to examine the key elements of each strand of research, the specific objectives are as follows.

As part of the research aim, the following objectives were also identified.

1. To critically evaluate corporate social responsibility and its role in business.
2. To explore the potential role, effects and implications of 'Futures' in the development of CRB policy and practice.
3. To propose an integrative conceptual and operational framework to guide decision-makers in formulating systematic, executable CRB policies and practices.
4. To develop a set of propositions that may influence the development of CRB policies and strategies for the commercial property industry in the UK.

The two central concepts of this research: Futures and CRB have been chosen, not because the goal is to define both concepts, rather how each concept relates to the other, and the extent to which the concepts are mutually enhancing. Given that CRB has myriad meanings, and futures is not a well known concept among non-futures specialists, the first two chapters are devoted therefore to defining and exploring both concepts for clarification in relation to the specific aims and objectives of the research, as illustrated in the figure 4.2.

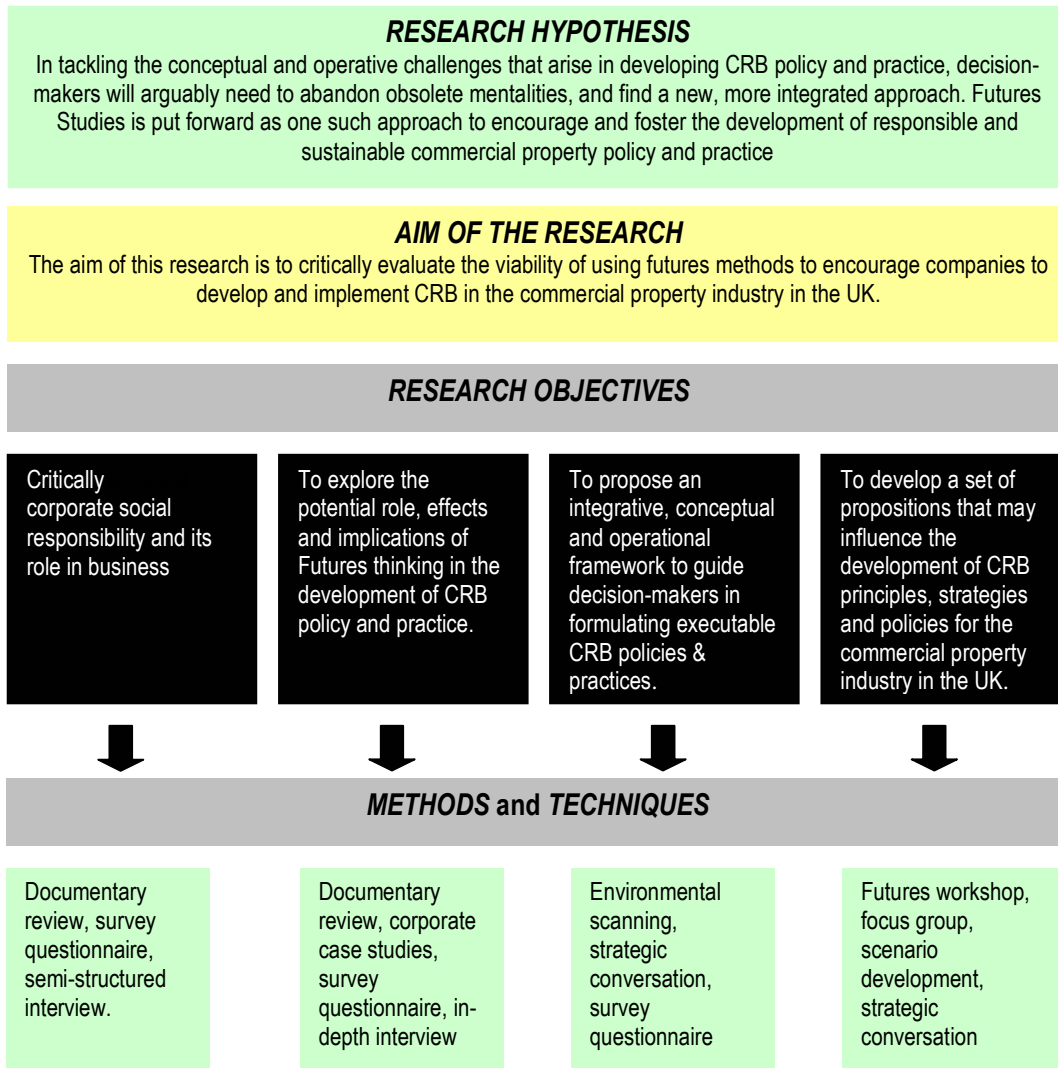


Figure 4.1 The Methodological Process

While starting from a conceptual problem identified in the literature, and from an initial baseline study involving a series of interviews and a survey questionnaire, the above objectives imply much about the relationship between business and society and the role that different theories and approaches can play in developing a better understanding of CRB and its legitimate form within business. From a practical standpoint, the research then seeks to investigate how CRB can be better developed within a commercial property context using FS as a robust conceptual, operational, and evaluative framework for investigating CRB more broadly. The research uses FS, therefore, as both an analytical lens that informs and is informed by the data collected, but also as a practical tool from which to encourage and foster the development and implementation of CRB policy and practice.



### **4.3 Ontology and Epistemology**

Under the assumption that there is no truth or absolute reality to be established by the research, the philosophical approach is underpinned by a subjective view on the nature of reality, in the belief that both individuals and groups are active creators in the construction of their own reality (Gadamer, 1989; Burrell and Morgan 1979, Denzin 2001). In other words, individuals perceive different situations in varying ways according to their own philosophical views, values and beliefs on how the world works. In essence, the subjective reality is based on a wide range of contexts within which both researcher and participant exist - e.g. societal, political, historical, economic, geographical and environmental.

According to Guba (1990: 27) *reality is in the form of multiple mental constructions, socially and experientially based, local and specific, dependent for their form and content on the persons who hold them.* Morgan (1980) further suggests, that by identifying and understanding the relationships between multiple realities, certain patterns of the social world will emerge, enabling the researcher to gain greater insight into the studied phenomenon through various forms of communication; on how reality is constructed by examining relationships, organisations, philosophical views, values, beliefs, cultures; and meanings that emerge within a group setting. Due to the exploratory nature of the research, the gathering and analysis of data is guided primarily by futures theory, methods and techniques, whereby the collection, examination and process of continual re-examination of the data will determine the research findings.

#### **4.3.1 Moving Towards Epistemological Pluralism**

Since the concepts of sustainable development and corporate responsibility tackle myriad sources of uncertainty, in order to foster a sense of common purpose and common understanding among different stakeholders, it is necessary to move beyond traditional disciplinary thinking, and even beyond inter-disciplinarity, towards intercultural, inter-institutional, and transdisciplinary discourse. As such, epistemological pluralism is increasingly becoming accepted among researchers as a suitable approach for conducting innovative, collaborative and practically relevant research.

According to Miller *et al.* (2008: n.p)

Epistemological pluralism recognises that, in any given research context, there may be several valuable ways of knowing, and that accommodating this plurality can lead to more integration in research. This approach is particularly useful in the study and management of social–ecological systems.

The authors (*ibid*) go on to describe how by taking an epistemologically pluralistic approach, it can facilitate the constructive dialogue between individuals and groups who hold different mindsets, world views, and visions. The development of CRB policy and strategy is essentially a human construct and the success or failure of implementation is largely dependent upon the values and beliefs of the individuals or groups involved in the CRB process. As such, the most suitable methodological paradigm falls under the interpretivist or social constructionist perspective, in that there are multiple realities to be understood, and where all impact the overall success or failure CRB strategies and policies (Mertens, 1998, Denzin, 2001, Aram and Salipante Jr., 2003).

#### **4.4 Interpretivism and Social Constructivism**

Kant (1724-1803) argued that individuals have knowledge independent of the outside world and that all research should take into account the subjective forces that inform it (Carr, 1999). Therefore within the interpretive paradigm the researcher acts as interpreter, attempting to identify meanings associated with certain social settings, such as discourse and participation in strategic conversations or focus groups, and hence attempts objectively understand the subjective meaning of such approaches (Mason 2002), by challenging preconceived assumptions about the nature of what is being studied (Toren, 1996).

Within the interpretive paradigm it is essential to acknowledge the researcher as part of the findings. Crucial also is that the researcher must adopt an empathetic stance. The challenge here is to enter the social world of the participants and attempt to understand the world from their point of view. According to Orlikowski and Baroudi (1991: 5) *Interpretive studies assume that people create and associate their own subjective and intersubjective meanings as they interact with the world around them. Interpretive researchers thus attempt to understand phenomena through accessing the meanings participants assign to them.*

The social constructionist approach is widely acknowledged to be within the interpretive paradigm of management theory (Burrell and Morgan, 1979), and offers an alternative way of examining corporate behaviour, rather than relying on the more mechanistic and technical literature. From this perspective companies are seen as subjective realities that through communication and interaction between decision-makers, employees and stakeholders are continuously being constructed and *enacted* (Weick, 1979). While positivists speak of proof, social constructionists speak of interpretations.

Littlejohn (2000) identifies six fundamental elements of the interpretative paradigm as:

1. Individuals make decisions and act in accordance with their subjective understandings of the situations in which they find themselves.
2. Social life consists of interaction processes rather than structures and is therefore constantly changing.
3. People understand their experience through the meanings found in the symbols and gestures of their groups, and language is an essential part of social life.
4. The world is made up of social objects that are named and have socially determined meanings.
5. People's actions are based on their interpretations, in which the relevant objects and actions in the situation are taken into account and defined.
6. The self is a significant object and like all the social objects is defined through social interaction with others

The interpretative paradigm supports the belief that reality is constructed by subjective perception and therefore predictions cannot be made.

#### **4.4.1 Objectivity in the Interpretive Paradigm**

Objectivity in the interpretative paradigm is related to the researcher's capacity to engage with, and listen to, participants in a profound and self reflexive manner (Strauss and Corbin, 1998). Essentially, the researcher's role is to give voice to participants' views of the social world, and identify patterns that might illuminate and explain the social processes in question. Sanday (1983: 20) notes that *the researcher is an instrument in observation, selection, coordination, and interpretation of data*. As such, the interpretive approach is suitable for analysing management processes as they are in fact underlying patterns of social

action, where it is possible to see both the influence of the corporate structure on individuals, and the influence of the individuals on the corporate structure by interacting with the individuals and how they view and shape the nature of the social patterns of which they are a part.

Given the complexity of the corporate world, it would be imprudent to theorise by *definite* laws, in the same way as, for example, the physical sciences. Furthermore, rich insights into the complex world of business are lost if such complexity is reduced entirely to a series of *law-like generalisations*. Not only are business situations complex, they are also a function of a particular set of circumstances and individuals. This immediately raises questions about the generalisability of research that aims to capture the rich complexity of social situations. In this context, generalisability is not of crucial importance given the ever-changing and, thus, uncertain world of business.

If it is accepted that the circumstances of today may not apply in three months' time then some of the value of generalisation is lost regardless. Similarly, if it is accepted that all organisations are unique, that too renders generalisation less valuable. By contrast, the interpretive approach to this research seeks to understand the *world as it is* and to gain a better understanding of the inherent nature of the social world from a subjective perspective (Burrell and Morgan, 1979). It focuses on identifying and investigating patterns in contextually specific emerging social processes and their associated meanings, based on the interaction of individuals and groups with their social environments, and is thus appropriate for investigating business.

#### **4.5 Exploratory Research**

This research focuses on analysing the CRB engagement process, as well as building a set of propositions that can guide practitioners in developing more effective CRB policies and strategies. Based on the lack of literature to respond to the research objective, its inherent complexity and the need to provide practically applicable results, an exploratory approach was undertaken. This, in combination with the overall epistemological approach, implies that the research focuses on understanding the meanings individuals ascribe to certain issues and activities. Therefore, the research focuses on how the relevant decision-makers, employees, and external stakeholders involved in the development of CRB policy and practice in the

commercial property industry understand, ascribe meaning to and take account of their actions and the actions of others, and how these actions are mediated by historical, cultural and institutional contexts. By engaging with these individuals and learning of their experiences and opinions of being involved in these social activities (Denzin, 2002) it is then possible to identify any underlying patterns in the processes involved in the development of CRB policies and practices at a wider company and sector level.

#### **4.5.1 Deductive Versus Inductive Enquiry**

Essentially there are two strands to the research, the first to identify the current status, level of awareness, tensions and likely future direction of CRB and the implications for the commercial property industry; the second to explore the potential of futures as both a philosophy and critical research methodology which may lead to a more engagement of CRB within companies. The first strand is focused on helping to solve a conceptual problem, and the second to develop findings that can have a practical application in a *real world* context, therefore, the research was initiated from an inductive, unstructured approach, where no hypothesis was tested, and where theory emerges from the data (e.g. Strauss and Corbin 1998, Mintzberg 1979, Pettigrew 2000). This inductive approach allowed for the exploration of the CRB without a preconceived notion of what the data would look like or the relationships that might be found within it (e.g. Saunders *et al.* 2007, Mintzberg, *ibid*). Thus, it allowed for an unstructured investigation of CRB policy and strategy development, and provided the opportunity for a more holistic investigation of potential issues and relationships as they exist in a practical context.

The second strand of the research focuses on critiquing Futures as both a philosophy and methodological tool for developing CRB policy and practice, and empirically testing the hypothesis, also in a real world context. The approach here is deductive in that it seeks to identify whether the hypothesis applies to a specific case, i.e. that FS can enhance the process of developing CRB policy and practice. Hence, this research sees qualitative and quantitative methods as part of a range of research techniques, all of which are appropriate depending on each specific research objective.

#### **4.5.2 Qualitative versus Quantitative**

Shaffir and Stebbins (1991) have developed a framework for this approach in a way that challenges the notion that qualitative approaches are solely exploratory and inductive, while

quantitative methods are only explanatory and deductive. Guba and Lincoln (1994: 105) support this notion in the belief that *both qualitative and quantitative methods may be used appropriately with any research paradigm. Questions of method are secondary to questions of paradigm, which we define as the basic belief system or world view that guides the investigator.* Hence, there is a need to recognise that both methodological approaches have an equally respectable place in CRB research, where the use of quantitative and qualitative, and / or deductive and inductive techniques can co-exist. Rather than focusing on justifying the less highly regarded method (which appears to shift over time and across disciplines), efforts should place emphasis on understanding why and when to use one or the other method, or both.

#### **4.5.3 Moving Towards Triangulation and Crystallisation as a Methodological Approach**

In practice both qualitative and quantitative approaches are appropriate within a single study. Essentially, it is up to the researcher to choose a specific method in order to generate a clear understanding of the topic under examination. Within academia it is common practice to group specific epistemologies, and researchers are generally forced to choose between either a predominantly qualitative or quantitative stance. More recently, however, an increasing number of scholars in the social science field have acknowledged the benefits of a multi-method approach to conducting research (e.g. Bowen, 2003)

Triangulation is where different methods and techniques are used simultaneously, enabling the researcher to compare results from several sources - e.g. focus groups, questionnaires, government publications or independent corporate studies – in order to validate findings. Easterby – Smith *et al.* (1991) describe four types of Triangulation as follows:

- a) Data Triangulation: where data is collected at different times, or from different sources in the examination of a particular field.
- b) Investigator Triangulation: where several different researchers collect data relating to the same area of study independently and compare findings
- c) Methodological Triangulation: where different methods of data collection, both quantitative and qualitative, are employed throughout the examination of a particular field of study

- d) Triangulation of Theories: where a theory derived from a new discipline is used to explain a phenomenon in another discipline

While triangulation is based on the belief that there are just three perspectives or sides to be interpreted, crystallisation, is founded on the principle that there are many facets to a given phenomenon under investigation. Ellingson (2009: 11) describes crystallisation as depending upon including, interweaving, blending, or otherwise drawing upon more than one genre of expressing data...seeing the phenomenon as a holistic and radical way of knowing. Evolving from Richardson's (1994: 963) earlier description of the crystal as combining *symmetry* and *substance with an infinite variety of shapes, substances, transmutations, multi-dimensionalities, and angles of approach*, Ellingson (*ibid*: 125) divides the concept into two approaches: the integrated and the dendritic, where the former involves research that extends into multiple genres; and where the latter refers to work that *continually branch out into patterned but also unpredictable, unique, and often beautiful forms of representation that reflect multiple epistemologies*. According to Ellingson crystallisation falls within a social constructionist world view (Creswell, 2007) offering a valuable way of thinking and creative inquiry to produce knowledge and to create a *conceptual analysis* of the data.

#### **4.6 Multi-method Interpretive Study**

According to Mintzberg (1979) *measuring in real organisational terms means first of all: getting out into the field, into real organisations - questionnaires often won't do*. Qualitative data is based on meanings expressed through words, not numbers, and analysis is conducted with the help of conceptualisation. Therefore, employing quantitative research alone would not adequately capture the context or complexity of the development of CRB policies and strategies. As such, both qualitative and quantitative methods have been employed in the belief that this is the most appropriate approach in conducting a combination of exploratory, inductive and deductive research, where the primary focus of the research is on understanding the theoretical frameworks as well as enhancing an understanding of the meanings both individuals and groups ascribe to their social world.

In order to build substantial knowledge in a field where little is known and where the phenomenon must be studied in context to produce practical results, questions along the lines of *why* and *how* are of crucial importance (see Saunders *et al.* 2007, for example). Also,

based on the philosophical approach, it is possible to understand a larger social system (such as a corporation) by interacting and observing individuals within the specific system. Hence, the research can be described as multi-method, qualitative and quantitative.

#### **4.6.1 Choosing the Research Methods**

The aims and objectives of the research determined the type of data that needed to be collected and ultimately the type of research tools required to carry out the research. In choosing the most appropriate methodology for this research, an integrated approach, with elements of multiple epistemologies was chosen; the aim to provide insights from a variety of perspectives. Six distinct methods and instruments were used to investigate the research objective: documentary review, survey questionnaire, semi-structured in-depth interviews, strategic conversations, and futures workshops. The six different methods were used as they allowed for the collection of two distinct sets of data: the documentary review provided the broad theoretical framework from which to gain a better understanding of how CRB could and should work, the questionnaire, interviews, strategic conversations and futures workshops provided rich insight in terms how CRB works in practice; the difficulties encountered in developing and implementing CRB policies and strategies in the different industries (see Figure 4.1). From a conceptual perspective the research contributes towards creating a better understanding of both the CRB and Futures fields, and helps to identify the links between the various concepts under investigation. By contrast the more systematic, empirical data, gathered from the survey questionnaires, interviews, strategic conversations and futures workshops provided the basis for understanding how different companies approach CRB.

As outlined in Chapter one (see figure 1.1), the research was divided into two phases according to the specific research objectives, the first phase consisting of exploratory research to identify and critique existing CSR/CRB theories, models and practices at a global, European, national and individual corporate level. Both qualitative and quantitative methods and techniques were used, the results of which were based on a combination of the following: literature review; 31 in-depth semi structured interviews with professionals across four sectors (Telecoms, Finance, Industrial and Energy) as well as leading experts across the commercial property profession (academia, institutions, consultancies, and commercial property professionals); the first of four survey questionnaires was sent out to 150 commercial property companies in the UK to gauge levels of awareness of CRB and



sustainability, and identify gaps in current thinking, as well as best practice in the industry; and ongoing environmental scanning was carried out to determine, the current drivers, issues and trends, as well as current discourse in the fields of CRB, FS and commercial property in the UK. The first phase concluded with the development of the research. *In tackling the conceptual and operative challenges that arise in developing CRB policy and practice, decision-makers will arguably need to abandon obsolete mentalities, and find a new, more integrated approach. Futures Studies is an approach which encourages and fosters the development of responsible and sustainable commercial property policy and practice.*

The second phase of the research involved collaboration on two related foresight studies to empirically test the research hypothesis developed in phase one. In her capacity as principal researcher for both studies (European Real Estate Scenarios 2020 and Built Environment Foresight 2030), the author distributed three survey questionnaires to over 150 commercial property companies in Europe (March 2008), Asia-Pacific (July 2008), and North America (May 2009) respectively; prepared and took part in four Futures Workshops, in London (November 2007), Hong Kong and Singapore (July 2008) and Chicago (June 2009); and conducted 25 strategic conversations (10 in phase 1, 15 in phase 2) with professionals (chosen for their expertise) to explore the drivers and inhibitors of addressing CRB in each of the three regions, and to discuss the benefits and limitations of using a futures approach in the development of effective CRB policy and practice in the commercial property industry. The Prospective Through Scenarios Approach (see figure 3.3) with elements of another futures technique by the name of Causal Layered Analysis were utilised throughout the process. The following sections provide both an overview of each distinctive research method used.

#### **4.6.2 Documentary Review**

Documentary research was used in this study to explore the general concepts of both CRB and Futures in terms of the philosophical trajectories and current application and implementation in business; and to highlight the need for rigorously exploring and examining each phenomenon at a broader and deeper level.

Firstly, looking at the field of CRB, in the past three decades a considerable body of research has emerged covering the many and varied aspects of defining the concept, to gain a comprehensive understanding of how best to move from rhetoric to reality, to Frankenthal's (2001) study of the current weaknesses of CRB integration. The review examines the theories

of the three main schools of thought: neo-classical / shareholder theory (Friedman) stakeholder theory (e.g. Freeman; Carroll; Elkington) and the societal approach (Van Marrewijk). Both Garriga and Mele (2004), and Windsor (2006) were examined in terms of how they categorised CRB theory in accordance with the primary motivations for engagement, and their research on creating an integrated approach.

Secondly, looking at the Futures field, the documentary review began with an overview of the need for anticipation, in the broadest sense of the term, examining Bell (1997), Gordon (1994), Slaughter (1999, 2002) for their work on the many different futures approaches – from the pre-scientific use of prophecy, through to numerical forecasting and qualitative methods of FS, developed towards the end of the previous century, as well as an evaluation of the implications of FS on strategic planning, and the potential of a futures approach in helping to create and maintain a culture of responsibility within the commercial property sector. Poli (1999) was examined for his categorisation of futures approaches, and Miles, Munilla and Darroch (2006) for their work on current futures-oriented organisational approaches to the development of CRB policy and strategy.

#### **4.6.3 The Survey Questionnaire**

The survey questionnaires distributed during the research were the key quantitative means of gathering and analysing the data. The aim of the survey questionnaire method was to gather specific information on the current status of CRB engagement and the level of awareness across industry (Energy, Telecom, Finance, and Industrial) as well as highlighting current practice in the field of CRB and commercial property specifically. Four separate questionnaires, consisting of 10-14 questions were distributed to 150 organisations (see appendix for questionnaires).

<b>Source</b>	<b>Questionnaires Numbers 1-4</b>	<b>Number of Questionnaires Distributed</b>
Cushman Wakefield Client Database	UK Questionnaire	150
RICS Membership Database	<b>(Phase 1)</b>	
ULI Membership Database: Europe	Europe Questionnaire	150
Networking at ERES Conferences	<b>(Phase 2)</b>	
ULI Membership Database: Asia-Pacific	Asia-Pacific Questionnaire	150
ULI North America Membership Database	North America Questionnaire	150
Networking at ULI Conference in Miami	<b>(Phase 2)</b>	
<b>Total</b>	<b>4 Questionnaires</b>	<b>600 Questionnaires Distributed</b>

*Table 4.1 Database of Respondents*

The survey population in total amounted to 600 individuals, within companies in each region: UK, Europe, Asia-Pacific and North America. Potential respondents were chosen from both a database and as a direct result of networking at conferences (i.e. asking people if they were interested in filling out a questionnaire). In the instance of networking, the sample used was dictated largely by the willingness of the individual to partake in the research. If the response was positive, a business card was taken for each respondent. This approach in particular, proved more beneficial in terms of increasing the rate of response, partly due to the fact of having given a brief synopsis of the research in person. For example, no networking took place in Asia-Pacific due to budget constraints hence the response rate was remarkably lower. This approach was also beneficial in terms of gaining access to company reports and other relevant materials. In some cases interviews were also granted, to be held at a later date.

Of the total number distributed, 150 questionnaires were sent out for each region (illustrated in Table 4.1). In terms of the database approach, individual names and contacts details were listed alphabetically on each database, which often consisted of thousands of individuals hence a random selection of potential respondents was made. Once the sample was selected, a brief background search was conducted to ensure suitability, in terms of, for example, getting the best out of the respondents (i.e. that the individual had a certain level of responsibility within a organisation, and that he/she was linked either to the field of CRB, commercial property or both). While this was time consuming, it proved advantageous in terms of the quality of the responses received. In this instance, a pilot questionnaire was sent out during the first year of research, but was not used in the results. The benefits of conducting a pilot

study were significant if terms of having an opportunity to test the success and failure of specific questions.

With regard to question design, emphasis was given to the choice and type of questions included in the questionnaire. Each questionnaire ultimately consisted of a set of basic questions relating to levels of awareness of CRB; managerial representation of respondents; drivers of change in six sectors according to the STEEP/DEGEST technique (e.g. Society/Culture, Technology, Economy, Environment and Politics/Governance) and the related implications for CRB engagement; as well as the respondents perspective on future developments over the next two decades (see appendices for full questionnaires). Questions were a mixture of closed-ended, where each question had a fixed range of alternative responses, and open-ended, where broad questions were designed to elicit the respondents own views rather than their responses to a pre-specified range of answers. Although significant interest was shown, it was clear that organisations in some industries over others were not keen to divulge information that might negatively influence their organisation, for example those in the Energy sector. The design of the questionnaires was emergent, due to the need to redefine research aims and objectives throughout the entire process. The number of questions was limited to ten to twelve, so as not to deter potential respondents from responding.

	<b>Sample 1</b>	<b>Sample 2</b>	<b>Sample 3</b>	<b>Sample 4</b>
	<b>Baseline Survey UK</b>	<b>Commercial Property Industry Europe</b>	<b>Commercial Property Industry Asia Pacific</b>	<b>Commercial Property Industry North America</b>
<b>Distributed</b>	150	150	150	150
<b>Method</b>	email	email	email	email
<b>Initial Response</b>	66	80	43	57
<b>Response after Reminder Email</b>	72 (4% increase)	84 (3% increase)	48 (4 % increase)	65 (5 % increase)
<b>Response Rate</b>	<b>48%</b>	<b>56%</b>	<b>32%</b>	<b>43 %</b>

*Table 4.2 Questionnaire Response Rates*

All questionnaires were distributed by email. A reminder email was sent out to all respondents with a view to enhancing the response rate (see table 4.2 for questionnaire response rates). In general response rates were increased by between 3 and 5 per cent.

#### **4.6.4 Semi-structured Qualitative Interviewing**

The most common technique in generating data for qualitative research is the semi-structured interview (Briggs, 1986). According to Smith (1995) the main purpose of the semi-structured interview is to gain a detailed picture of the respondent's belief and perception of the topic in question, and to give both the researcher and respondent more flexibility than would a more structured interview. The semi-structured interview enables the researcher to engage with the social world of the interviewee, who is perceived as an expert telling their own understanding of a given phenomenon. Much of the literature to date has focused primarily on the interview methods and techniques to enhance the data set. However, new trends acknowledge that interviewing is as an interactive process where the researcher is seen *as part of the interactions they seek to study and influence those interactions* (Frey and Fontana, 1991). As such, the interview is a collaborative, meaning-making experience involving both the researcher and participant. Schwandt (1997) contends that *it has become increasingly common in qualitative studies to view the interview as part, or a form of, discourse between two or more speakers or as a linguistic event in which the meanings of questions and responses are contextually grounded and jointly constructed by interviewer and respondent.*

There are four widely known advantages of the semi-structured interview, as follows: it facilitates rapport; allows greater flexibility of coverage, enables the interview to enter into novel areas, and tends to produce richer data (Kvale, 1996). According to Gertz (1973), to achieve richness and depth in understanding the researcher must identify and explore key words ideas and themes using follow-up questions to encourage the participant to expand on what he or she has said that is relevant to the overall research. Nevertheless, disadvantages also arise with the use of this method. Firstly, this type of interviewing is time consuming, and hence makes it difficult to gain access to participants. This is particularly relevant in a business setting, where time constraints of decision-makers and employees can hinder the process. Secondly, the researcher's control over the interview process can be weakened, leaving the participant to bring up any topic he/she feels is relevant to the subject. It is essential, therefore, that the interview does not take on a life of its own. It is often necessary to steer the conversation back to the topic in question. A third significant drawback of the

semi-structured interview is due to the difficulties in analysing and comparing the data generated. Interviews lasting one hour can take up to eight hours to transcribe and as such, taking into account the sheer volume of information, selectivity is crucial.

Semi-structured interviewing is consistent with interpretive, exploratory research, as it focuses on gathering rich, detailed data in the form of descriptions and points of illustration regarding how participants understand the topic under analysis. The data gathered can then be used to understand the phenomenon in a wider social context (e.g. Rubin and Rubin 1995; Kvale, 1996). How CRB policies and strategies are developed, coupled with the myriad forces influencing these processes, attitudes and behaviours, are based on the values, beliefs and worldviews of those who are involved in the processes.

#### **a) The Interview Process**

The interview process was hugely valuable in terms of gaining a more comprehensive understanding of what Gerson and Horowitz (2002) describe as the '*complexities of large-scale social change*' through the exploration of how participants experience, interpret and shape their responses to changes within their organisation. By interviewing the relevant people involved in the development of CRB policy and strategy, it enhanced the researchers' understanding of the entire processes occurring at both corporate and personal level.

For the purpose of this research, the interviews were qualitative in nature. By qualitative analysis it is possible to capture the extent to which the topic is discussed as opposed to a quantitative approach that would involve the analysis of the frequency of a certain response. The qualitative interview enables both the interviewer and respondent to enter dialogue so as to create meaning on a particular subject. Holstein and Gubrium (1995) argue that meaning, in this context, is created as a result of the perspective taken by the respondent, the relationship with the interviewer, the interview context and the nature of the subject being discussed. The interview is therefore an interactive process whereby both participant and researcher collaborate to make sense of the subject in question.

In order to ensure the same basic guidelines were followed for each interview (Patton, 2002), a loose interview structure was used, where participants were given a list of relevant topics as the basis for the discussion. As the interviews progressed, any key areas of interest that had

come in previous interviews were also discussed where possible. In general the interviews enabled participants to impart their own views on CRB based on their own knowledge and experience (Denzin, 2002) and were probed on any other related areas as the researcher saw fit.

A number of topics were identified as key areas in understanding how the development of CRB policy and strategy is approached in both a general business and commercial property related context. While the process was mainly inductive, it is impossible for any researcher to enter the process without some level of awareness and understanding of the field (Gummesson, 2003). As such, the questions given to participants prior to the interviews were developed based on a rigorous analysis of the literature within the CRB field, as well as any previous research experience. This resulted in the identification of a number of broad topics for discussion (see appendix for interview guide) as follows.

1. Pivotal Events affecting the commercial property industry over the last ten years.
2. Drivers of change affecting engagement in CRB.
3. Key issues and trends likely to affect CRB engagement over the next two decades.
4. Commercial property sector responses to the complex challenges and opportunities of CRB engagement.
5. Key CRB policies and initiatives within the organisation.
6. The success and impact of current policies and practices.
7. The likely future direction of CRB within the organisation.

These seven topics were used as a starting point to guide the discussion into areas related to the current, status, awareness, initiatives and likely future direction of CRB engagement within the commercial property industry. The topics were intentionally general in nature to allow interviewees to express their opinions, concerns and attitudes on a particular subject. In some cases participants asked for clarification of the concepts – in most cases in order to clarify the concept of FS. In these cases, the researcher explained the process and its relevance to the subject of CRB and commercial property.

#### **b) The Role of the Researcher in the Interview Process**

The role of researcher was to facilitate and guide rather than rigidly dictate the sequence of topics. To this end, a schedule was prepared, where most questions asked were open-ended,

resulting in greater freedom and less restriction, and also allowing the participant to introduce relevant information, ideas and concepts that may not have been selected during the question selection. Under the assumption that data generation by means of interviewing is a collaborative process to create a better understanding of how companies both perceive CRB and its relation to their industry, and develop CRB policies and strategies, self-reflexivity is an important element in good research (e.g. Hsiung, 2008; Watt, 2007). By reflecting on the specific behaviours and thoughts emerging throughout the interview process, as well as on the topic under analysis, the researcher is able to constantly improve on the interview process, and as a result enhance the richness and depth of the data collected (Glesne and Peshkin, 1992).

In analysing, interpreting and synthesising the material after each interview and having reflected during the interview itself, a number of issues became apparent as having huge significance in influencing the interview process, such as nervousness, lack of confidence, physical characteristics (such as young, female) the need to try and understand the participants' perspective (therefore listening to what they had to say with few challenges) and time constraints meant that many participants in many cases started to describe basic programmes, rather than going into technical details, for example, of why and how they engage in CRB. This was more often the case in face-to face interviews - where it was evident that the researcher was perceived as a young and inexperienced woman with regard to both business and CRB expertise, than it was with phone interviews.

Another notable observation that emerged from the interview process is that CRB is quite a difficult field to research, partially owing to the problems in acquiring access into corporations out of concern that their reputation may be tarnished by the publication of research reports with a less than flattering account of the corporation, as well as the fact that many participants working on CRB in some way link their own personal ethics and identity with the ethics and identity of the company. In many cases, participants took criticism of company efforts and / or policies and strategies as a form of personal criticism. These difficulties with investigating CRB are likely to explain why there is an underdevelopment of empirically based literature in the field.

In most interviews, participants questioned what the work would be used for, whether it would be published within a corporate environment, and / or whether the research was



confidential. In at least two cases, companies were not forthcoming with information out of a desire to beat the competition in terms of best practice, new approaches, new research, for example on the correlation between CRB and fiscal benefits. As the interview process proceeded, it also became evident that the so called *industry leaders* were a close knit network of companies. Personal comments were made on many occasions to individuals with similar responsibility in other related organisations. This could be attributed to the relatively small amount of companies working on this phenomenon in this particular industry.

## **4.7 Data Collection**

Data collection relates to the process of preparing and collecting data in research. In this instance, the data was collected in various ways, including a literature review, a survey questionnaire, interviews, strategic conversations and futures workshops.

### **a) Sampling**

Sampling is the process of selecting people or organisations from a population of interest in order to produce results representative of the wider industry or group of people from which the population was chosen. To identify potential questionnaire respondents, purposive sampling was used in this research, which involved the use of two different approaches as follows: database and network (see, for example, Saunders *et al.* 2007). Under this approach, individuals and companies were chosen based on a certain set of criteria (outlined above see section 4.7.3).

### **a) Sample Size**

Determining the sample size was a difficult process, largely dependent on various factors and constraints. For instance, budget constraints restricted the size of one questionnaire sample, over another, to ensure that an equal amount of funding would be available for both data collection and analysis procedures. In choosing the size of the sample it largely depended on the nature of the analysis to be performed, the desired precision of the results, the type and number of comparisons that needed to be made, the number of variables that had to be examined simultaneously and so on. As this research was mainly a qualitative inquiry, there were no definite rules to be followed and choosing the sample depended on a range of factors, such as the purpose of the inquiry, credibility and what can be done with available time and resources.

## **b) Bias and Error in Sampling**

The main challenge with sampling is the difficulty in making the research representative of a given group of people or organisations. While the sample's chosen in this research were representative of the commercial property industry as a whole, there was no guarantee that any sample would be precise. A certain element of the unknown would inevitably ensure that certain untypical observations would be made. For instance, one particular sample of large commercial property organisations may have more or less knowledge of issues related to CRB and sustainability, than is generally the case in this industry. In practice, it is rarely known when a sample is unrepresentative and should be discarded. For this reason, the questionnaire was merely used as a small part of the overall data collection process. As discussed earlier, emphasis was placed on using a combination of research instruments and approaches to increase the validity and credibility of the work.

## **c) Non-Probability Sampling (Purposive)**

Under the broad framework of non-probability sampling, two distinct approaches were employed in the research to identify potential interview participants, in order to generate representative information about the factors influencing engagement in CRB as well as information on specific industry responses (e.g. commercial property industry). According to (Polit and Hunglar, 1999) *the power of purposive sampling lies in selecting information cases for in-depth analysis related to the central issues being studied*. The sample required identifying companies that both had a CRB strategy, and operated globally, and as such, corporate databases and contacts were used for both the survey questionnaire methods, the interviews and the strategic conversations. To ensure that potential participants had a good awareness and understanding of the processes used by the company in developing their CRB policies and strategies, individuals with key responsibility for the development of CRB policies and strategies was targeted.

## **d) Database for Selecting Interview and Strategic Conversations Participants**

From an initial review of company reports, the larger, global companies tended to have more developed codes of conduct related to the development of CRB policy and strategy, hence the top 150 companies, from the client list of one of the UK's top global property consultancies, were targeted. Of the 150 companies listed, 67 were removed due to various reasons, such as no CRB strategy, lack of substance to existing strategies etc. Therefore, 83 companies

remained on the list from which a further six were removed because they were inappropriate, for example in terms of location or lack of expertise. Of the remaining 77 companies that met the criteria, a search was conducted for the contact details of the person responsible for the developing CRB policies within the corporation.

Participants were chosen because of their function within their organisation, e.g. high level manager with responsibility for CSR / CRB (e.g. General Electric, Procter and Gamble, Prudential) and / or property functions (Reuters, BP). Others were chosen for their specific expertise (e.g. Upstream, Oxford Brookes). In many cases, this meant contacting the corporation either by email or telephone, and asking for the relevant person. Initially potential participants were chosen, having reviewed their publications or experience on relevant projects. If the researcher was able to get through to the contact, they were asked whether they would be interested in participating in an interview as part of PhD research. If the response was positive a list of topics was sent by email. Following a positive response a date was then set for the interview. Based on this process, 62 emails were sent with 25 positive responses, resulting in a response rate of 40% (see appendix for sample email and response).

#### **e) Network**

The second approach for identifying interview participants was generally by talking to connected individuals in the field to ask for recommendations of people with appropriate experience, and to ask interview participants to recommend other key individuals either within the company or outside of the company. Most participants indicated that they would be the only person within their company with the ability to answer the questions and therefore suggested people outside of their company. The remaining interviews were arranged at conferences that were attended throughout the research. Due to the large number of positive responses from the database method, over 10 interviews were scheduled. Having made make contact, by telephone and/or email, with an additional eight people, six responded positively and interviews were conducted with each of them.

In total, 31 interviews were conducted in the first phase of empirical research, representing 10 different types of organisations. These interviews were conducted between September and October 2006 and April and July 2007 and ranged in length from half an hour to two hours long. 15 interviews were conducted by phone and 16 face-to face. Of the organisations involved, all were corporations coming from a range of industries. An additional 10 strategic

conversations took, mostly in groups of between three and six people. In some cases, interview participants agreed to invite a group of colleagues to take part in a strategic conversation, or at least pointed the author in the direction of other interested individuals or organisations.

<b>Industry Grouping of Interview and Strategic Conversation Participants</b>	<b>Interviews (Phase 1)</b>	<b>Strategic Conversations (Phase 1 &amp; 2)</b>	<b>Futures Workshops (Phase 2)</b>
Construction	2		
Media and Telecommunications	3		
Property Consultancy	7	7	3
Property Development	2	5	
Property Investment	3	4	
Financial	4		
Manufacturing	3		
Energy	4		
Other (NGO, academia, institutions and multi-stakeholder, consu	3	9	
<b>Total Number</b>	<b>31</b>	<b>25</b>	<b>3</b>

*Table 4.3 Grouping of Interviews, Strategic Conversations and Futures Workshop Participants*

The majority of participants interviewed originated from and were working within the UK, thus the sample is more representative of a UK perspective. However, there were a number of individuals who were either not from a UK background and/ or were working on a global basis.

#### **4.8 Futures Workshops and Strategic**

Futures workshops were utilised in the research as another primary research method to evaluate the viability of using futures methods and techniques in the process of examining CRB and sustainability in the commercial property industry. Examination of these exercises was inherently exploratory in nature, aimed at both gaining and creating a better understanding of using futures approaches in the context of corporate strategy development in the commercial property industry. The FS process was examined at various levels: preparation, participation, collaboration, time-scales, output, and feedback. While the results of the futures exercises did not form any theoretical findings per se, they did help form the

basis for assessing the role of Futures in the development of effective CRB policy and practice in the commercial property industry, and informed the development of the ten propositions detailed in Chapter seven.

The two Futures studies examined as part of this research are:

1. European Real Estate Scenarios 2020
2. Built Environment Foresight 2030: The Sustainable Development Imperative (see appendix for both publications)

Both studies were prepared and conducted by the researcher, in collaboration with King Sturge Property Consultancy and the RICS Foundation: the research aim was to test the application of FS in addressing complex issues such as sustainability, and CRB. No known studies of this nature were conducted during the course of this research, indicating a strong need for further research into this field. Both studies were completed and published in 2005 and 2009 respectively.

Futures workshops and strategic conversations were convened as part of the two futures studies. As a result of the collaboration, four divergent future worlds were created (see appendix for the full report). From this a set of four robust, plausible, differentiated, internally consistent, yet challenging scenarios of Europe in 2020 were created. Following this, from an analysis of the issues and trends discussed during the focus groups, three principle *action agendas* for each of the 12 thematic *policy fields* were formulated. This essentially involved considering each policy measure within each scenario, examining how the decision might look in each, and determining what the implications might be and whether or not there were any deficiencies.

#### **4.8.1 The Prospective Through Scenarios Process**

The prospective, or more familiarly ‘la prospective’, has French origins, but is now being more popularly applied across Europe in a variety of strategic planning settings. In the francophone context, however, *prospective* refers to a much wider approach and activity than other futures methodologies as it comprises not only the study of the future, and an evaluation of alternative outcomes against given policy decisions, but also the will to influence the future and to shape it according to society’s wishes. Furthermore, it is a very formalised,

inclusive, comprehensive and rigorous methodology when compared to more generalised future studies. In many ways, it is similar to foresighting, but would be better understood as a specific means of applying the foresight approach. The two methodologies have been contrasted as: foresight would be the capacity to hear, but prospective would refer to the proficiency to listen to particular things. Put another way, prospective covers the concepts of *preactivity* (understanding) and *proactivity* (influencing), whereas foresight concerns itself with *preactivity*, but the idea of *proactivity* is missing Godet (2001). In any event, the term prospective and its application across a broad range of policy issues on a wider territorial basis than hitherto is likely to gain greater currency over the next few years.

#### **4.8.2 The Futures Workshop**

Participation in the exercise required a direct personal involvement of the researcher, in terms of preparing, organising and facilitating the interviews, focus groups and events, conducting interim meetings, transcribing the recordings, collecting and analysing the data and authoring the reports from conception stage through to completion. During the workshop participants are generally asked to partake in several individual but connected exercises, such as brainstorming for drivers of change, clustering issues and trends and alternative scenario creation (refer to Chapter 6 for detailed analysis of the process).

Jungk and Müller (1987), describe the Futures Workshop as consisting of five key phases:

**a) The preparation phase:** where the strategic question, themes, participants, methods, workshop agenda and venue are decided. This phase is crucial in terms of choosing the right participants, as the final output of the document will depend heavily the ideas presented in the workshop. For the first collaborative study, the workshop was held at the participant company premises. Prior to the event, a brief presentation was prepared, outlining the Futures process, and workshop agenda. Participants were made up of decision-makers, external stakeholders and employees, 15 in total.

**b) The Divergent phase:** where the strategic question is identified, and critically discussed and investigated. For this stage, participants are generally separated into 3 groups of 5, and asked to brainstorm for drivers of change, and issues and trends, followed by a structuring and clustering of the main ideas, using the STEEP and DEGEST framework: demography, economy, governance, environment, society and technology. Each group was given two key

themes. Following this the issues were presented on flipcharts and grouped or clustered according to themes or topics. Once clustering has taken place a number of themes that emerged from the scenario logics were identified. Managing time during the divergent process proved difficult as participants tended to discuss, rather than just list issues. It was surprising to see the number of ideas generated for each topic after just one hour of brainstorming, hence prioritising was key.

**c) The Convergent phase:** where scenarios are developed. Remaining in the same groups participants were then given the scenario logics and asked to come up with scenarios for the future of the property industry in Europe. Due to time limits, merely the bones of the scenarios were created. Following the workshop, and using the materials collected throughout the workshop, and listening to a recording of the entire process, the scenarios were written up in more detail, capturing as much as possible the myriad insights of participants.

**d) The Emergent phase:** Following the presentation and discussion of the scenarios, this phase allows for a discussion on plausibility, probability and practical aspects of the scenarios. Participants were asked to consider a number of policy actions that would need to be implemented in order to take the company to its preferred future. Participants were asked to give their best and worst nightmare for the future of the property industry and to suggest one policy action for each theme. Plausibility and probability was given considerable time. Discussion focused around, for example, the point where exploring the future moves from wild speculation to plausible scenarios worthy of consideration.

**e) The follow-up phase:** where the work is monitored, feedback is given and changes take place. Contact details were taken from the participants in order to send the written-up material, to be checked and feedback given.

#### **4.8.3 The Role of Researcher within the ‘Futures’ Workshop**

Due to the fact that all of the Futures workshops were facilitated by an experienced futurist, the researcher’s role varied from participant to observer. According to (Bruyn, 1966) the researcher can take on a number of roles to some degree in all research situations. Toren (1996) suggests that prior to engaging in participant-observer behaviour, the researcher should have four questions in mind:

1. What are people doing?
2. How do they come to be doing it?
3. What am I doing?
4. How did I come to be doing it?

Silverman (2000) further suggests that the two issues that are critical in observation are what the researcher can see and hear, and how he/she is behaving and being treated. In conjunction with this, Selltitz *et al.* (1959) suggests that there are five key elements to observe in any social situation:

1. participants
2. setting
3. purpose
5. social behaviour (what actually occurs)
6. frequency and duration (Selltitz *et al.* 1959 in Baker 2002a).

While these elements help the researcher to identify what information to collect, Mintzberg (1979) and Van Maanen (1979b) stress the importance of gathering and analysing pure, rich descriptions of attitudes and events.

#### **4.8.4 Scenario Development**

The first exercise: European Real Estate Scenarios 2030 used the scenarios as mechanisms for strategic policy analysis in the commercial property industry, particularly given that policy makers in this field are faced with fragmented, unstructured and biased information. In this context, the scenarios provided a comprehensive, clear and accessible insight into how CRB policies might play-out in various different futures. The scenarios were an invaluable way of evaluating the complex and uncertain future facing this industry.

The second exercise: 'Built Environment Foresight 2030: The Sustainable Development Imperative' more specifically examined how philosophy, policy and practices promoting the concept of CRB within the property industry might address the sustainable development imperative, while also testing how futures methods and techniques can help provide a fuller understanding of the forces affecting the longer-term condition of the built environment, and contribute towards creating a realistic and responsible mindset on the part of the property



professions in addressing sustainability. The first workshop was held to generate some imaginative thinking around the general theme of corporate social responsibility, sustainable development and the built environment.

Workshop participants and interviewees were asked to identify essential strands of policy and practice that could affect the property industry towards 2030. Sustainable development and CRB were chosen respectively as the issues most likely to change the face of real estate. The study introduced another, more holistic, futures technique by the name of Causal Layered Analysis (CLA). This technique guided participants in examining their views of the future, on multiple levels, not just in terms of the language and data that is typically used to define and discuss the trends and issues shaping the future. Its use, in conjunction with the Futures Academy's 'Prospective' process, facilitated participants in creating transformative spaces for the creation of alternative futures. The research consisted of three levels: empirical, interpretive, and exploratory, which supported the overall philosophy and approach underpinning the PhD research. The key challenge in using this particular approach was to conduct research that moved up and down the layers of analysis, questioning at all times our understanding of the world.

#### **4.8.5 The Strategic Conversation**

In addition, several *strategic conversations* were conducted with leading figures in and around the property industry. According to Van der Heijden (2005):

An effective strategic conversation must incorporate a wide range of initially unstructured thoughts and views, and out of this create shared interpretations of the world in which the majority of the individual insights can find a logical place. And it is only through such embedding that joint action can result, leading to new joint experiences and reinforcement of the shared theories-in-use.

The *shared view* essentially provides a platform for the strategic conversation. In this context, prior to the strategic conversation, the agreed participants were sent a guide, listing a set of topics to be discussed. In this way it gave the participant time to reflect on the issues and themes, and develop a *stance* on particular issues, and thus led to a fuller, more logical discussion. The conversation lasted from 40 minutes to two hours, depending on several factors: including time constraints, expertise on the subject, and general buy-in to the issue of

futurity. In total 25 strategic conversations took place during the research, with groups of between three and six participants (10 in phase 1 and 15 in phase 2).

#### **4.9 Data Analysis and Presentation**

Analysis is a process by which data is broken down, re-organized and categorised, and interpretation relies on the insight and imagination of the researcher in identifying what this re-organisation and re-constitution means (Langley 1999, Spiggle 1994, Mintzberg 1979). Within interpretive research, the process of building on good theory is typically based on the iterative process of moving back and forth from data to theoretical concepts (e.g. Langely 1999, Gerson and Horowitz 2002), which is further shaped through the writing process (Van Maanen 1995).

Due to the complexity of analysis in practice the data collected from the documentary review, one survey questionnaire, 31 interviews and 10 strategic conversations were analysed and presented together in Chapter five as part of phase one of the research, while the futures workshop data, remaining three survey questionnaires, 15 strategic conversations and the results from the ongoing environmental scans, were analysed as part of phase two, owing to the fact that they essentially provided different perspectives on the research aims and objectives. The interviews provided the formal data resulting in relatively rich, in-depth accounts of the drivers and inhibitors of CRB policy and strategy development within their respective companies. This data set helped to identify patterns of behaviour surrounding the research objective at individual and company level. The Strategic Conversations and Futures workshop data provided a diverse description of how using a Futures approach can enhance the process of CRB development within corporations, according to the individuals both involved in the process, and witnessing the process from a participatory stance. It therefore helped to investigate the research objective at the level of both the individual (by observing individual actions – interviews / strategic conversations) as well as at an organisational level (by observing interactions between groups, and how individuals present their ideas - Futures workshops, focus groups).

#### **4.10 Reliability and Validity**

While the terms reliability and validity are essential standards for quality in quantitative research, in qualitative terms, issues such as credibility, impartiality, neutrality or

confirmability, consistency or dependability and applicability or transferability are more relevant criteria (Lincoln and Guba, 1985). Patton (2001) further notes that *validity and reliability are two factors which any qualitative researcher should be concerned about while designing a study, analysing results and judging the quality of the study*. As such, the most important test of reliability is quality. Eisner (1991) writes that *a good qualitative study can help us understand a situation that would otherwise be enigmatic or confusing*.

Creswell and Miller (2000) suggest that validity in qualitative research *is affected by the researcher's perception of validity in the study and his/her choice of paradigm*. In this context many researchers have developed their own concepts of validity and have often generated or adopted what they consider to be more appropriate terms, such as, quality, rigor and trustworthiness (Lincoln and Guba, 1985; Seale, 1999; Stenbacka, 2001). Easterby-Smith *et al.* (2002) note that in social constructivism validation is based on whether the research *clearly gains access to the experiences of those in the research setting*. Therefore, within qualitative Futures research, reliability is improved by ensuring a recording of the events as true to form as possible, and as soon as possible after the event. Triangulation is typically seen as a critical element in improving the validity and reliability of any research study. Creswell and Miller (*ibid*) see triangulation as *a validity procedure where researchers search for convergence among multiple and different sources of information to form themes or categories in a study*. Mathison (1988) notes that *triangulation has risen as an important methodological issue in naturalistic and qualitative approaches to evaluation [in order to] control bias and establishing valid propositions because traditional scientific techniques are incompatible with this alternate epistemology*. Using multiple methods, such as, observation, interviews and focus groups and futures workshops can enhance the validity, reliability and diversity in the construction of realities (Johnson, 1997).

Three types of validation in qualitative research can be distinguished as:

1. Conceptual Validation: translating theoretical concepts into empirical variables. This is related to using multiple sources of evidence
2. Internal Validation: determining causal relationships between theoretical concepts and empirical reality which relates to building cases over time

3. External Validation : the possibility of generalising relationships one has detected to other people, places, time and cases, which relates to making analytical or theoretical generalizations

Within observation, Spradley's (1979) four types of note taking strategies ensure more accurate recording of events and separation of these from the researchers own interpretations. In this way, field notes are more systematic, and more accurate, improving both reliability and validity. Within interviews and Futures workshops, reliability is enhanced by using the accepted transcription protocols such as manual note taking and digital recorders for transcription purposes. Validity can be improved within qualitative methods by the accurate recording of the events, the use of multiple methods and through a systematic analysis of the data (Silverman, 2001). Werner and Schoepfle (1987) argue that *interviews should always be recorded verbatim*. Of the 31 interviews conducted, 22 were digitally recorded in full and one interview was recorded in part by a digital recorder and half by notes due to a technical oversight. The interviews that were not digitally recorded resulted from the participant's reluctance to speak while being recorded. As such, no recording device was used other than note taking.

Within the strategic conversations and futures workshops, all were recorded with a digital recorder. According to Miles and Huberman (1998), due to the volumes of data collected through qualitative methods, it is important to develop structure, for the types of data to be stored, and therefore how to retrieve them. This helps to ensure the researcher knows *what data [are] available, for permitting easy, flexible, reliable use of data...and for documenting the analyses made so that the study can, in principle, be verified or replicated*. Another blatant issue with validity in the field of FS and CRB is social desirability bias (Weaver *et al.* 1999), as demonstrated by the fact that most participants felt the need to present themselves as ethical both within their personal and professional lives. Hence, the data generated was inevitably distorted to some extent. Nevertheless, this bias can be minimised by explaining to participants, from the outset, that the purpose of interviews is not to generate company-specific data, but to focus on learning how companies in general adjusted their CRB programmes under a different set of circumstances (Weaver *et al.* 1999).

As this research was certain to face the same concerns with social desirability bias, each participant was not only guaranteed confidentiality for both themselves and their corporation,

but also assured them that the purpose of the research was to understand whether it was possible to identify trends in why, what and how companies were developing CRB policy and practice. While this mostly seemed to reassure participants, there were still elements of social desirability bias impacting the responses given in the interviews. The use of multiple methods (interviews, focus groups, futures workshops and document analysis), systematic note taking, digital recording devices, accepted transcription techniques, instructions given to both interview and participant observation respondents regarding the purpose of research and the confidentiality for both them and the company, and a systematic analysis of data have each been used to improve both the reliability and validity of data and therefore of theory emerging from this research. The other aspect of good validity in a *qualitative* study is systematic analysis.

#### **4.11 Critical Elements of Good Interpretive Research**

To ensure the research is methodologically sound, it must meet several elements of good interpretive research. Mintzberg's (1979) technique used for organisational strategy was used as a guide in assessing the methods used. Firstly, the first phase of the research was initiated without any presumptions of what was to be found, was recorded and transcribed in detail, and kept as true to form as possible. Secondly, the research has been as inductive as possible. The researcher had a good understanding of the CRB process, having read much about it, but little was known about how CRB worked in practice, and even less about the implications of Futures techniques on the development of CRB policy and strategy. Having completed the first stage of the research (documentary analysis, interviews) the second stage was more deductive in nature. Prior to the Futures workshop, the hypothesis was developed: *In tackling the conceptual and operative challenges that arise in developing CRB policy and practice, decision-makers will arguably need to abandon obsolete mentalities, and find a new, more integrated approach. Futures Studies is an approach which encourages and fosters the development of responsible and sustainable commercial property policy and practice.* The research was systematic in nature. Each interview participant was sent the same letter by email, the same format was used in all interviews, with the exception of a few changes in the line of questioning depending on the participants knowledge. Semi-structured interviews guides were also used to form a foundation for comparison between participants and the analysis structure.

## **4.12 Key Reflections and Synthesis**

This chapter has attempted to provide a comprehensive account of the research philosophy, methods and analysis techniques employed in this research, and concludes with the following key insights:

1. Exploratory research is appropriate for examining the development of CRB policy, strategy and practice.
2. Activities to ensure reliability and validity of data are consistent with expectations for qualitative research.
3. Analysis of both data sets is consistent with the constant comparative approach, allowing capture of all data.

From a review of the literature in chapters one and two the lack of research linking both CRB and Futures requires exploratory, inductive research to investigate the systems and processes involved in developing CRB policy and strategy in the commercial property industry. The multi-method interpretive study, comprised of 31 semi-structured qualitative interviews and, 25 strategic conversations and three Futures workshops, provides two distinct but comparable data sets, allowing investigation of the research objective from two distinct perspectives: conceptual and operational. The interview data set provides more formal, publicly appropriate information on current or best practice structures, processes and activities existing for CRB engagement. The FS approach (which includes workshops and strategic conversations with experts) provides more informal information on such things as group dynamics, and how wider stakeholder engagement influences the CRB processes. To ensure reliability and validity of the research, multiple methods were employed, and most interviews, strategic conversations and futures workshops were digitally recorded, where possible, allowing for the creation of accurate transcripts.

The following two chapters present the core findings of the research, followed by analysis and interpretation of the results in relation to the aims and objectives of the study.

# **Chapter 5**

## **Findings Part 1**

## 5.0 FINDINGS

The previous chapter described the overarching methodology used to collect and analyse the data, in order to investigate the research aim: to critically evaluate the viability of using futures methods to encourage companies to develop and implement CRB in the commercial property industry in the UK. This chapter is the first of two chapters presenting and analysing the findings from the research, the first (chapter five) focusing primarily on the data gathered from the first phase of the research (Phase 2, see figure 1.2), which consisted of documentary reviews, a survey questionnaire, 31 semi-structured interviews and 10 strategic conversations; the second (chapter six) presented the findings from two interrelated foresight studies, undertaken by the author between 2005 and 2009 as part of the second phase of the research (Phase 2, see figure 1.2) to assess the viability of using FS methods and techniques in the development of CRB policy and practice in the commercial property industry. As discussed in Chapter 1, the ethical dilemma in carrying out Ph.D research as part of a bigger study was considered, in terms of ownership of the work. In this instance, the research design, methods and findings were conducted by the author, and all research that specifically related to the aim and objectives of the Ph.D research being carried out was conducted by the author. Both studies gave the author access to large groups of potential interview and survey questionnaire respondents for both phase 1 and 2 of the research, and provided the opportunity for the researcher to observe and investigate the viability of using a Futures Studies approach in addressing CRB within the commercial property sector.

This chapter has four aims:

1. To introduce and describe the current status, awareness and understanding of CRB in the commercial property industry
2. To provide a detailed description of the drivers of change, and issues and trends, mentioned by interview research participants
3. To highlight one of the key applied research outputs (conceptual and operational framework to guide decision-makers in formulating systematic, executable CRB policies and practices)
4. To illustrate how a Futures approach provides empirical support for the development and implementation of CRB policy and practice.



## **5.1 Research Phase I: Current Status, Level of Awareness and Tensions surrounding CRB**

The initial aim of the research was to explore how business in general is responding to the CRB and sustainability agenda, to highlight current best practice, and to explore the potential of utilising a Futures approach to develop and implement more effective CRB policy and practice than is currently the case in business across a variety of sectors, not limited just to the commercial property industry. CRB was considered in terms of how government bodies, corporations and institutions have embraced this issue, and examined on multiple levels: global, European, institutional and corporate. Simultaneously a horizon scan of the available literature on the behaviour of corporations in reference to CRB was undertaken to explore the present level of understanding and action taken at each of these levels. This enabled further understanding of influences, criticisms and coherence of responses, and allowed access to opinions and representation from outside the corporate world, in order to support the data and contextualise the research. The status and place of CRB policy and legal/regulatory mechanisms were also examined as part of this initial exercise.

Following this, 150 corporations were canvassed as part of Phase A for a brief set of basic questions relating to their current CRB practices and managerial representation. Ten strategic conversations were also carried out with leaders within various business sectors, including the telecoms, media, energy and financial services. The research, at this point, did not attempt to provide any conclusive findings, rather it aimed to establish a baseline of current CRB policies and practices in business in general, highlight best practice where possible, and generally assess the potential for Futures to enhance the development and implementation of CRB policy and practice.

Various themes emerged around the following core issues:

1. Current status, level of awareness and tensions surrounding CRB.
2. Drivers of change and likely future direction of CRB.
3. Corporate responses to the issues of CRB and sustainability (highlighting best practice and the implications for business in general).
4. Potential benefits of a Futures approach in the development and implementation of CRB policy and practice.

These themes, such as CRB definitions and common actions, determining the drivers and inhibitors of CRB engagement across a variety of sectors (including, but not limited to the telecoms, energy, financial and industrial) are presented below.

### **5.1.1 CRB Definitions and Common Actions**

In business there are almost as many definitions as there are published reports. While there is no single definition of what it means, the general consensus among practitioners interviewed is that conceptually CRB is a *framework* for managing the strategic and operational activities of a company to produce an overall positive impact on society. At a practical level CRB involves overseeing the company's relationship with all of its stakeholders. According to one participant, *from employees, through to investors and surrounding communities, CRB is about working with colleagues, customers, communities and stakeholders into the future.* Asked for their thoughts on the term *corporate social responsibility*; what it meant to each company and whether they thought it was an appropriate term to use for their industry, respondents generally agreed that the term is often used as a synonym for sustainable development, corporate citizenship, the triple bottom line, corporate sustainability or corporate social performance, but that they could not differentiate between any one concept.

*According to one respondent yes well I think it would help if we could differentiate CRB from related concepts, I mean, corporate sustainability and CRB are one and the same thing, which really confuses the issue...I think a lot of people hide behind these broad terms, without really getting to the bottom of what any of them mean, and this is resulting in a lot of meaningless approaches, uh to me sustainability is related to environmental preservation and conversation, you know so that we can leave something for our grandchildren, while CRB relates to how we as a business can give something back to society, while also catering for our shareholders. I think the Triple Bottom Line is the only clear, all encompassing term that springs to mind.*

Most respondents claimed to clearly understand the term and were able to identify how it relates to their company. Some respondents believed that sustainability referred exclusively to the environment, while CRB or CSR referred explicitly to the social aspects of business. Likewise it is widely agreed that sustainable development is one of the key elements of CRB; indeed, it is viewed as unlikely that one can be achieved without the other.

Common themes that have emerged from the various definitions are that CRB is seen as an all embracing concept involving the three key pillars of sustainability and an awareness of, and responsibility to, a range of stakeholders, the relative importance of whom varies from company to company, sector to sector. Probed further for a working definition, most participants stumbled, suggesting that conceptually, companies have no difficulties understanding the broad goals of CRB, but practically speaking there is much confusion. Asked to describe CRB as it related to their company one interviewee responded *the answer is yes, but don't ask me to recite this because I can't remember. Yes we have, well the core of it might be much of what you'd expect. My personal view is that sustainability is the responsibility to future generations – how does this relate to property, well I suppose this is not very well understood - other than if you translate that into building life cycle, conserve and preserve, and all of those issues are very much the core. We can send you our statement which is coming out very shortly.* Many respondents expressed some concern about whether CRB is an appropriate term to use for their industry stating:

1. The term CRB is hard to define, elusive and too broad to be meaningful.
2. Awareness levels are relatively high in this industry (property), given the increasing attention to climate change issues, and the considerable impact of the industry, however most property companies are still more concerned with day-to-day survival than understanding concepts like CRB.
3. The language used needs to be simplified.

Most respondents felt that they are being socially responsible simply by being a successful business *we support the local economy and community by creating jobs, our social responsibilities end there... it is beyond our remit to manage social problems, is that not what governments are for?* Others, however, recognise the importance of responsibilities outside job creation and profit maximisation. The CRB activities of companies interviewed ranged from informal, ad hoc measures to formalised management systems such as the environmental management standard ISO14001.

In all four sectors (telecom, energy, finance and industrial):

- a) there is a history of charitable donations in most companies, forming a relatively substantial part of their *social* CRB functions;

- b) responsibility for CRB tends to sit in the marketing, public affairs or communications departments; and
- c) the contribution made through donating or evolving the use of existing product lines has a valid and important place within global CRB.

The industrial sector stands out as a comparatively strong leader in CRB, particularly those companies involved in heavy industry and oil extraction. Nevertheless, most companies in this sector:

- a) do not yet have a definition of what CRB means to the company, and most show a lack of awareness or comprehension of CRB in the wider sense. CRB focus is heavily centred on their environmental footprint and on health and safety issues, as opposed to their impact on society;
- b) have a separate environmental group; and
- c) felt they were leaders in health and safety, and most adhere to stricter policies than the legal minimum.

The financial services were more likely to view corporate responsibility in terms of corporate conduct and socially responsible investment. According to one interviewee *CRB impacts on the social side rather than the environmental side...although indirectly 80 per cent of our impact is through property*. Of all three groups, the technology sector admits to having less evolved policies and practices. And interestingly, most technology companies define themselves as having a low impact in terms of their environmental footprint, considering themselves *part of the solution* rather than part of the problem.

Likewise it is widely agreed that sustainable development is one of the key elements of CRB. Indeed, it is viewed as unlikely that one can be achieved without the other. There appears in the literature to be a significant focus on CRB policies, as opposed to actual performance. At both conceptual and operational level CRB it is recognised that CRB policy and strategy needs to be localised so that it becomes more manageable. In general most companies fear that unless CRB remains voluntary, governments will simply introduce new environmental and social legislation, further restricting business activities across the globe, and as a result remove the opportunity for business to enhance communities where it operates. Other critics of CRB believe that corporations are merely using CRB as a public relations exercise to

avoid regulation, attributing their cynicism to recent corporate scandals. One company made reference to the fact that Enron, prior to its collapse had won recognition, and was revered within the corporate sector for its CRB strategy.

### **5.1.2 Determining the Drivers of CRB**

When businesses decide to engage in CRB they are basing this decision on certain driving forces that shift and change depending on the nature of the individuals involved in the process, the culture of the company, and / or the internal and external pressures. The impetus for CRB also changes as the company's awareness, understanding matures over time. Hence, drivers for CRB engagement exist whether they are intended or have emerged from the individuals involved in the initial stages of development. A combination of strategic conversations and surveys resulted in a wide range of incentives for creating CRB policies that can be grouped according to either financial imperative or mutual gains for both the company and relevant stakeholders.

Referring back to the literature in Chapter 2, it was expected to be able to categorise motivations under both the business case and the ethical argument. However, this is not the case in practice. In fact, only one purely ethical reason was given by one participant, based on the fact that it was the right thing to do. One company claimed to pursue CRB out of a desire to achieve a higher purpose, *it is who we aspire to be, and it makes good business sense*. Such companies are therefore aligning themselves both with virtue ethics and consequential ethics. Others claimed to pursue CRB, as it ascribes to the culture and values of the organisation and its employees, and because it is the right thing to do, in these cases companies are ascribing to both virtue ethics and deontological ethics. The last group of companies claimed pursuit of CRB in order to respect the norms of the people among whom they share space thus ascribing to the relativist ethical perspective (see Chapter 2 for analysis on ethics).

Wide ranging motivations were given where both the company was expected to benefit (from a business case perspective), and where the stakeholders were to derive benefit, indicating the growing perception that sustainable business success and shareholder value cannot be achieved solely through maximising short-term profits but instead through market-oriented, yet responsible behaviour.

As is evident from the following drivers in practice (see table 5.1 below), the impetus for CRB engagement is related to either how it benefits the company, or some mix of how it benefits them and at the same time benefiting other stakeholder groups, one company claimed that they engaged in CRB, not because the company was morally obligated but because they felt that it was a means to address the overarching challenge of sustainable development.

The results indicate that there is no one-size-fits-all approach for developing and implementing CRB, where individual companies have unique characteristics and circumstances that affect how it views its social responsibilities; and by and large companies vary in its awareness of CRB issues. Furthermore, whether companies are motivated by self interest, stakeholder needs, or the higher purpose of enacting social change, it has a significant influence on the nature of CRB within the organisation, and is one of the key areas under discussion in this research.

Many attempts have been made to categorise CRB according to the level of integration within a company. Some companies are driven by compliance, where there is no real impetus to drive the CRB agenda forward. Responsible behaviour in this case is mostly reactive, driven by legislation, consumer boycotts and other external pressures. Philanthropic approaches fall within this category, where CRB is seen as an obligation rather than a choice. By contrast, profit driven CRB is where the company has identified a business case, and considers the integration of social and environmental objectives to enhance the financial bottom line. Few companies engage in CRB for purely ethical reasons.

Referring to the literature in Chapter 2, Porter suggests that in order to establish a business case in a particular sector it is essential to identify three things as follows:

1. The presence of CRB drivers (i.e. incentives, sanctions and risks);
2. The magnitude of the CRB drivers; and
3. The relative concentration of CRB drivers (level playing field among companies within an industry sector).

<b>Business Drivers</b>	<b>Description</b>
Legal Compliance	Responding to and engaging with regulators.
Risk and Uncertainty	Engagement in CRB can offers an effective means of mitigating risk and uncertainty, by adapting traditional risk management systems to include new tools and network-based models of information sharing.
Reputational Management	Protecting corporate reputation has become a major incentive for multinationals to take CRB seriously
Shareholder Expectation	Address fiduciary responsibility
Government Intervention	Trade agreements, legislation, regulation
License to Operate	Being responsive to community needs gives the company a license to operate for as long as it acts in a sustainable manner
Competitive Advantage	Improved competitiveness and market positioning
Business Opportunity	Identify gaps in business performance, revise processes, and drive organisational change.
Operational Efficiency	Enhanced production and cost savings
Political Reform	Influence public policy
Globalisation	Create legitimate access to countries with problematic governments
Corporate Longevity	Long-term survival of business is becoming more difficult for companies that attempt to shy away from corporate responsible behaviour
Supply Chain Management	Growing pressures to understand and be responsible for entire supply chain.
Business Opportunities	Opportunities arising from CRB engagement
Internal Alignment	Create common purpose or identity
Staff Retention	The need to attract and retain talented employees, maintain productivity and ensure loyalty.
Civil Society / Activist Demands	Increasing demands from communities and other civil society activist groups to be involved in decision-making that affects them. Responding to the demands of advocacy groups and local communities has today become integral to the way many large businesses operate
Performance on Indices	Improved ratings with investors lead to a lower cost of capital and insurance cost savings - FTSE4Good, Dow Jones Sustainability Index and the Corporate Responsibility Index
Ethical Consumerism	Increasing evidence that companies who fail to address their corporate responsibilities will be punished.
Championing	Desire to become an industry leader in CRB
Reactive	Response to Incident
Business Partnerships.	'Well-behaving' companies may also become more attractive to clients with CRB policies embedded in their own corporate culture.
	The changing role of government has lead to market driven solutions in gaining competitive advantage.
<b>Ethical Drivers</b>	<b>Description</b>
Accountability and Transparency	Improve accountability and transparency
Stakeholder Expectations	Create value for wide range of stakeholders. Build and maintain good relationships with key stakeholders by providing greater disclosure and accountability.
Values	Make values explicit
Governance Gap	Failure of governments requires need for business action
Innovation and Quality Control	Identify areas for improvement
Sustainable development	Identify universal issues for global business
Commitment	Act as part of commitment to CRB / ethics
Personal Awareness	Individual awareness of importance of CRB
Fear for the future of the world	Anxiety over the consequences of continuing with business as usual.

*Table 5.1 Grouped Interviewee/Survey Responses for the Drivers of CRB*

While the link between social performance and the bottom line has been measured by an external reputational index through analysing the content of annual reports or peer ratings, and the qualitative results correlated with economic performance, there has been difficulty in gathering data regarding the wide range of CRB activities for a sufficient number of firms to conduct statistical analysis. Such measurement problems make finding statistical associations between CRB and profits problematic.

Referring back to the literature, Forum for the Future, a UK based think-tank believes that the correlation between CRB performance and increased profits is vague. In contrast, according to the Institute of Business Ethics in the UK, companies that have publicly committed to CRB perform better on three out of four financial measures than those that have not. It was also reported that these companies had, on average, 18 per cent higher profits. Nonetheless, in this context the business case for firms to adopt CRB remains unproven. Furthermore, while CRB may not seem integral to the immediate bottom-line impact as much the longer-term positive effects on reputation, studies have suggested that consumers do respond to CRB indices. In 2002, The Financial Times (Donkins, 2002) reported that an estimated 75 to 80 per cent of British consumers were likely to reward companies for being good corporate citizens, while 20 per cent were more inclined to punish those publicised for wrong-doing. It seems also that most decision makers believe that whilst initially having to bear costs, adopting a CRB approach can increase company profits in the long-term. In a survey conducted by Ernst and Young (2004), 94 per cent of company executives believe that social responsibility initiatives will increase sales.

Of those canvassed in the initial questionnaire (see appendix), the most commonly stated push factors were to protect and enhance corporate reputation and stakeholder pressure. The least number of respondents were concerned with government led factors, with just over half the respondents claiming competitiveness and board level drive as a stimulant in CRB engagement.

Having presented similar questions to the interviewee a different picture was presented, with most stating that:

- a) the impetus for CRB programmes was, by and large, driven from the top down, with pressure coming from the Board of Directors to implement a scheme;



- b) CRB now has a significant impact on core business (profitability);
- c) health and safety is seen as a key driver and remuneration is linked to performance on these issues, and according to one interviewee *it enhances our reputation in the marketplace and provides implied warranty*; and
- d) CRB increases shareholder value and that there is greater interest from ethical investors as a result of embracing CRB.

Some of the respondents stated that their primary motivator was the fact that the competition were heavily involved in CRB issues, making it necessary to follow suit so as to be seen to be doing the right thing.

In the financial sector specifically:

- a) consumer pressure acts as a key driver, with one company stating that *CRB impacts on the credibility of the how we do business*;
- b) lobby group pressure is not recognised as a motivating force, and one company claimed *we are driven to be number one in a whole spectrum of areas of which CRB is only one*; and
- c) there is increasing pressure to ensure that the whole supply chain is ethical, feeding into user requirements. This is seen as a way of getting their message into the market and increasing their awareness of CRB.

In one case, CRB has brought seemingly negative results; for example, over-regulation, leading to time-consuming and frustrating internal processes or the threat of litigation leaving little room for risk taking or innovation. However, in general, the findings reflect a shift in the collective corporate approach towards CRB, as companies are now more likely to view voluntary reporting as a competitive strategy to measure performances and risks, rather than as simply an effort in branding and image.

Such a wide range of drivers and discrepancies within policies across industries and sectors is a strong indicator that it is unlikely that a one-size-fits-all approach will encourage CRB engagement among all companies in all industries. Some companies will embrace CRB to align itself with ethical standards and practices, placing emphasis on the business in as a key contributor to social change. Others will see CRB merely as a means of keeping NGOs at

bay. Currently there are also a significant number of companies attempting to address the complexities of responding to CRB, but who are unsure of how far their responsibilities should go and perhaps more importantly how to come to grips with the interaction between social, economic and environmental performance. This it is no surprise the debate continues over whether CRB really has the potential to meet the dual goals of corporate and societal prosperity.

### **5.1.3 Key Areas of Involvement**

Asked for the key areas companies got involved in, interview responses generally varied from sector to sector, the most cited areas included:

1. Environmental management: *if we are to believe what all the Lovelocks of this world are saying, it's scary, personally, I want to leave something for my kid's kids, and I think of that in everything I do...companies can do more than they are doing...but things are changing I think we've reached a tipping point where sustainability is so ingrained in our thinking that to just sit back and do nothing would be criminal...I think the environmental aspect of sustainability is easy to understand, it's the more elusive aspects...like societal needs that are more difficult to grasp...I think the solution would be to develop a good working definition and be able to communicate that in simple terms to employees.*
2. Employees Satisfaction: *treating employees with respect is good for our business.*
3. Health and Safety: *health and safety is paramount, given the industry we are in (energy)...we have had to address our health and safety policy due to a number of well-publicised incidences but we are definitely more proactive than before.*
4. Community programmes: *we aim to give something back to the community wherever possible...some of our staff go out into the community, to carry out training and education programmes with young people in the local area.*
5. Supply chain management: *we try to build ethical relations with our supplies, uh but this has proved difficult, particularly when we are working with companies in less developed countries...uh I would say China is a good example, different traditions...different business practices...good and bad... we do what we can, well I know we have guidelines to work from but monitoring can be a problem, but you know we can also learn something from Asia, in some ways their system is far more equipped to deal with sustainability than we are in the West.*

A large number of respondents referred to using the principles developed by Business in the Community (BitC), a group set up in the early eighties to improve the way business affects society, to ensure they captured the essence of responsible behaviour in term of all three sectors: environmental, society and the environment.

#### **5.1.4 Reporting and external assessment**

The extent to which the interviewed companies assess and report on their CRB activities varies slightly from sector to sector. Most companies interviewed are self- auditing. For those using external reporting procedures, the FTSE4Good and the Dow Jones indices are the most popular. A number of companies were signed up to the United Nations Global Compact (2000), the voluntary corporate citizenship initiative, launched in 1999. Although the compact is explicitly voluntary, it is perceived to have succeeded in steering the debate away from the opposing regulatory alternatives and towards a kind of *third way* that blends collaborative and regulatory mechanisms to involve all stakeholders. Most companies, particularly those with manufacturing or industrial property, adhere to ISO 14001, which is verified by independent auditors, although some admitted achieving these standards without the full accreditation.

In terms of reporting, there is general consensus that:

- a) results should be reported upwards as a first principle, and that this is more important than making public any results or information;
- b) almost all of the companies interviewed report publicly on sustainability or CRB, either within a separate report or within their main annual report;
- c) reporting is based loosely around the triple bottom line structure;
- d) for those who felt they embraced CRB fully, the triple bottom line was seen as obsolete; and
- e) a number of companies' sustainability reports adhered to the Global Reporting Initiative (GRI) structure of reporting, which offers guidelines on how businesses should report details of their economic, environmental and social activities.

Apart from these initiatives, little or no third party advice was sought on any aspect of the framing of CRB policies, their implementation or their reporting, which indicates to some extent why many CRB policies are fragmented and vague. Most respondents made decisions on implementation and reporting either within their own CRB focus groups, who then advised the board, or the board of directors themselves considered these issues.

### **5.1.5 CRB Standards and Initiatives**

It is generally believed among interviewees that:

- a) voluntary codes encourage excellence and while there is a need for minimum standards, no further legislation is required;
- b) the CRB process should be less prescriptive;
- c) large companies should set a good example to encourage smaller firms to follow suit; and
- d) CRB is a global problem, which needs global solution, further alignment across the globe is needed and inevitably this will call for further regulation.

On the whole, among the corporate sector it is feared that unless CRB remains voluntary, governments will further restrict business activities across the globe, removing the opportunity to enhance communities where they operate. One respondent suggested *the question is not whether CRB should be voluntary or obligatory, but to examine how both approaches combined could enable the more widespread adoption of CRB...voluntary approaches to CRB are worthwhile but not as a stand-alone business-led process.*

It was generally felt that ultimately governments may need to enforce CRB with legislation designed to penalise only those who do not behave in an ethical manner. In this regard, respondents were aware that there is ongoing dialogue, at both national and international level, to find a common approach to promote CRB in order to minimise the negative and maximise the positive impacts of business in societies across the globe. However most respondents admitted to finding the standards and initiatives increasingly difficult and time consuming to follow, due in part to the over proliferation of CRB initiatives at an international level and the lack of clarity about how each initiative relates to each other. Some companies who had initially signed up to global voluntary initiatives were forced to pull out

due to the time consuming nature of adherence. Others felt that they wouldn't be able to embrace fully the requirements of such initiatives and chose to wait.

### **5.1.6 Current tensions around CRB Approaches**

Individual sectors have different drivers and proofs of success, such as the minimisation of legal risk amongst industrial companies. Nevertheless, none of this has added up to a truly coherent and comprehensive CRB policy, demanded by pressure-group sections of society. The reality is a more fragmented approach concentrated on the key areas of concern for individual companies. This is echoed by the extremely wide range of voluntary schemes and initiatives, membership of which can be used as *proof* of CRB, but in reality can be somewhat diverse in their goals and objectives. A major contention with the business case approach is that CRB activities are only promoted when profitable. In reality, for CRB to be of any real value both for business and society, policies and practices must go beyond the legal requirement; where the motivation comes from an astute awareness of the importance of sustainability not only for the company, but for the wider society and not merely on protecting the company's reputation or maintaining a *license to operate*.

One interview respondent revealed that their company, for the past decade, prided themselves on the fact that their CRB approach operated on many levels *CRB is viewed as an extricable link to our company's core business competencies*. In its 2006 CRB report, it was claimed that *at the basic level, responsibility means complying with the laws and operations that govern our operations in each country; at the next level, responsibility takes us beyond compliance to set our own standards in our operations...for example our codes of conduct forbid the making of facilitation payments or company funded political contributions*. The company had also entered into the debate on climate change, having apparently recognised the significant contribution they could make towards education for development and awareness, taking action beyond the company's operations in the belief that they could enact social change. Surprisingly, a pro-regulatory view emerged from this company in the belief that they exceeded most existing standards, and from the desire to lead in the field, enabling other companies, especially their competitors, to come up to the same level.

The mantra of the company at the time clearly addressed the future role of business in society *in an uncertain and challenging world - our key objective for the long term is simple – to be there for the long-term and to make a positive influence*. This would seem to suggest that the

motive behind CRB policy came from a deep desire for sustainable development. Nevertheless, while the company may have boasted a good corporate ethos and traditions relating to environment and safety issues, new developments in 2008 reflected a different scenario. Following the departure of the CEO in 2007, the company quickly dropped a central plank of their sustainability strategy to embark on a cost cutting strategy. As much as the company liked to think they were leaders in CRB, it was evidently not aligned well enough with the core values of the company.

Referring to the CRB literature in Chapter 2, if Porter's suggestion was followed, CRB may well have morphed into an evolving corporate management paradigm, and may well have replaced the traditional growth and wealth-maximisation model. Whilst still acknowledging that corporate growth and profitability are important, the new paradigm would have made it easier for the company to pursue the sustainable development imperative. Not only this, if CRB was firmly embedded into the DNA of the company it would take a new paradigm shift to remove it, not just simply the appointment of a new CEO.

## **5.2 Themes to Emerge on the Future of CRB: Results of the Strategic Conversations**

Following the interviews in phase one and the futures workshops in phase two, a number of strategic conversations were undertaken to identify key themes relating specifically to CRB, sustainability and the implications for the property community. The key themes emerging from the workshop are summarised as follows.

### **5.2.1 Progress on CRB**

Varying levels of optimism emerged in relation to the likely future direction of CRB, ranging from disillusionment that CRB will never be more than a mask for corporate activity to the most positive outlook that CRB will be part of a paradigm shift to a new type of capitalism. Nevertheless, it was widely agreed that such a shift in mindset would involve finding new and innovative ways for business to make a significant contribution to the social and environmental sustainability.

The results were categorised into two CRB camps: those with a skeptical view of CRB progress (labeled as critics for the purpose of the study) and those with a more sanguine view on future CRB development (advocates).

**a) CRB Critics:**

1. Lack of correlation between stated CRB commitments and corporate performance; companies will soon become experts in hiding true practices
2. CRB will become a tick box exercise
3. Critical issues will not be addressed by CRB – *we will come to the point where we say there have been great improvements, but has any real change taken place?*
4. Most companies will wait for the *business case* for CRB to be developed, and will tend to use this as an excuse for inaction
5. The business case will not be robust enough for CRB to become mainstream, unless as some suggested, companies are regulated or incentives are given
6. There will continue to be a lack of clarity around what CRB means, why it is important and how to go about putting it into practice
7. CRB will become rigid and unyielding and as a result fade from corporate agendas
8. Companies that once embraced CRB will lose interest and pursue other objectives
9. Those engaged in CRB will be slow to move beyond reactive CRB
10. Pressure on companies to accommodate the profit over principle

By contrast the interview participants with a more positive perception of CRB tended to believe that the critics were only looking at the disparities between the current CRB discourse and where it needs to go in the next two decades, without acknowledging that mindset change takes time. In this context, disillusionment with the concept of CRB and sustainability is merely a symptom of expecting too much progress too soon.

**b) CRB idealists:**

1. Over the next decade a significant number of companies will discover the strategic benefits of aligning CRB into company culture and operations.
2. There is a crisis in the current capitalist system, which is inherently lacking in trust, accountability and responsibility; over the next two decades *we will see a fundamental re-evaluation of the role companies can and should play in society.*

3. CRB has reached a turning point in its evolution *we are in the very early stages of transition.*
4. There are likely to be more shocks similar to the 9-11 or the London underground attacks; this will *drive CRB over the next decade as more and more companies begin to realize the importance of anticipating and preparing for future risk and uncertainty, we need more visionaries in business.*
5. High profile cases of corporate *irresponsibility* will illuminate the need for CRB
6. The global economic crisis will call for broader thinking to address *the flaws in the system.* CRB will be seen as good corporate governance
7. Competitive pressures will encourage better CRB performance
8. A small group of large companies will become leaders in CRB, the smaller companies will follow suit
9. Different models and levels of CRB will emerge as a result of risk management and quality assurance; there will be significant inconsistencies across sectors
10. Increasingly businesses will see CRB as resulting in increased competitiveness and profitability

The following key generalisations can be made:

CRB is part of the search for a relationship between business and society that will need to be based on a new set of norms, priorities, perceptions. All respondents, whether labeled as critics or advocates of CRB, and in spite of the difference in views of social impact and degree of corporate commitment, agreed that CRB will have become main stream within the next five to ten years, and will inevitably become more aligned with business values. CRB standards will no longer be adhered to on an ad hoc basis.

### **5.2.2 Levels of CRB Integration**

In keeping with participants' views on the progress of CRB and the ability of CRB to bring about social and environmental improvements, there was a marked inconsistency in terms of the degree of commitment and style of developing CRB policy and strategy within the property industry. For the purposes of reliability and comparability the results were divided into five categories as follows.



**a) Reactive CRB**

1. Crude commitment to social or environmental issues.
2. Reactive in nature, responding to complaints – *we do the best we can to respect the environment, given our significant footprint, however our business has not changed, we have always ascribed to ethical principles*
3. General awareness of global standards such as the Global Reporting Initiative; most felt that adhering to such principles was enough
4. Lack of meaningful allegiance to social or environmental progress.

**b) Compliance Driven CRB**

1. Companies tend to take on voluntary CRB obligations to maintain their *license to operate*
2. They are also aware of emerging CRB standards and initiatives

**c) Strategic CRB**

1. Companies at this level think strategically about different aspects of CRB
2. General compliance with standards; with some creating niches in specific areas of CRB at a strategic level; business strategies are developed within one or two aspects of CRB around which they can develop a competitive advantage and have significant impact.
3. Companies in certain sectors (pharmaceutical, commercial property) acknowledge the importance of developing products and services that serve a broader societal purpose.

**d) Integrated CRB**

1. Requires a rethink of traditional business model to integrate CRB, moves beyond being seen as a strategic advantage, in the belief that there is a need to address social and environmental impacts
2. Generally such companies have comprehensive CRB policies covering all areas of their operations and have developed rigorous performance standards, objectives, reward mechanisms
3. CRB or sustainable development will inform decision-making and business strategy throughout the company

e) **Holistic CRB**

1. Not one of the interview participants fell into this category. Companies as such would generally ascribe to a higher societal purpose. Referring to Chapter two, Werther and Chandler (2004) believe for CRB to progress it must be considered at this level.

The first two themes above represent the current discourse and corporate activity on CRB. The range of CRB activities are expected to be much the same in the future as it is today, though there will be considerably more companies engaging in CRB as well as more depth in how companies approach CRB engagement, particularly by new companies entering the market. Efforts will continue to move beyond bland endorsements of CRB to considerations of the implications for business. Most anticipate there will be less confusion in the field. Furthermore, a general feeling emerged that there will continue to be greater progress on the environmental over social aspects of CRB, given the extent of government regulation, the availability of standards and mechanisms, and more rigorously established business case for environmental conservation and preservation. This is particularly relevant for the property industry.

### **5.2.3 Levels of Stakeholder Engagement**

One of the key trends around which there is general agreement is the increasing importance of stakeholder engagement in future approaches to developing CRB policy and practice. In the future stakeholders are likely to gain in influence in terms of challenging traditional corporate assumptions. Stakeholders were described as a combination of consumers, employees, shareholders, suppliers, NGOs, governments and business partners - all those that have a *stake* in a company's operations.

Responsible companies of the future will need to actively engage stakeholders in issues of responsibility and sustainability, highlighting the need for new approaches to the process of developing CRB policy and strategy. Strategic conversations and Futures workshops could be useful in facilitating the process of multiple stakeholder engagement. It was suggested that increased stakeholder participation will require the development of new problem-solving and decision-making tools to facilitate the *consensus-building process*. There was general consensus among most participants that stakeholders increasingly expect to be treated fairly and with integrity. When asked to identify different stakeholders, the following were mentioned: ethical consumers, NGOs, investors, employees and suppliers.

**a) Ethical Consumers:** Ethically minded consumers are likely to be those on higher incomes, with increasing authority in the economy. Some participants anticipate more natural disasters and believe this will increase consumer awareness on core social and environmental concerns in the future.

**b) NGOs:** There was general consensus on the fact that in the future NGOs will be targeting global companies. In the next decade there will be an increase in business-NGO partnerships. In this context NGOs will become increasingly sophisticated in steering corporate change.

**c) Employees:** Most participants felt that an increasing numbers of employees are now concerned about the CRB within their organisation. A small but rising number of employees will in the future choose companies based on their ethical endeavours. Furthermore, companies with a poor CRB track record will have difficulty recruiting staff. New candidates entering the work force will more than likely seek employment in a company they can align to their values and beliefs and vice versa.

**d) Investors:** There was some skepticism among participants with regard to the impact that socially responsible investment (SRI) will have on the future of CRB, though this was primarily directed at the SRI mutual fund industry and socially responsible portfolios. However, there was widespread agreement that shareholder action and institutional investors will have a significant impact in a future economy built on CRB. It was suggested that in the future, markets will be central to establishing the incentives to drive corporations towards CRB in the future. It was also anticipated that future investors will be looking at different aspects of company behaviour (ethical, environmental, social) prior to making investment decisions. Will CRB make a contribution to a company's intangible assets, is CRB likely to increase a company's ability to retain talented people, engender trust in customers, enhance reputation or manage uncertainty and risk? On this last point, most participants felt that sustainability will become the framework from which risk and uncertainty can be analysed and managed

**e) Suppliers:** In the future large global companies will be driving CRB up and down their supply chain, and as such will bring small to medium sized companies up to standards. This will be driven by the need for companies to look at the impact not only of their own operations, but that of their business partners.

**5.2.4 Environment, Social Exclusion, Governance, Accountability and Ethics:** Concerns about the environment - particularly climate change, water quality and social exclusion (e.g. poverty and access to bare necessities, governance and accountability, transparency and integrity), were the top priorities of most companies engaging in CRB and were the most likely to be the key CRB issues of the future.

**5.2.5 CRB Management Systems:** There is widespread consensus that basic CRB systems will become more homogenous over the coming years. As a result, there will be convergence in global standards and initiatives. Consensus regarding core CRB indicators is also likely to develop. CRB concepts will become more tested and easier to adopt. There will be more clarification of what is meant by ‘meaningful’ CRB to distinguish it from ‘shallow’ CRB. Emphasis will be placed more on measuring and reporting on CRB impact, in other words the degree to which CRB activity and performance has contributed to sustainable development. Growing disparity between corporate actions and standards practiced at home, versus those practiced internationally, could emerge as a significant trend.

**5.2.6 Mandatory versus Voluntary Compliance:** There were differing opinions on the role of government in encouraging more CRB. Most anticipate government intervention will be at a minimum, with their role confined to information provision, and framework building. Most participants felt there will be mandatory CRB disclosure, where companies will be required to report on their CRB performance. Third-party auditing will most likely remain at the company’s discretion.

**5.2.7 Innovation and Learning:** It was widely believed that over the next decade CRB will be on the curriculum of most educational and corporate learning institutes. Within companies there will be a growing number of training programs, involving decision-makers, employees and stakeholders, to enhance awareness and understanding on how CRB is defined and applied. For companies going through a deeper CRB integration process emphasis will be placed on internal transformation. It was also anticipated that there would be a significant increase in the number of academic studies to empirically examine CRB performance. Research on the business case will continue but to a lesser extent as CRB gradually becomes a stimulant for creativity and innovation.

**5.2.8 Changing Role of Business in Society:** The big debate on CRB in the future is expected to be over its implications for social change. Within the next decade current forms of CRB will be condemned for not adequately addressing critical social, ethical and environmental challenges. Reduced political action will leave social and environmental concerns in the hands of the corporate sector.

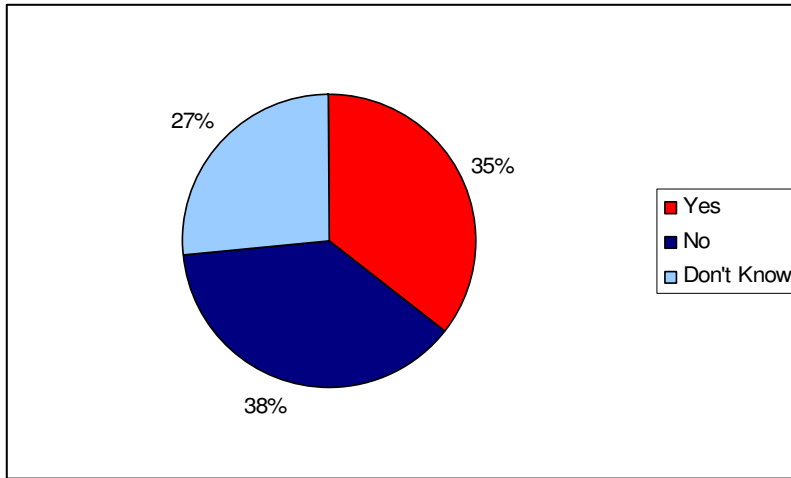
### **5.3 CRB and the Commercial Property Industry**

The research, upon which this section is based, explored the issue of corporate responsible behaviour (CRB) in the context of commercial property policy and practice, looking specifically at what property executives are doing, and what steps they will have to take in the future to demonstrate their commitment to the principles of CRB and sustainable development? A questionnaire was sent out to 150 corporations, which was followed by a series of strategic conversations with corporate property managers to capture deeper insights on the subject. In just over half of all companies who responded to the questionnaire, the person responsible for the CRB programme was either not responsible for the property functions within the company, or, as in 16% of the cases, the respondent did not know whether these two functions were linked.

#### **5.3.1 Attitudes and Perception of Decision-Makers towards CRB**

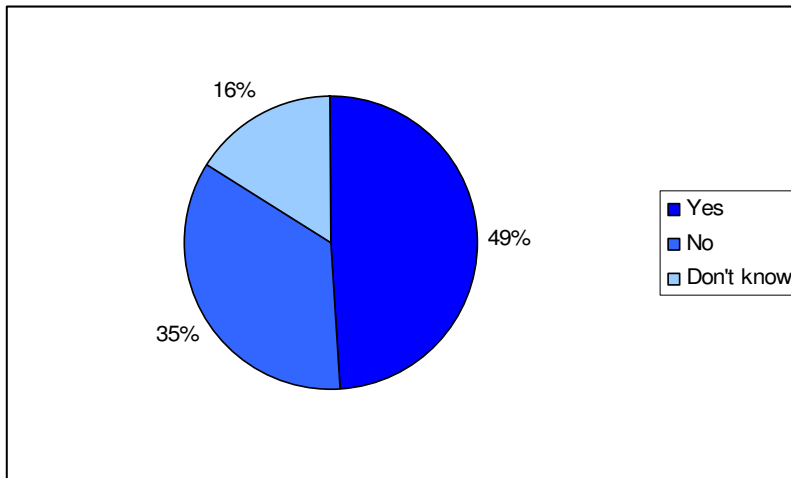
The following tables illustrate the responses related to CRB and commercial property activities specifically.

**Q1. Is there a specific person responsible for CRB policy within your organisation?**



*Figure 5.1 Sample: 150 Response: Rate 48 %*

**Q3. If so, does their remit extend to property?**



*Figure 5.2 Sample: 150 Response: Rate 48 %*

In terms of the link between CRB and corporate property responsibilities, there is only limited evidence within the companies questioned of strategic consideration of the impacts, both social and environmental, of a property portfolio. This was particularly the case when the interviewee subject was the manager directly concerned with CRB functions. Often these individuals did not consider relevant policies already undertaken by the company, such as energy efficiency, as linked to property. Inevitably, interviewees with direct responsibility for property functions did consider existing property functions from a more strategic angle.

However, as decisions tend to be taken at board level, they are often forced to wait for senior management to buy into new ideas. Nevertheless, it was generally recognised that new buildings comply with the local standards and reflect the image of the company.

Of the companies questioned in the interviews the following general observations can be made:

- a) a wider CRB attitude is taken in the acquisition of new buildings with transport issues, for example being analysed before the final decision is made;
- b) it was felt that there is a need to demonstrate to surrounding communities that they were making a commitment to their buildings and the surrounding environment in which they are situated;
- c) one respondent considered the need to develop an exit strategy to ensure that they left a positive legacy to the local community, but had not yet put a policy in place;
- d) there is a culture of recycling and improvement in the energy efficiency of buildings;
- e) some companies are looking to have zero emissions but this is financially driven rather than for any real ethical belief; and
- f) few companies actually have targets, or measure their success in terms of recycling or the actual energy efficiency of buildings.

Of all the three sector groups, the industrial sector is, unsurprisingly, the most pro-active in terms of their environmental footprint, yet when it comes to evaluating social needs of employees or wider stakeholders, there was very little acknowledgement of the company's impact.

In the financial services sector:

- a) all respondents identified the link between their CRB policy and their corporate property activities with regard to the acquisition, management and disposal of buildings;
- b) some respondents reported no formal minimum standards for building acquisition;
- c) in some cases, there were high operational-level guidelines on building design standards, followed by a lower tier of company wide standards for health, safety and fire;

- d) in general operational policies within the corporate property divisions were usually more detailed;
- e) in most cases there was local understanding of issues such as: environment, design, competition, and legal requirements;
- f) where there were no minimum national standards the global standards applied - most companies were not part of any voluntary agreements on environmental standards for buildings;
- g) most decisions were based on financial imperatives, with environmental and social issues being given less priority if the budget did not cater for extra expenses; and
- h) most companies felt that with the new EU legislation this will be a very real issue in the future.

In the Technology sector:

- a) approaches have been taken towards dealing responsibly with property holdings, but in practice this varies widely within each company;
- b) most of the basic level day-to-day facilities management concerns, such as recycling and waste, have at least been raised, such as recycling and waste;
- c) all of the companies have, or are in the process of rationalising their use of property, either because of downsizing, outsourcing or other efficiency initiatives which are financially/management driven;
- d) all companies are considering introducing, or already using, life-cycle assessment techniques within their strategies;
- e) the most significant outcome of this was an examination of their energy use. The telecoms and media companies are already testing programmes designed to track and eventually reduce the total energy consumption of their buildings;
- f) technology companies are far less advanced on this issue, with no programmes in place, and of those questioned only one of the companies has any plans to apply this to their entire portfolio in the short-term; and
- g) within the very large companies, that this would be an impractical goal given the total size of property holdings and the differing types and standards of space required and available globally.



The questionnaire respondents as a group were strongly positive about leasing environmentally efficient space, with almost all rating this very or fairly important.

None of the companies interviewed were opposed to considering energy efficient or otherwise *green* buildings for their own use. However, financial and other concerns, such as design and location were currently much higher on their list of priorities, even for the most CRB ‘friendly’ in the group. Generally, there is an opinion that any buildings seeking to differentiate themselves based on green credentials would also have to be able to compete with more standard products on a financial platform, and that there needs to be a strong demonstration of the payback for green buildings. Nonetheless, all the companies were happy to offset any savings on running costs against a higher rent. In addition, the majority of questionnaire respondents were positive about the cost saving implications of more efficient buildings, and feel that this will become more important over the next five years.

**Q5. Will leasing environmentally efficient space become more important over the next five years?**

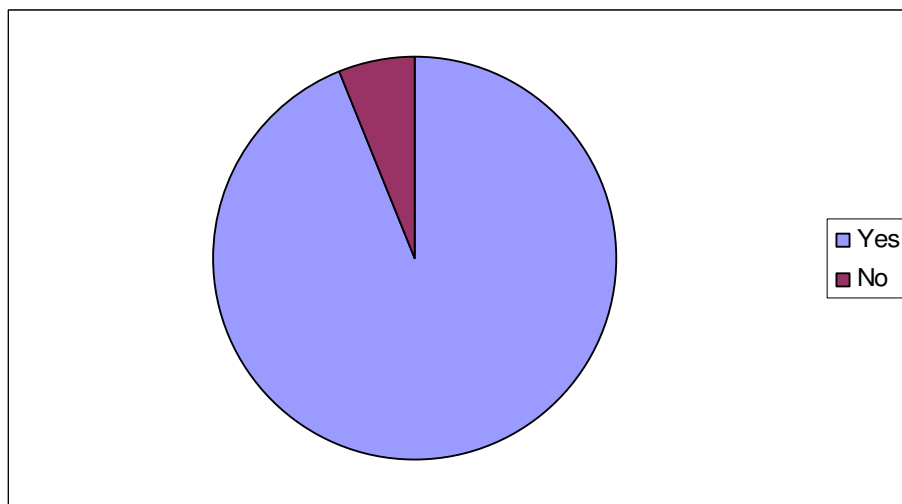


Figure 5.3 Sample: 150 Response Rate 48 %

Most interviewed believe that evaluating the environmental performance of buildings will become more mainstream over the next 10-15 years. Nevertheless, a number of companies still do not take into account the environmental footprint of a building in terms of transport, energy efficiency, water use, waste etc. There is a general consensus, however, that it is no longer prudent to acquire a building that is not environmentally friendly.

Some respondents, at the time of interview, are in the process of implementing policies to introduce more rigorous selection criteria in the future, but this was generally limited to certain types of building as well as location. One company claimed, that *the bulk of a company's portfolio is our branch networks and this is where the problem lies...retail space is never up to scratch environmentally, there is very little choice anyway as other factors are much more important such as competition and positioning on the high street...often we must just take what's available*. Whilst there are examples of green buildings, generally interviewees felt that developers have not yet taken the CRB issue on board. Although, there is a general belief, that CRB will become an essential element of tenants' requirements in the future.

### **5.3.2 Factors Inhibiting Futures-Oriented CRB Engagement**

Sustainable property is agreed to essentially involve the sustainable use of land and property assets for the wider good. Most participants agreed that property decisions taken today will shape the built environment and communities for many years to come. It was acknowledged that the property industry, therefore, has a responsibility to embed sustainability principles into all elements of the property process. Over the last ten years, almost every aspect of property has changed world-wide, but particularly so in Europe, where the market is more sophisticated. Emerging markets are also being transformed quite quickly, where, to quote one respondent: *...they tend to leap frog, in terms of taking up on the issues of sustainability more clearly and further advanced*. There was general consensus that sustainability and CRB for the property sector involves taking greater care of the environment in all land dealings. It also involves having an acute awareness of local concerns, traditions, and heritage. Another respondent quoted figures *almost 40 per cent of CO<sub>2</sub> emissions in Europe, and 35 per cent in the US, are caused by buildings in operation: heating, air-conditioning systems, and energy consumption. This does not take into account production and transportation of building materials, or indeed the disposal of buildings at the end of their life cycle, however, since almost 98 per cent of the built environment consists of historical or existing property, it would seem the greatest opportunity for considering sustainability lies in the management of existing buildings...the problem is that it could take decades to bring existing buildings to environmental standards and beyond*.

### 5.3.3 Lack of Coherence of Legislation, Regulations and Standards

Across Europe, the introduction of ‘energy labels’ which take account of the energy consumption of buildings is currently underway and will be implemented respectively for residential and commercial buildings in July 2008 and January 2009. This will result in an increase in transparency in the property sector. While it may be more expensive to rent energy rated property, some respondents were aware that savings on utility costs will ultimately counter this. One respondent stated that *what will inevitably happen over time is that buildings with a high level of energy consumption will become difficult to lease and sell. Moreover, these buildings will depreciate in value significantly. The property sector needs to adapt to this, and fast, by rethinking the short-termist attitude that presently prevails.* Several national and local initiatives were said to be currently driving the occupation and development of green buildings in the UK, such as:

a) EU Energy Performance of Buildings Directive: aimed at improving the energy performance of residential and commercial buildings, both new-build and existing. As part of the Directive, an Energy Performance certificate is now required when building, selling or renting commercial buildings (see chart below for timetable for implementation).

<b>Apr 2008</b>	Residential buildings are required to have an EPC when constructed, sold or rented; EPCs also required for commercial buildings with a floor area over 10,000 m <sup>2</sup> .
<b>Jul 2008</b>	EPCs required for the construction, sale or rent of commercial buildings other than with a floor area > 2,500 m <sup>2</sup> . <sup>1</sup>
<b>Oct 2008</b>	EPCs required on the sale or rent of all remaining buildings; on the construction, sale or rent of all remaining non-residential buildings; display certificates required for all public buildings >1,000 m <sup>2</sup> .
<b>Jan 2009</b>	First inspection of all existing air-conditioning systems > 250 kW was due to have occurred by this date
<b>Jan 2011</b>	Cut off date for the first inspection of all remaining air-conditioning systems > 12kW.

Table 5.2 Timeline for Implementation of Energy Related Legislation

b) Climate Change Levy (2001): a fixed tax on energy consumption which increases energy costs by up to eight per cent, therefore acts as an incentive for companies to reduce their energy use.

c) Enhanced Capital Allowances (ECAs) and Grants: a tax scheme managed by Carbon Trust, to encourage businesses to invest in energy saving technology. Grants are also given to cover low carbon and renewable technology implementation such as solar panels and wind turbines though these are mutually exclusive to ECAs.

- d) The Pensions Act 1999 Part L: requirement for all pension funds to report in detail on social and environmental issues taken into consideration in investment choices. Pension funds the majority owners of most quoted businesses.
- e) Planning Policy and Building Regulations PPSI draft supplement on achieving sustainable development identifies climate change as a priority and identifies how planning can assist development to achieve lower carbon emissions.
- f) Environmental Standards (ISO 14001): The international standard for EMS has been implemented by approximately 100,000 organisations worldwide and in many sectors is a mandatory requirement to supply products and services to customers.

#### **5.3.4 Uneven Playing Field in Developing CRB Policies and Strategies**

A major issue of contention among participants is that globally there are no worldwide standards for sustainable real estate, and hence no global system to measure the performance of buildings. An obstacle frequently cited by property companies is the challenge of *pursuing a successful CRB strategy in the face of an uneven playing field among firms within the same industry.*

Since conditions for buildings vary considerably from country to country, due to geographic, climatic, social and economic factors it is proving to be an enormous challenge to establish global standards. In this context benchmarks for the various aspects of a building's performance - energy efficiency, climate change impact, material use and efficiency, waste generation and water efficiency – were suggested as a potential solution over the coming years in order to develop national and regional standards and legislation. *The built environment is globally responsible for about 40 per cent of global CO<sup>2</sup> emissions. However, it has, so far, not been included in the work carried out under the international initiatives aimed at addressing climate change. Considering the impact that buildings and the construction sector can have on the reduction of CO<sup>2</sup> emissions, and the opportunities the development of such a benchmark can offer the private sector, this issue needs to be addressed.* The Sustainable Building and Construction Initiative, a global partnership between the United Nations Environment Programme (UNEP) and global companies worldwide, was cited as promoting a worldwide adoption of sustainable buildings and construction practices.

### 5.3.5 Myopic Thinking Leading to Fragmented CRB Engagement

In general, the property sector has identified three sets of behaviour associated with sustainability: consuming less, producing more, and wasting nothing. This sounds over simplified, but, in reality, this requires a dramatic change in thinking and behaviour, in terms of, for example, as one participant put it *transforming urban centres in terms of what purpose they have, re-sourcing material used to construct buildings, and of course we are also looking at fundamental shifts in policy relating every aspect of sustainability*. Sustainable property is not just about buildings. It relates to land, water, energy, transportation, air and climate change.

In terms of land, housing must be affordable and sustainable to meet the needs of growing populations. According to one participant *growth needs to be directed towards developing adequate transportation. Buildings need to be close to green public spaces. Streets need to be redesigned, to incorporate green lungs and public squares. Then, there is the issue of brownfield development in terms of maximising the efficiency of space and land...all of these issues are interrelated*. Major European cities need to upgrade their energy infrastructures, transport networks are, therefore, crucial. In terms of climate change the key message is to reduce CO2 emissions. One respondent asked *are we talking about mitigation or adaptation* and another stated *a definition of sustainability needs to be a living, breathing thing that is flexible enough to allow for change rather than focusing on getting the formula right*.

In terms of the role of the property industry in creating a sustainable built environment, one respondent felt that too much is required of the industry, *there is a lot of focus on the built environment- almost like saving mankind by building*. However, it was suggested that to ignore these issues may pose a considerable risk in the long term. In this context, risk management for the property industry is of paramount importance. *If you are a big company, you need to manage reputational risk, as you will be held accountable...the real problem lies with the small-medium-size enterprises. Cost factors to incorporate CRB are significantly higher for smaller companies and in many cases it is unfeasible. Without legislation only the larger companies will respond to the sustainability imperative*.

### 5.3.6 Poor Communication

In general the property industry has made some progress in establishing corporate policies on environmental, economic and social issues, but in many cases has failed to capture these in practice, perhaps owing to poor communication between board members and those responsible for the execution of such policies. Moreover, given that corporate property has seldom been addressed at board level, from the outset addressing CRB often seems a secondary issue for companies. What some respondents failed to grasp was the fact that if CRB is viewed strategically, it can present myriad opportunities for companies to enhance their performance both in a non-financial and financial manner – such as the potential to increase property value; energy efficiency, waste reduction, compliance with planning and building regulations and best practice standards, competitiveness and enhanced reputation. Keeping in line with Burke and Logsdon (1996) theory, a more centralised system would allow the firm to set quantifiable performance related environmental and social targets. This relates to what Cox *et al.* (2002) describe as *Key Performance Indicators* (KPIs) which can be used to measure and monitor the company's progress in terms of reaching CRB targets. Furthermore, the more integrated CRB principles are the more benefits to the company. Depending on this level of integration, property teams can set best practice standards, from which others in the industry can build upon.

Another key issue cited as a hindrance to the overall progress in the industry was in relation to corporate property. The value of commercial property for the business community has grown considerably in recent years. Nevertheless, while property accounts for over 25 per cent of corporate assets, managers consistently fail to strategically manage such property in a way that adds value to the firm, seeing buildings as, similar to what Roulac *et al.* (2003) describe as mere factors of production. *During the economic slump in the 1990's, property investment managers were forced to think of new ways to add value to the company, given the insecurity of rental incomes. Managing property more efficiently by reducing wasted space and generating income enabled such companies to adapt to changing market forces, and therefore manage risk effectively. Corporate property managers need also to embrace this level of imagination in addressing CRB issues.*

## 5.4 Varying Global Perspectives on Property Sustainability

There are varying perspectives across Europe, North America and the Far East on how to address built environment sustainability? Germany, for example, sees the concept explicitly from an energy perspective. The term *green building* in Germany is widely used, however, the term ‘green’ encompasses far more than energy, taking into account every stage of the life-cycle of the building, from design to construction, from procurement to ownership. Germany lags behind the UK as it still goes by the *passive house* standard. The US based Green Building Council developed LEED in 2000, which is also used in Canada, Mexico and India. The US has also developed the Green Globes.<sup>22</sup> Australia uses both BREEAM and LEED and has also developed the Green Star system and the NABERS<sup>23</sup>. China and Japan have successfully developed their own standards. Ultimately having different standards and initiatives across countries serves only to increase confusion and hamper progress.

What is interesting about Japanese examples is the lack of myopic thinking when it comes to sustainability. This emanates from the culture and belief system predominant in Japan – holistic thinking, where ideas are not looked at in isolation but are seen as interconnected; for example indoor air quality is linked to elements used in the design of the building, and how it impacts on the mixture of toxins and particles in the air. Resource efficiency is linked to what materials are used - sustainable sourcing. The energy mix is considered essential. The environmental impact of a building has to do with the life cycle of materials. What is the environmental impact of using a particular type of material? What happens when materials are no longer needed?

Generally the longer the life-span of a building the more sustainable it is; the more sustainable the more valuable it will be in the future. According to the Urban Land Institute (ULI) report on *Emerging Trends in Property Europe*, people have not yet come to terms with having to pay more for a building that reaches certain established environmental

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<sup>22</sup>Green Globes was introduced to the US by the Green Building Initiative (GBI), which retains control over the system. Green Globes’ lack of transparency makes it difficult to evaluate, the system clearly lacks independence, and rewards environmentally destructive forestry practices, rather than encouraging more balanced and sustainable practices.

<sup>23</sup>NABERS is a performance-based rating system that measures an existing building's overall environmental performance during operation using a set of key impact categories. The system is intended as a voluntary tool that will provide information on the sustainability of our existing building stock and promote an improvement in the environmental performance of Australian buildings.

standards. Australia and the US are more progressive in this context, but the perception is that it will only take a matter of time.

In Europe investors are ostensibly waiting to see the figures in terms of the quantifiable benefits of incorporating sustainable developing into their thinking and practice. Does this increase profit? Occupiers in general have embraced the idea of sustainability, to quote: *It is rare to find an occupier who is not doing something*". Developers, by and large trying to *walk the talk*, but are still trying to find the right balance between *commercial sustainability* and *acceding to client demand*. The commercialisation of sustainability will be a key driver for the property industry, as it is seen as equally, if not more important, as looking at the physical and environmental aspects of sustainability. The key questions that have been identified by the property industry, regarding built environment sustainability are whether or not it is being articulated it in the right way; how sustainability is being defined as it relates to the built environment and more specifically the property sectors; and how performance can be measured? To quote one respondent *what are the metrics to really help the market understand where it fits in, in the life cycle of any investment or development?*

#### **5.4.1 An Asian Face on CRB**

A recent IBM study<sup>24</sup> of business leaders around the world found that those in Asia-Pacific companies are investing in CRB faster than any of their global peers. The survey collected data from 1,130 CEOs in 40 countries and 32 industries, including 400 leaders from across the Asia-pacific region and 100 leaders from Greater China. In the Asia-pacific region, leaders reported they were increasing their CRB investment by an average of 42 per cent compared to a global average of just 25 per cent.

As part of the Built Environment Futures Study the researcher conducted a survey questionnaire of over 150 companies, focusing on the Asia- Pacific region. The aim was two-fold:

- a) to establish the key forces driving CRB in the Asia-pacific Region; and
- b) to determine the key issues causing inconsistency in CRB policy among Asia-Pacific countries.

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<sup>24</sup> IBM Global CEO Study, 'The Enterprise of the Future' May 2008



Specific drivers of change were cited by respondents below.

- **Globalisation:** seen as a positive force for driving change in the region.
- **Innovation and quality control:** particularly in the larger companies, are increasingly becoming success factors for businesses operating in the region
- **Demands for greater non-financial performance indicators:** mainly in international financial markets.
- **Ethical Consumerism:** increasing evidence that companies who fail to address their corporate responsibilities will be punished.
- The growing **importance of intangible assets.**
- The need to **attract and retain talented employees**, maintain productivity and ensure loyalty.
- Growing pressures to understand and be **responsible for entire supply chain.**
- Responding to and **engaging with regulators.**
- Responding to the growing **influence of non-governmental organisations (NGOs).**
- Increasing demands from **communities and other civil society activist groups** to be involved in decision-making that affects them.

Nevertheless, CRB is neither a clear, nor central concept for ethical business in the Asia-Pacific region. Since no universally accepted standards exist, different groups apply different standards, none of which are binding. CRB is, by and large, seen as a global problem, which needs global solutions. To this end, it was suggested by respondents that further alignment across the globe is needed, and that this will inevitably call for further regulation. What is certain is that higher levels of political commitment are needed across the region to address the issue of CRB implementation at the corporate level. The study also found:

1. significant resources are necessary to ensure the implementation and ongoing review of existing initiatives;
2. voluntary codes of conduct appear to encourage but not ensure best practice in the CRB field;
3. there is a call for the process of CRB to be less prescriptive, allowing companies to develop their own policies according to their core competencies; and
4. there is a general feeling that the larger companies could set a good example to encourage smaller firms to follow suit.

#### **5.4.2 Europe versus Asia**

Different markets around the world are clearly at different stages in their adoption of sustainability and CRB. The general consensus among participants is that CRB activities in Asia significantly lag behind those in Europe, as CRB is largely seen to be a Western phenomenon. There are various reasons for this, including: different national systems (India and China), underdeveloped institutions, standards and regulatory systems (South East Asia), poor levels of social development (Indonesia) and more. But mainly, the trouble with identifying levels of regional activity is that there is a marked lack of uniformity among different Asian countries, making compatibility or indeed comparability, difficult, if not impossible. Nevertheless, given that Asia-pacific markets are set to transform rapidly over the coming decades, driven by a combination of regulation, government incentives and changing market dynamics, the winners in business will typically be those property professionals who anticipate such changes and stay one step ahead.

### **5.5 Key Reflections and Synthesis**

Given the current regulatory environment, it is clear from the findings that the corporate sector in general can play a crucial role in bringing standards above the accepted levels, and, to this end, shape the CRB agenda to suit their needs. A new debate is taking shape, which looks to identify and develop the business case for CRB. Whilst the importance of intangible assets such as reputation and risk management is generally accepted as a driver of CRB, there is limited evidence to suggest a quantifiable assessment of the business benefits of the CRB approach. Further proof of clear financial advantage is being sought of CRB within business. In some cases, such as in the financial sector, ethical investment is a huge driver of change within the industry and, whilst not providing hard number driven evidence, is the clearest indicator as yet of a financial benefit.

Other sectors have different drivers and proofs of success, such as minimisation of legal risk amongst industrial companies. Nevertheless, none of this has added up to a truly coherent and comprehensive CRB policy such as pressure groups and, other sections of civil society are demanding. The reality is a more fragmented approach concentrated on the key areas of concern for individual companies. This is echoed by the extremely wide range of voluntary

schemes and initiatives, membership of which can be used as *proof* of CRB, but in reality can be somewhat diverse in their goals and objectives.

The connection between corporations' property and CRB strategies is, in many cases, relatively weak. Whilst all responses, both to the questionnaire and the interviews, were strongly positive towards the various aspects of sustainable buildings and management practices, this rarely led to a comprehensive buildings strategy encompassing all types of asset holdings. In the best cases, portions of the portfolio (Regional HQ buildings) were certified Carbon Neutral, or, in another company, a comprehensive building acquisition policy demanding certain minimum environmental standards was to be implemented, in the months following the interview. Much of the response from companies has, however, been a reaction to EU legal measures implemented since January 2006 regarding minimum standards of energy efficiency. In the service sector, the most sophisticated responses were within the office section of a company's property holdings. Notably, if any component of the business model was outsourced, the fact that the property holdings of the contractors were not that company's responsibility was very important in determining attitude and overall self-image. Whilst supplier contracts and minimum standards of behaviour were commonplace, these were mainly geared towards worker rights and the eradication of child labour.

In contrast, the heavy industry companies had the most sophisticated response within their portfolio of plant and industrial buildings. This was due to both risk minimisation, social pressure and the sheer cost of cleaning up any pollution. Any other types of property holdings were considered less within this context because of the lack of associated risk. The final reason for non-implementation of CRB within the property industry was the lack of choice and the competing reasons for taking space, such as competition, brand image, design and space needs. Actions within the retail sector typify this factor. Positioning within the high street is crucial, with limited choice in established retail locations. Additionally, property is often older and less easily adaptable to sustainable management practices. Companies do feel that developers are beginning to take on board the need for more sustainable buildings, but this is not expected to be a key factor in decision making for between five and fifteen years.

### **5.5.1 Lack of Futurity in CRB Strategy Planning and Development**

Most companies questioned did not consider government led trends and legislation to be a

key factor in their decision-making. Nonetheless, there are examples where a leadership role has been attributed to legislative changes or increased liability and risk, such as the new EU laws on energy efficiency, or the implementation within law across the developed world of the ‘polluter pays’ principle. Almost all companies questioned did not wish for any increases in the legal burden placed on the business world and felt voluntary agreements to be more effective. Most felt that CRB legislation would stifle creativity and cause substantial operational difficulties for the majority. Minimum legal standards on specific issues were the most ‘popular’ type of legal intervention, as they allowed companies to excel and did not proscribe certain types of behaviour across the board. What was most striking among interviews was the overall lack of futurity and whole-system thinking when making decisions, causing CRB policies to be fragmented and inefficient. To this end, more imaginative and creative thinking is needed.

A number of key questions emerged as a result of an analysis of the initial research phase as follows: Is there a need for government policy incentives to be put in place to promote sustainability? Is heavy regulation the way forward? Is the market alone a sufficient driving force? Or does the answer lie in finding a balance between both? One commentator suggested that *The task of translating the understanding of sustainability and the nature of relativeness in a systematic way as well as translating it into market prices is huge...but there will be quite a lot of work done on that quicker than it could be imagined.* Others suggested that external events and company choices may relegate CRB to a passing fad, and others still proposed that CRB could be on the brink of becoming synonymous with the concept of strategic management, where a sustainable organisation would *frame social and environmental challenges as unmet market needs that can be addressed through business solutions.*

Another respondent suggested that *something has occurred in the last few years, which has triggered a shift in perception from the key players within the property market and concepts such as sustainability, energy efficiency and green building design have gained increasing recognition among those in the property professions... take for instance the development of residential areas, offices, retail and leisure centres, transport links and car parks, they all encroach considerably on every-day life, so it is through the responsible management of social, environmental and human resources, that the property sector can demonstrate to its peers how the values of CRB are best put into practice. It is no longer a question of whether to embrace built environment sustainability, but more a question of how.*

The path ahead defies easy prognosis. Nevertheless, new legislative measures across Europe will inevitably have profound implications for the future of business, and indeed for the property industry, and to ignore CRB will leave companies open to significant risks. For instance, just last year, European governments committed themselves to reducing greenhouse gas emissions by at least 20 per cent of their 1990 levels by 2020. Coupled with new international accounting and reporting standards, the increasing application of ethical investment models and a heightened awareness of risk and human rights issues, CRB and sustainability will need to be placed at the heart of future commercial property practice. A lack of understanding about what clients may want, about how valuable the business is to the community, or about crucial changes in the regulatory environment will leave the company open to significant risk. Put simply, sustainability is inherent to corporate survival.

Among the companies interviewed there was marked lack of understanding of the company's responsibility to drive competitiveness in the long-term. In line with the hypothesis of the research, exploring possible futures generates greater understanding of where business' are today, enables the identification of where they want to be tomorrow, and facilitates the development of strategies to take them there. What are the long-term implications of climate change on the industry? What are the issues as they relate to land use and building design? How can business manage risk in a globalising world? How can business build communities to house the two billion more people who are expected to live in slums by 2050? How will the movement of hundreds of millions of rural people to the emerging mega-cities impact on our environment? Where does the greatest opportunity for built environment sustainability lie? Such questions need to be asked. Only in this way will the industry be able to sift through the rhetoric and identify practical solutions to global challenges.

What may be needed, at least until sustainability and corporate responsibility become part of mainstream corporate culture and decision making, is greater cross-functional interaction, so that CRB managers can tap into the expertise at all levels in the company, and that this will enable decision makers to more easily identify and operationalise business opportunities. In this context, the identification process is significant in that there is no *one-size-fits-all* approach to developing CRB policies and practices, for example, an environmental management team may develop new and relevant skills for one type of company which may not be relevant for another; a CRB policy may significantly increase productivity and reduce environmental impact for one type of industry but increase costs for another.

In a property context, CRB and sustainability needs to be addressed at all stages: in the evaluation, acquisition, design, costing, planning permission, construction, occupation and management of buildings, (Keeping and Shiers, 2004). Therefore by bringing together the relevant stakeholders in the form of, for example, a strategic conversation, or futures workshop to rethink or brainstorm ideas can be useful (see chapter 3) in terms of identifying relevant and potential opportunities for both business and society. In some cases, the adjustment to current activity may be minor, but the impacts huge. In a FS setting, decision-makers are more likely to be in a position to reflect, review and revise the role of the property manager and the triple-bottom-line, and support the industry in ensuring that buildings, whether residential, retail, public, or commercial space, need to be developed in the context of sustainable development; in other words that they consume no more than they produce, and that they consider the needs of the wider community. The following chapter presents the findings of two related futures projects undertaken as part of this empirical research.

## **Chapter 6**

### **Findings Part Two**

## **6.0 FINDINGS**

The previous chapter presented the findings of the initial phase of the research, which focused primarily on the data gathered from surveys, strategic conversations and ongoing documentary research. This chapter presents and analyses the findings of two related futures studies undertaken as part of the second phase of the research (see table 1.2). This chapter provides a clear insight into how increased stakeholder dialogue, through the use of various Futures approaches (Prospective Through Scenario Process and Strategic Conversations) can enhance the process of developing CRB policies and strategies in the commercial property industry. Each study is systematically examined in terms of the following: genesis of the research; projects aims and objectives; testing the methodological process, collaboration and participation; and findings, deliverables and recommendations.

Therefore the aims of this chapter are:

1. To present and analyse each of the three Futures exercised from a range of aspects as described above
2. To evaluate the process as a means of highlighting the nature of, and benefits to using a Futures Approach in addressing the development of CRB policy and strategy in the commercial property industry
3. To present the key findings, insights and recommendations from the two Futures exercises

The study outputs are based on mostly qualitative data derived from a series of futures workshops and strategic conversations with leading experts in the field of CRB, commercial property and Futures. During this phase of the research, three further questionnaires were prepared and sent out to participants and selected industry experts in each region to further inform and validate the research findings.

### **6.1 Application of Futures Studies Methods and Techniques for Engagement in CRB in the Commercial Property Industry**

The first of the two Futures exercises aimed to explore what lies ahead for the world of European property over the next two decades, by considering the various drivers of change,



key issues and trends as well as a set of four alternative, challenging and plausible scenarios that portray the future picture of property towards 2020. The project was carried out in 2004 by The Futures Academy in collaboration with King Sturge Property Consultants in the UK.

### **6.1.1 Genesis of the Research**

The genesis of the research stemmed from an opportunity to collaborate on a second Futures exercise with King Sturge, the first of which was undertaken in 2001, to explore the challenges faced by the property industry over the coming two decades, in terms of technology, demography, human culture and the environment. Issues such as globalisation; the opening-up of markets, through deregulation, privatisation and liberalisation; the emergence of new technologies; the growth of financial markets; and, more recently, the enlargement of the European Union were seen as representing some of the greatest challenges facing the industry. What would Europe look like in 2020? Would the EU cope with the integration of former Eastern bloc nations and the concomitant influx of foreign nationals? What would happen to national governments, laws, markets, languages and cultures? Would Europe prosper or drown in a sea of economic and political instability? Would sustainable development fade from the political agenda or would there be a move to reconcile long-term development with environmental and social goals?

While examining the future brings with it an obvious element of uncertainty, complexity and indeed unpredictability, it was widely agreed among the collaborators that increasing levels of uncertainty would inevitably create the context for many business decisions in the future. While most organisations anticipated some form of change in the future - new markets, new locations, new competitors, new occupier needs, new technology, new financial instruments, or new forms of legislation – many still plan and invest based on past trends and current conditions, thus leaving them in a difficult position when confronted with an unfamiliar turn of events, for which they have failed to prepare for. Moreover, with the benefit of hindsight it was also acknowledged that crises are often one of several futures that could have been anticipated and prepared for. By considering alternative scenarios that might play out along the way and establishing a *preferred* future condition, the aim of the exercise was to help decision-makers respond to the opportunities and risks that may arise in the next decade and beyond.

### **6.1.2 Testing the Process and Methodology**

The exercise utilised a structured and creative Futures approach, described in Chapter 3, so that participants could address the key issues - sustainability, the movement towards corporate social responsibility, the search for an improved quality of life, the inexorable march of the information revolution; the growth of ethical investment; the changing nature of work; the importance of connectivity; the imperative of energy preservation and conservation; the call for safety and security in building layout and design; the challenge of access and affordability in housing markets - and ultimately make better and more informed decisions. This imaginative approach is widely applied within business (Shell, Dupont, Johnson and Johnson). However, prior environmental scanning revealed that the property industry and its related professions have yet to demonstrate a greater concern about their commitment towards cultivating a shared vision of the future for property industry.

The exercise was conducted in five phases, in accordance with Jungk and Müller's (1987) five key phase model (described in chapter 4) as follows:

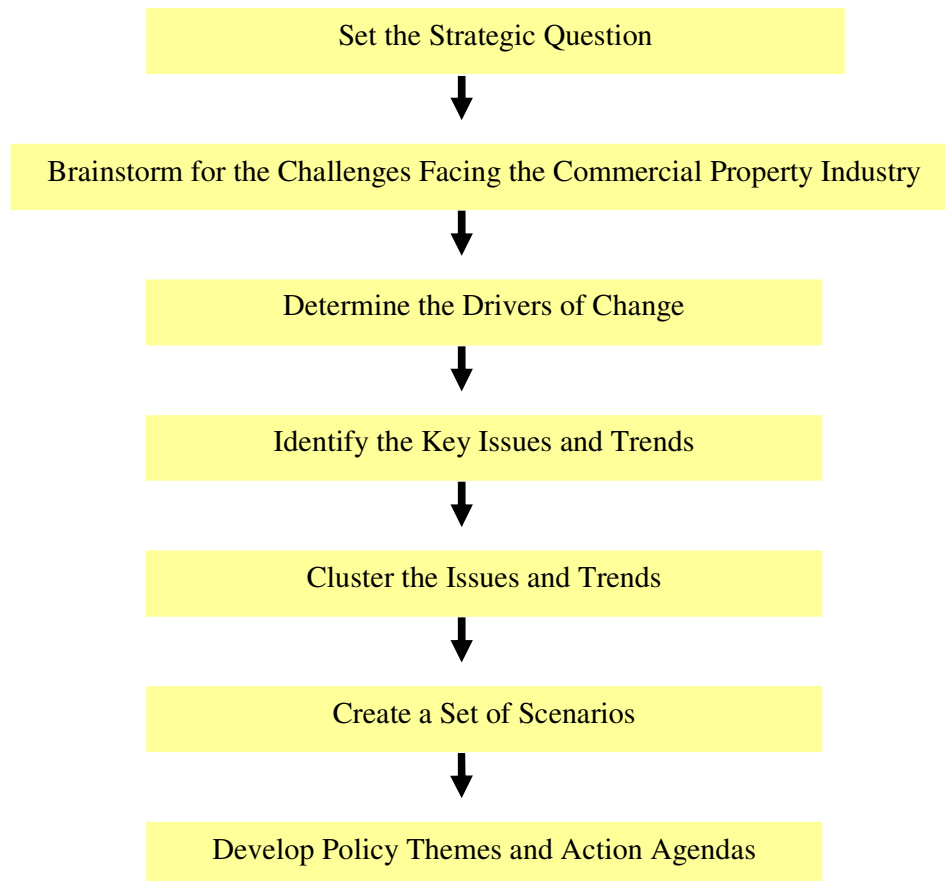
1. Preparation Phase
2. Divergent Phase
3. Convergent Phase
4. Emergent Phase
5. Follow-up Phase

#### **a) Preparation Phase**

The preparation phase involved an initial meeting with collaborators on the project: The researcher (representing the Futures Academy), Professor John Ratcliffe (Chairman, The Futures Academy) and Dr. Angus McIntosh (Partner and Head of Research, King Sturge Property Consultants). The project goals, objectives and expected outcomes were discussed along with issues such as: time-line, time-horizon, number of workshops, location and the identification of potential participants. Workshop participants were selected as the most appropriate for gaining industry expertise. The Futures Academy designed the methodology for the exercise, using the tried and tested 'Prospective Through Scenarios Approach' to explore potential and preferred futures for the commercial property industry.

Twenty four participants were selected as relevant stakeholders to the participating company. The selection was also designed to include executives from the investment, development and management communities to give a representative sample from the industry. Whilst there was inevitably some element of bias in selection within this type of activity, only a few of the participants were active in the area of sustainability or responsible property. Some had very little experience in the field, whilst being highly experienced in the field of commercial property. This was important as the data needed to reflect the views of the property community at large as opposed to the views of just those with a specific interest in sustainability or CRB.

The workshops were designed to provide an opportunity for the researcher to capture the myriad views expressed during an informed debate of the issues with a range of experienced property industry professionals. Professor John Ratcliffe facilitated the event, leaving the researcher free to analyse the process, and answer any questions participants had in terms of clarification of a particular task. Two separate workshops were convened, including representatives from the consultancy, management, development and investment communities. The first workshop was aimed at identifying the drivers of change affecting Europe over the coming years and to build a number of alternative scenarios for the future of European property. The second workshop was to get participant feedback and to develop a set of policy options and action agendas from which future property strategies could be developed. The workshop discussions were recorded and notes were taken. Participants were asked to partake in several individual but connected exercises, such as brainstorming for drivers of change, clustering issues and trends and alternative scenario creation. The structure of the workshop was based on an adapted version of the Prospective Through Scenarios Approach (Figure 6.1)



*Figure 6.1 Adapted Prospective Through Scenarios Approach*

### **b) Divergent Phase**

The workshop began with the identification of the strategic question as follows:

What are the major forces of change affecting the European property industry and how can the property community prepare itself now to face a future of uncertainty and complexity?

This was then used as the guiding question to refer to during the tasks throughout the day. Participants were then asked to identify the most obvious challenges. A brief round-the-table discussion resulted in the following list of challenges (Table 6.1).

	<b>Global Challenges for the Property Industry Towards 2020</b>
<i>Globality</i>	Creating better alliances, networks and partnerships to understand diverse markets and respond to client universal needs.
<i>Sustainability</i>	Comprehending and implementing the burgeoning regulatory framework, that determines the effective management of the built environment
<i>Accountability</i>	Complying with the myriad rules, standards and guidelines that govern property consultancy performance and property business practice.
<i>Responsibility</i>	Adopting a more proactive role in promoting an ethical agenda for the property industry, and fostering the concept of corporate social responsibility among the firms and organisations operating within it.
<i>Transparency</i>	Ensuring that all procedures and practices involved in the decision-making processes relating to property investment, development, management, agency and valuation are clearly understood and are open to scrutiny.
<i>Legitimacy</i>	Contributing towards securing the continued legitimacy of the free market economic system in general, and safeguarding the valid role and just reputation of the property sector in particular.
<i>Discovery</i>	Encouraging an exploratory attitude towards research and innovation in both public and private sectors of the property industry
<i>Opportunity</i>	Cultivating a spirit of enterprise and ambition towards new markets, new locations, new clients, new technologies, new materials and new funding mechanisms.
<i>Connectivity</i>	Appreciating that organisationally 'everything effects everything else', and technologically everyone will soon be able to communicate with everyone anywhere, so that a new corporate property imperative must be envisioned strategically aligning connectivity resources and networks to provide 'smart' solutions for the modern workplace.
<i>Uncertainty</i>	Understanding the true nature of risk in a complex and constantly changing business environment.
<i>Flexibility</i>	Planning for optimum levels of adaptability and responsiveness in buildings, tenure, funding, communications, energy and business structures.
<i>Security</i>	Providing safe and secure environments – physically, healthily and socially, as well as in terms of crime and privacy.
<i>Affordability</i>	Subscribing to the search for a set of solutions in securing satisfactory supply of low-cost housing for needy sections of society.
<i>Prosperity</i>	Accepting that without sustained profitability from continued efficiency and reliability the property industry will not retain its premier position in the overall investment league.
<i>Quality</i>	Unremittingly, in everything.

*Table 6.1 Global Challenges for the Property Industry Towards 2020*

The above table highlights the challenges facing the global property industry over the coming two decades and beyond.

### **6.1.3 Driving Forces of Change and Issues and Trends**

For the next stage, participants were separated into three groups of five, and asked to brainstorm for drivers of change, and issues and trends, followed by a structuring and clustering of the main ideas, using the DEGEST framework: demography, economy, governance, environment, society and technology. Ultimately, it is the driving forces that shape and propel the story lines described in the scenarios. It is almost inconceivable to

consider a scenario that does not incorporate major drivers from most, if not all, of the six sectors depicted above (see appendix for a full list of the drivers of change identified).

Each group was given two key themes and one hour to brainstorm for ideas within each of the forces of change and then to nominate one member of their group to present the ideas on flipcharts. Following the identification of the most significant driving forces likely to shape the nature and condition of society and the environment in the future, participants were asked to identify several issues and trends likely to have an impact on future events, and from which property decisions could be made. The challenge was not to discuss the issues as a group, rather to list as many as possible to get a wide range of ideas.

### **c) Convergent Phase**

Once clustering has taken place, a number of themes that emerged from the scenario logics were identified. Managing time during the divergent process proved difficult as participants tended to discuss, rather than just list the issues. It was surprising to see the number of ideas generated for each topic after just one hour of brainstorming, hence prioritising was key

#### **6.1.4 Establishing Scenario Logics and Creating the Scenarios**

Establishing a set of scenario logics lies at the heart of the ‘prospective’ process. The logics provide the themes for a scenarios plot or story line. They connect the present to a specific scenario end-state or outcome, for any ‘future history’ must make sense ‘today’. Put another way, they are the organising principles around which the scenarios are structured. They focus on critical issues or pivotal uncertainties for the industry or organisation and present alternative theories of the way the world might work. Following the clustering process, the following issues or ‘logics’, central to the construction of scenarios and the determination of a preferred future or ‘prospective’ for property, were identified by the participants as follows:

1. Sustainability
2. Competitiveness and Innovation
3. Corporate Responsibility and Accountability
4. Political and Social Cohesion
5. Climate Change
6. Security
7. Demography as Destiny

## 8. Quality of Life.

Participants were then asked to clarify level of impact and degree of uncertainty of each of the clustered issues and trends, in other words, if one was to imagine a particular issue becoming a reality, how high and impact or to what degree of uncertainty would this be?

### **d) Emergent Phase**

Several factors were identified as core uncertainties in plotting possible futures for the European property industry. These ranged from macro-economic trends and demographic patterns to rapid technological advances and increased terrorist activities, to evolving investor preferences in the European property markets. Following the focus group sessions, these uncertainties were mapped until patterns began to emerge around the tension between two divergent aspirations for Europe. For the purpose of the scenario process, the two uncertainties are illustrated by the use of axes, which are mapped on top of one another to form a matrix. In this case, the two axes that define the matrix are as follows political cohesion and sustainability pressures (see figure below).

With regard to the first axis, political cohesion is portrayed as an issue where at one extreme EU enlargement has succeeded in uniting Europe politically and economically. What has emerged is a strong central European government. At the other extreme political unification has proved to be too complex an undertaking. The EU curtails further enlargement, while rethinking policies of liberalisation. Political fragmentation is inevitable, as focus turns inward. At one end of the spectrum government as a form of collective action plays an important role, while at the other end national sovereignty play a more prominent role.

In the second axis, sustainability is portrayed, at one end, as an issue of little credence, where market forces prevail and where societal and environmental concerns are viewed as secondary to the allure of economic opulence. At the other end of the scale sustainability is portrayed as issue to be given equal measure to economic success, where social equity is viewed as a collective concern and where natural resources are seen as more than the raw materials needed to fuel the economy. This axis bears some similarity to the previous axis in that the left hand implies that the market determines the value of the environment, while the right hand implies that value is placed on society and the environment.

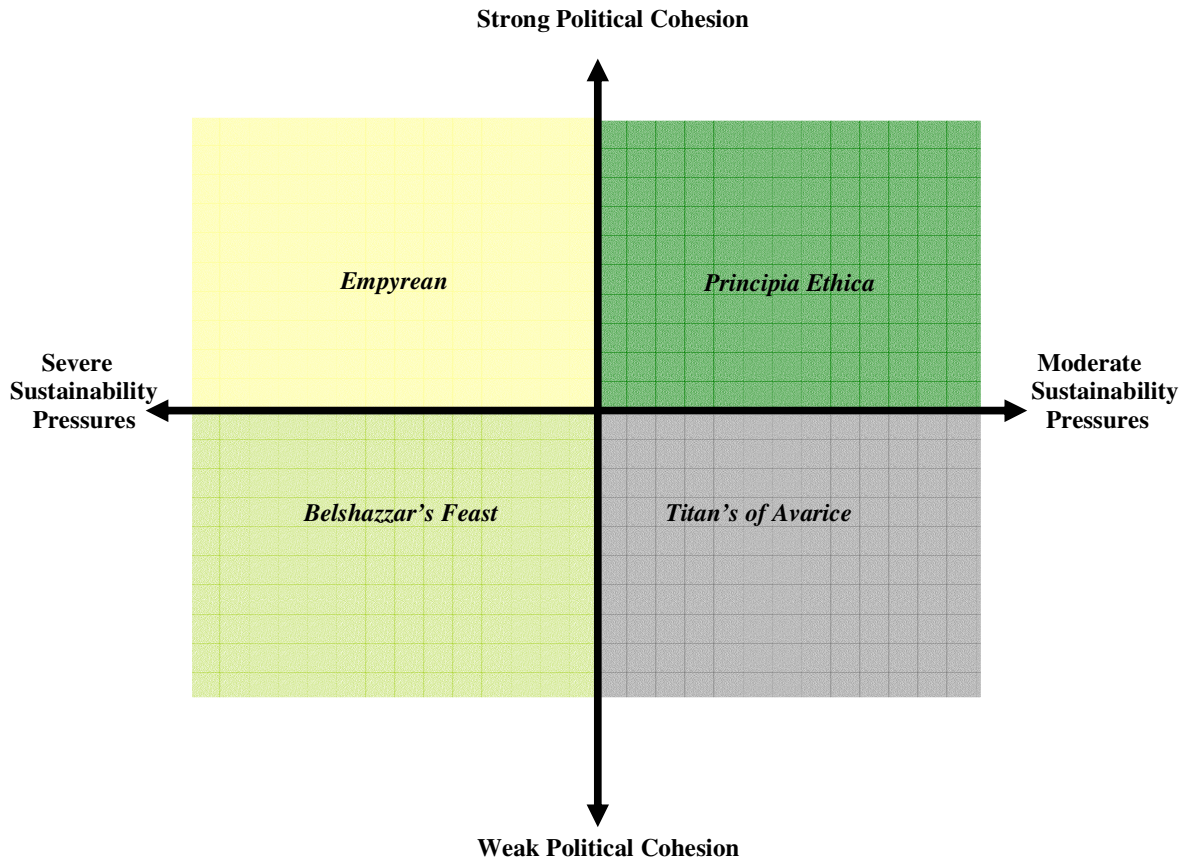


Figure 6.2 The Scenario Matrix

Crossing the two axes in the matrix gives rise to four divergent future worlds. Each quadrant defines divergent worlds in which, in some cases, political cohesion and sustainability run in unison, while in others, they run in conflict. While any number of uncertainties can be crossed, it is usually most helpful to cross the two contending critical uncertainties to produce the most fruitful scenarios. With this in mind, a set of four robust, plausible, differentiated, internally consistent, yet challenging scenarios of Europe in 2020, were created during the workshop, and written up in detail, using the material collected from the workshop, and recorded transcripts of the entire day (See appendix for the full version of scenarios).

**e) Convergent Phase**

Following the scenarios participants were asked to identify a number of policy fields likely impact on the types of policies and strategies developed over the next decade and beyond. From the results, participants were then able to develop related action agendas for each policy in order to prepare for the many risks and opportunities that the property industry will face in



the future. Testing alternative policy fields plays a fundamental role in ensuring that the most appropriate agendas for action are considered on the basis of the scenarios created. Following the construction of the scenarios and using the scenario logics as the basis for formulating strategic proposals, which might impinge on the property industry, three principle action agendas for each of the twelve thematic policy fields were formulated from an analysis of the issues and trends discussed during the focus group.

### **6.1.5 Policy Fields and Action Agendas for the Property Industry**

The last stage of the workshop involved asking participants to think about and reveal their hopes and fears about the future of the property industry, and to identify a range of policy options and action agendas to guide them to their preferred future. In essence this stage supported the development of an overall ‘vision’ or ‘prospective’ for the European property industry to 2020. Testing these action agendas against the scenarios offered an understanding of the intricate details of each, and how they might play out in the future. It essentially involved considering each policy measure within each scenario, how the decision might look in each, what the implications might be and whether or not there are any deficiencies. This stage is also known as the ‘wind tunnel test’. For the purposes of this exercise each quadrant of the colour-coded matrix (see appendix for the full report) is related to one of the four scenarios. The three action agendas, under each policy field, have been tested for their significance –low, medium, or high – in each scenario. Significance, in this context, indicates the need for an action agenda to be taken, depending on the circumstances of the scenario. For instance, Promoting Smart Growth would have high significance in the ‘The Syndicate’ and ‘Empyrean’ scenarios, whereas it would have low significance in the ‘Principia Ethica’, as it is an action agenda that has already been addressed in this scenario. For an action agenda then to be of high significance it would be given precedence in future policies over others. (See appendix for full report listing policy fields and actions agendas).

### **6.1.6 Key Deliverables and Recommendations**

The key deliverables of the Futures Exercise was the development of a set of four plausible, internally consistent, yet challenging scenarios, portraying various alternative futures for the property industry in Europe. The findings of the study were presented in the form of a corporate publication in 2005. One aspect, in particular, that emerged from the workshops was that the future is not a certain place that awaits, and towards which we are taken. Companies have the capabilities to create a preferred future for their organisation. Whilst

envisioning a preferred future for the property industry in general, requires a much deeper consideration, this exercise concluded by posing several challenges facing the property and related built environment professions over the next decade and beyond.

For example:

1. What are the forces driving global change?
2. What role can the property industry play in creating a sustainable built environment?
3. What are the key factors that propel decision-makers to consider sustainability in the context of their property functions?
4. What is the strategic basis for incorporating sustainability as a decision criterion over the whole life cycle of buildings?
5. To what extent will corporate responsible behaviour influence the global sustainable development agenda?

## **6.2 Built Environment Foresight 2030: The Sustainable Development Imperative**

The second of the two Futures exercises examined in this thesis was a two-year global three-phase project, conducted in collaboration with the RICS Foundation and King Sturge Property Consultants. The study which commenced in the winter of 2007, broadly aimed to explore complexity, uncertainty and change in the built environment, looking specifically at the question of sustainability and corporate responsible behaviour in the property industry. Using futures as the primary methodology, the researcher, working with another doctoral researcher, project managed, coordinated the project from start to completion.

### **6.2.1 Genesis of the Project**

The research was conducted on a comparative basis between three global ‘spheres of influence’: Europe, Asia Pacific and North America. Several layered scenarios were produced, depicting the various visions for each specific region or markets (e.g. China, India, Australia and North America). The final output of the research, was a set of policy fields, each supported by an action agenda, aimed at assisting the various sectors and agencies involved in the global property industry to understand and prepare responsibly for impending

change in property markets worldwide during a sustained period of uncertainty and complexity.

This project was interesting in that during the course of the research, a global financial crisis was in full swing, resulting in the current economic decline, credit crunch, and more specifically the downturn in the property industry worldwide. How the property profession responds to the current and many future crises that will face their industry now and in future decades remains to be seen. Nevertheless it highlights the importance for companies to be capable of considering the full spectrum of what may happen in the future, which includes unexpected outcomes, but also the ability to act with confidence in making decisions relating to change.

This exercise, similar to the first, was based on the premise that current approaches to decision-making generally do not afford business leaders the opportunity to consider apparently low probability but highly consequential scenarios, which, interestingly, is perhaps the reason why so many companies were slow to comprehend the magnitude of the current situation for their business. By adopting a futures approach and developing a set of alternative future scenarios, it encouraged decision-makers to recognise unlikely and unpopular outcomes, along with expected outcomes, and therefore enabled individuals and organisations to be better able to respond in a timely manner and more effectively whatever the outcome may come to pass.

Against this background, the project set out to achieve three things, as follows:

1. To profile the current property industry in each of the three spheres of influence - Europe, Asia-Pacific and North America - from the perspective of sustainability and CRB, and also to communicate how the industry has changed over time in terms of the drivers, issues and trends.
2. To develop a set of nine plausible, internally consistent yet challenging nested scenarios depicting alternative and likely futures for the property industry to 2030, from a global, regional and local perspective.

3. To develop a set of practical principles and indicators that can be used to guide or test the exploration for sustainability performance and CRB in the context of property industry policy and practice and to suggest approaches or strategies for effective implementation. A secondary aim was to develop an agenda for change, comprising of specific actions and timelines for the global property industry in moving towards sustainable development and CRB.

This study, in particular, gave the researcher a unique opportunity to work with a variety of experts across the globe and gain insight from three regional perspectives: Europe, Asia-Pacific and North America, as well as the opportunity to examine how Futures Studies is a viable philosophy and methodology to promote and foster the concept of CRB and sustainability within the commercial property industry. It also gave the researcher the chance to test how futures methods and techniques can help provide a fuller understanding of the forces affecting the longer-term condition of the property industry and contribute towards creating a realistic and responsible mindset on the part of the commercial property profession in fulfilling their stewardship for sustainability. The report was published in December 2009. A PDF version is included in the appendix. The study findings are presented in two separate reports as a joint academic / industry publication

### **6.2.2 Testing the Process and Methodology**

Throughout the study ‘Futures’ was employed as the critical research methodology. The first workshop, followed by a series of strategic conversations, held in London in 2007/2008, generated some imaginative thinking around the general theme of corporate social responsibility, sustainable development and the built environment in Europe. The second phase of the study, based in Hong Kong during the summer of 2008, examined the key issues from an Asia-Pacific context, and the third and final stage of the research, based in Chicago in June 2009, focused on North America. The findings of the workshops and interviews specifically helped form the framework for constructing a set of three nested scenarios for each of the three spheres of influence.

Another futures technique by the name of Causal Layered Analysis (CLA) was also introduced during this exercise. This technique guided participants in examining their views of the future, on multiple levels, not just in terms of the language and data that is typically used to define and discuss the trends and issues shaping the future. Its use, in conjunction

with The Futures Academy's 'Prospective' process, aimed not to predict the future, rather to create transformative spaces for the creation of alternative futures. The methodology consists of three levels: empirical, interpretive, and exploratory. The key challenge in using this particular approach is to conduct research that moves up and down the layers of analysis, questioning and reshaping participants' understanding of the world.

The benefits of CLA were numerous in terms of helping participants to create a climate where alternative worldviews could emerge, particularly considering the comparative nature of the project. By helping participants to deconstruct what they perceived to be reality, encouraging discourse and exploring alternative worldviews, visions of a preferred future for each of the three regions gradually began to emerge.

Having analysed the exercise at all three stages, it is evident that FS created the opportunity to question dominant paradigms, by firstly, allowing deeper exploration of the key issues, resulting in only relevant questions being considered. For instance: Have we reached our growth limit? Do we consume too much? If so, can we draw a line between what is essential and what is luxury? Have we degraded our environment to the extent that the damage to our natural eco-systems is irreversible? How can we sensitise ourselves to unsustainable conditions?

#### **a) Preparation Phase**

Resulting from an initial group discussion, and following a number of strategic interviews, the strategic question was set as:

What are the major forces of change affecting the built environment in general, and the property industry in particular, and how should the international property community prepare itself now to address the sustainable development imperative?

To explore this question, workshop participants and interviewees were asked to identify essential strands of policy and practice that could affect the property industry towards 2030. Sustainable development and CRB were chosen respectively as the issues most likely to change the face of property. The nine scenarios presented in the report essentially invite the audience to engage in discussion on the future of the global, regional and national property industry. They are intended to stimulate thinking on a range of possible futures, rather than be

used as a blueprint for decisive action, on the premise that by using the present as a platform for the future direction of the property industry, the scenarios can be used to explore events as they unfold. Used in this way scenarios provide a coherent framework for assessing new information and anticipating change. Furthermore comparing alternative scenarios can facilitate business professionals in identifying a preferred future or vision for the organisation. By imagining ahead and planning backwards it is easier to develop policies and encourage behaviour that will make a preferred future more likely to occur. Scenario work in this regard proved to be a powerful technique to illustrate preferred strategic options for companies.

In building upon the scenarios in the workshop, the researcher endeavoured to consider the perspectives of a wide variety of experts both inside and outside of the property profession in each of the three spheres of influence, in order to gain as rich an insight as possible. The report was not intended to be conclusive rather it aimed to act as starting point from which the property industry could make reference to in their pursuit of change.

### **6.2.3 Deliverables Europe: Challenges for the European Property Industry to 2020**

The world of property in Europe is experiencing a radical transformation, largely as a result of rapid globalisation, the advent of advanced technology and the onset of changing value systems. Various strands of policy, practice and performance are woven across international property markets that will ultimately change the face of property towards 2030. Among the most obvious challenges facing the property industry worldwide were identified as.

- a) Sustainability of existing urban areas, technical and economic depreciation of properties.
- b) Growing demand and purchase abilities of potential buyers on the property market.
- c) Climate change and penalties for carbon dioxide emissions.
- d) Ethical behaviour of the property community worldwide.
- e) Globalisation of markets, especially consolidation of the property investment sector.
- f) The quality of existing building stock.

- g) Developers' and occupiers' ability and knowledge to apply and use advanced technologies in property sector.
- h) New life style patterns influenced by cultural and social changes.
- i) 'Legal' regulations concerning investment possibilities and capital mobility.
- j) Transparency concerning property market transactions.
- k) Planning for optimum levels of adaptability and responsiveness in buildings, tenure, funding, communications, and energy and business structures.
- l) Embracing the concept of corporate responsible behaviour among firms.
- m) Buildings, investments and transactions security.
- n) Risk concerning return on investment on the saturated property markets.

#### **6.2.4 Scenario Frameworks and Logics**

From an analysis of the various driving forces of change, and the issues and trends, coupled with the expertise of over two dozen professionals from the European property industry, the following scenario logics were identified.

- a) The impact of globalisation and the internationalisation of markets
- b) Sustainability issues
- c) Movement towards corporate responsible behaviour
- d) Economic growth
- e) Climate change
- f) Population growth
- g) Scarcity of natural resources: energy preservation and conservation
- h) Integration and social cohesion in Europe
- i) Search for an improved quality of life
- j) The advance of IT
- k) Changing nature of work
- l) Rising demand for mixed-use development

Following the identification of the logics, the next step was to construct a set of three plausible, differentiated and challenging scenarios for Europe in 2030 against the two axes of Sustainability and European Integration (understood as the process of legal, political, economic as well as social integration of European member states).

### 6.2.5 Dimensions of Uncertainty

During the first Futures workshop, held in November 2007, several factors were identified as core uncertainties in plotting possible futures for the European property industry. One key uncertainty was defined as *Sustainability*. At one extreme, it was seen as a significant matter as Europe experienced a structural shift towards sustainability, not only for environmental but also economic reasons. At the other extreme, it was seen as an issue of minor importance: the market's invisible hand remained 'blind' to environmental and societal concerns. Desire for profit was the key market driver.

Another uncertainty was identified as *European Integration*. At one end, an integrated Europe was flourishing and wealth was being spread equally to every European Union country. At the other end, the process of economic, political, legal, and social integration of European states was starting to fall apart. Governments no longer hold authority as equal partners for international corporations located in Europe. Gaps between successful states and those pushed to the economic and social margins are wider than ever before.

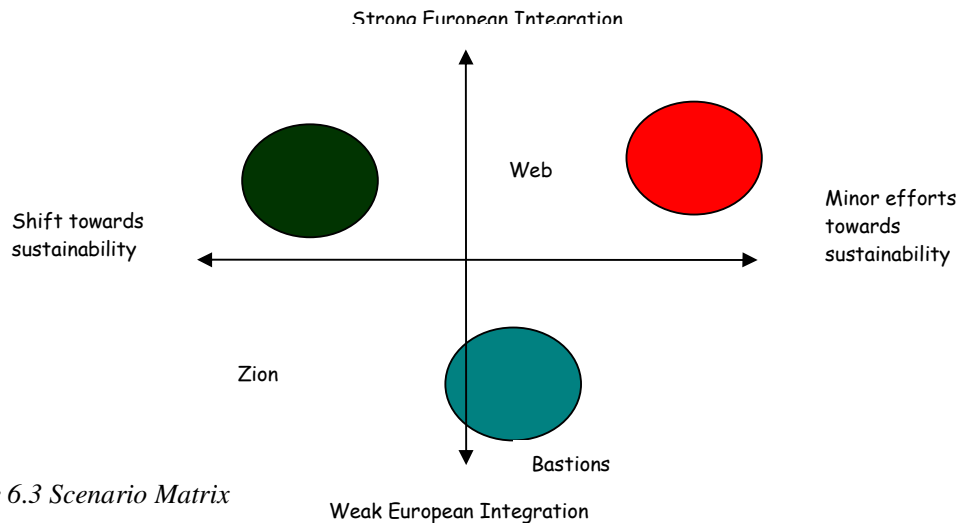


Figure 6.3 Scenario Matrix

Following the workshop, these uncertainties were clustered and mapped until patterns began to emerge around the tension between the two divergent aspirations for Europe.

### 6.2.6 Policy Themes and Action Agendas

Testing alternative policy fields played a fundamental role in ensuring that the most appropriate agendas for action were considered on the basis of the scenarios created.



Resulting from the brainstorming session, a set of policy themes concerning the property industry emerged. Included in these were the following.

- a) Quality of Life and Distributed Equity
- b) Democratic Systems and Collaborative Leadership
- c) Education, Knowledge, Cultural Awareness
- d) Environmental Healing
- e) New Global Economics

Each policy theme required a number of action agendas in order to prepare the international property community to address the sustainable development imperative through CRB. Tables were developed to chart possible and required actions identified by the workshop participants, under each of the five policy headings in the context of sustainability and CRB (see appendix for the full report).

#### **6.2.7 Key reflections: Europe**

The purpose of the first stage of the global study was to explore complexity, uncertainty and change in the built environment, with particular emphasis on the twin challenges of sustainability and CRB. From the findings, the three main issues that are most likely to have an influence on achieving sustainable development in the European built environment generally, and on the property industry specifically, were identified as follows.

1. A strong need for European Union and national governments to address sustainability issues in their laws and regulations.
2. The importance of a more holistic consideration of Corporate Responsible Behaviour, for example, accountability, transparency and legitimacy.
3. Social understanding and acceptance of the sustainable development imperative.

Analysis of the European property industry proved that sustainability issues are grounds for much confusion in the market, and are not fully addressed by the legal system. Moreover, there remains a significant lack of understanding around the issues of sustainability principles among market participants. Most corporations have their own definitions of sustainability, which lack coherence with other concepts and definitions.

A review of the CRB policies adopted by the major European property companies proved that there is an absence of standardisation and a basic understanding of this complex issue. Advocates of CRB believe it will bring potential benefits to businesses, such as enhanced reputation and improved relations with local communities, as well as governments. Unfortunately, CRB in its current form is grounds for much confusion and misunderstanding. To be a really successful tool in the hands of corporations it needs to tackle a wider range of issues, such as accountability, transparency and legitimacy, holistically.

Among the major findings of the study is the issue of social understanding and the active involvement of local communities in addressing and accepting the cost and potential benefits of sustainability. Governments and corporations are unable to respond effectively to the sustainable development imperative alone. Without social agreement and effort, a shift towards a sustainable built environment will most likely not succeed.

### **6.3 Deliverables Asia Pacific: Challenges for the property industry in the Asia-pacific Region to 2030**

The economies of China and India, widely believed to be the growth engines for the global economy, have come to an abrupt halt amid the current global credit crunch. While the same applies for most Asian property markets, industry professionals now need to look beyond the next five years and address the long-term opportunities for sustainable and responsible development in the region. On the basis of the Asia- Pacific futures workshop and a number of strategic conversations with leading property professionals from the region, the most relevant challenges for the Asia-pacific Property Industry over the coming decades were identified by participants as:

- a) Potential volatility of the Asia-Pacific market, while streams of money are being invested in and out of the commercial property sector.
- b) Transparency and regulation of land and property ownership rights for international businesses.
- c) Lack of property professionals, among them property managers, brokers and surveyors in the public as well as private sectors.
- d) Short-term thinking and planning applied in the creation of strategies for real estate.

- e) Lack of reliable securitisation procedures in most property markets in the region.
- f) Common consideration of property as a commodity by investors, instead of as an asset and a long-term investment.
- g) Changing and variable regulatory requirements.
- h) Lack of uniformity in standards of governance across Asia-Pacific property markets.
- i) Risk management; escalating costs of building construction and maintenance due to rising oil prices and the climate change regulation.
- j) Increased demand for green buildings and sustainable development.

### **6.3.1 Scenario Framework and Logics**

From an analysis of the various driving forces of change, and the issues and trends, coupled with the expertise of over two dozen professionals from the Asia-pacific property industry, the following scenario logics were identified.

- a) Rapid population growth
- b) Urbanisation
- c) Economic growth
- d) Climate change
- e) Scarcity of natural resources / energy preservation and conservation
- f) Integration and social cohesion
- g) Search for an improved quality of life
- h) The advance of IT
- i) Sustainability
- j) Movement towards corporate responsible behaviour

Ultimately, having identified two critical uncertainties that will govern the evolution of the Asia-Pacific property industry, The Futures Academy constructed a set of three plausible, differentiated, and challenging scenarios for Asia-pacific in 2030 against the two axes of Internal Reform and Regional Integration (understood as the process of legal, political, economic as well as social integration of Asia-pacific countries). The Asia-Pacific region is more complex than the homogeneous United States market or the harmonised and contiguous

European market, with which the Asia-Pacific market is often compared. In the final report a detailed analysis of each scenario is presented in an attempt to indicate possible outcomes, warning signs, and repercussions for the property industry into the future.

### 6.3.2 Dimensions of Uncertainty

Following the Futures workshop, held in July 2008, several factors were identified as core uncertainties in plotting possible futures for the Asia-pacific property industry. One key uncertainty was defined as *Level of Internal Reforms*. At one extreme, significant internal reforms have taken place within the key Asian players to complement policies of economic growth. The structural shift towards sustainability has, by and large, been achieved successfully. At the other extreme, internal reforms are given less importance and Asia has failed to make the necessary political and infrastructural reforms to coincide with economic progress.

Another uncertainty was identified as *Regional Integration*. At one end, an integrated Asia is flourishing and wealth is being spread equally to every country. At the other end, the process of economic, political, legal, and social integration of Asian countries has not taken place. Hopes for an Asian Economic Community are dashed, as massive inequalities across the region thwart Asia becoming a world leader to rival Europe and the US. Gaps between successful states and those pushed to the economic and social margins are wider than ever.

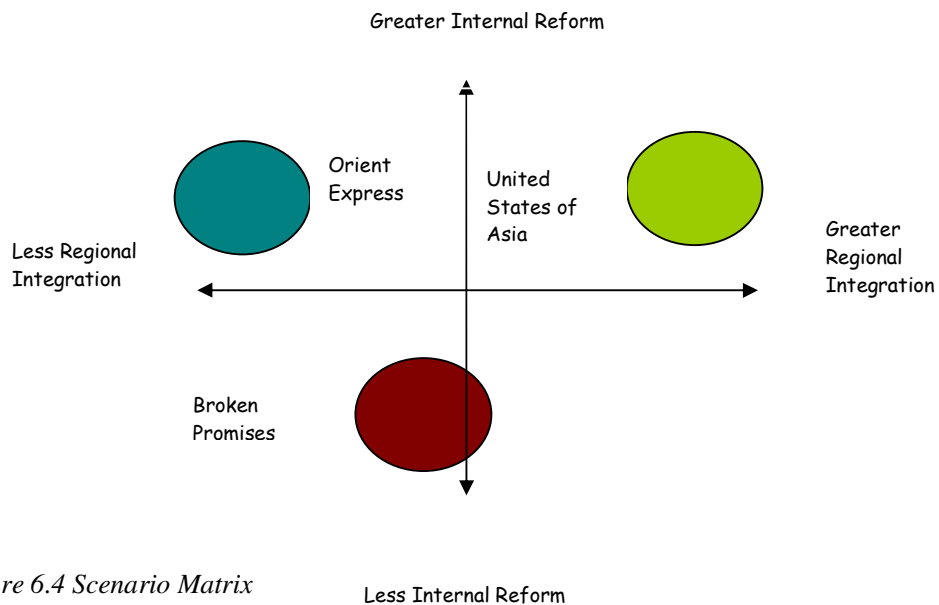


Figure 6.4 Scenario Matrix

Prior to the development of the

ties were clustered and mapped until

patterns began to emerge around the tension between the two divergent aspirations for the Asia-pacific region.

### **6.3.3 Policy Implications: Towards a Property Prospective for Asia**

The future challenges for the region are formidable. Leapfrogging of technologies is happening in some sectors, and assimilation of western practices is the norm. Now, it is seen as equally crucial to develop and implement policies for sustainable development. Simply following the traditional Western patterns of economic development, which is characterised by mass production and mass consumption, will not lead to a sustainable Asia-pacific. The region has its own unique features, such as local cultures, diverse religions and lifestyles.

The challenge for business operating in the region is perhaps to determine how Asia's rich cultural heritage can become central to sustainable development in a globalising world. Those in the West may actually learn from example. Take, for instance, Gandhi-ism in India, 'mottainai' in Japan, King Bhumipol's sufficiency economy or middle way in Thailand, ideologies based on building self-reliant communities and investing in quality over quantity. By embracing elements of such paradigms, combined with modern developments in technology, science and medicine, it could lead to the development of sustainable policies that integrate economic, social and environmental concerns. A constructive, futures-based process can be initiated by companies to conceive innovative policies suitable to this region. The mixed reality of Asia-pacific in the next two decades and beyond will inevitably contain elements of each of the scenarios (see appendix).

The next step is to create a vision for a preferred future for the Asia-pacific region. The creation of an Asia-pacific economy that trades on a global scale by promoting traditional values could be described as a preferred global future, as a sustainable Asia-Pacific is indeed a prerequisite for global sustainability. Powerful economic forces generated by demographic changes require the close attention of property developers and investors. Some demographic changes—such as declining fertility and mortality rates and the aging of populations— will take years to manifest themselves. Others forces of change such as, urbanisation, may have more immediate impacts. The property industry will inevitably need to develop policies to adjust to the changing circumstances in the region.

#### **6.3.4 Key Reflections Asia**

There is little doubt that persistent economic expansion has had significant environmental and social costs across the Asia-Pacific region, not least the extensive pollution of air and water, deforestation and growing social inequalities in both urban and rural areas. By 2020, it is predicted that China's CO<sub>2</sub> emissions may well equal the output of the entire world put together. The Asia-Pacific region currently consumes far more energy than it produces, representing almost 29 per cent of global oil demand, and supplying a mere 10 per cent<sup>25</sup>. Future energy demand in the region is set to accelerate as economic growth rates soar.

Scientific analysis predicts climate change will have a serious impact throughout Asia-Pacific over the coming decades, as a result of rising sea levels and changing weather patterns. Rising temperatures are expected to have a huge effect on people's health in the future, causing 'more of everything' from food poisoning to malaria. Emerging from the study is that one of the most significant challenges for the Asia-pacific region in the next two decades will be the rapid growth of its urban population. By 2030, a large majority of Asians will be living in cities. Urban growth is predicted to be the most rapid in China and Southeast Asia - Vietnam, Indonesia, and the Philippines; less so in South America, North America, and Oceania; and slowest in East Asia<sup>26</sup>. Some urban areas are already too large and showing signs of extreme poverty, pollution, and congestion. It was widely felt among participants that future urban growth will test the efficiency and capacity of the region's built environment; and how well cities function as systems, will ultimately determine the future of Asia-Pacific. Moving toward energy-efficient technologies and greener buildings, especially in the larger, more rapidly developing countries, such as India and China, was seen by participants as crucial, seeing as buildings alone are responsible for a significant proportion of CO<sub>2</sub> emissions.

There is evidence to suggest that corporations in Asia-pacific are more pragmatic than those in the rest of the world regarding the costs of attaining sustainable property. In a survey conducted by Jones Lang La Salle and Corenet Global<sup>27</sup>, 12 per cent of corporations in this region versus only three per cent of companies across North America and Europe are willing to pay more to meet their sustainable property needs. Furthermore, almost half of the

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<sup>25</sup> Asif and Muneer (2005) Energy supply, its demand and security issues for developed and emerging economies

<sup>26</sup> Gopal (2007) Dynamics of International Trade and Economy

<sup>27</sup> Sustainable Property 2008 See JLL and Corenet Reports

respondent companies in the Asia-pacific region indicated that sustainability was already a critical issue for their company, driven mainly by the pressure of significant increases in energy costs. The success or failure of property firms in the region may be dependent on finding new ways to respond to the challenges of climate change and sustainability.

## **6.4 Deliverables North America: Challenges for the North American Property Industry to 2030**

The last year resulted in a synchronisation of global economic and political affairs and the property industry. The complexity and global reach of the current downturn is changing industries of all types and forcing business leaders to rethink their corporate strategies across the board. Understanding the underlying causes of the current crisis and anticipating the challenges that lie ahead for business over the coming months, years or even decades is one of the key issues for professionals from all sectors, not only in North America, but globally. Based on the findings from the North-American workshop, environmental scanning and issues raised in the strategic conversations the most significant challenges for the North American Property Industry over the next 20 years and beyond were identified as follows.

- a) Existing building stock: what to do with the old developments
- b) Urban areas planning and decision making
- c) Sustainable urban areas and green buildings
- d) Finding the Finance
- e) Social justice through accessibility and affordability
- f) Energy Efficiency
- g) The Future of the Workplace
- h) The Demographic Challenge
- i) Forward Planning for an Uncertain Economic Conditions
- j) Safety and technology

### **6.4.1 Scenario Framework and Logics**

From an analysis of the various driving forces of change, and the issues and trends, coupled with the expertise of over two dozen professionals from the North-American property industry, the following scenario logics were identified.

- a) Energy Availability and Resource Management
- b) Political Stability and Civic Security
- c) Quality of Life and Spiritual Well Being
- d) Technological Change and Adoption
- e) Government Regulation and Incentivisation
- f) Knowledge, Education and Awareness
- g) Economic Development and Distribution
- h) Population, Growth and Health

#### **6.4.2 Dimensions of Uncertainty**

Following the Futures workshop, held in June 2009, several factors were identified as core uncertainties in plotting possible futures for the North American property industry, from the cost of climate change, the effects of changing weather patterns, water and energy distribution and availability, the pace of technical obsolescence, the ability to adapt to rapid change, awareness of environmental issues, access to basic services, political stability, population growth and demographic structure, the threat of global pandemics, global terrorism, ID theft and data security, reliability of communication infrastructure, accessibility to money, the response of Asian countries to the environmental issues to the pace of agreement on standards. Prior to the development of the scenarios the uncertainties were clustered and mapped until patterns began to emerge around the tension between the two divergent aspirations for the North-American region.

One major uncertainty, likely to impact any potential future to a considerable degree was identified as *Political Stability and Civic Security*. At one extreme, greater political stability and civic security prevail, which coincides with a flourishing economy. The shift towards transparency and openness in political and economic affairs has inspired a renewed sense of hope for the future, as wealth is spread more equally from state to state. At the other extreme, political stability and civic security are compromised. Internal political and infrastructural reform has been largely unsuccessful. Civic insurgency following over a decade of unfulfilled promises, threatens to tear the fabric of North American society. Significant inequalities across the region thwart the US regaining its title as world economic leader to rival the China and India's growing dominance. The gap between thriving North American States and those pushed to the margins of society is widening.



Another key uncertainty was identified as *Energy Availability and Resource Management*. At one end of the scale, North America is well on its way towards converging on a regional renewable energy policy after decades of effort to capitalise on the interdependency and cooperation between Canada, North and South America. Public private partnerships between energy companies and legislative bodies resulted in the development of joint environmental standards. Both organisations and consumers can now reap the rewards in terms of greater efficiency, lower energy costs and security of supply throughout the region. At the other extreme, North American reliance on Middle Eastern Oil remains a threat to the security and competitiveness of the region as a whole. Souring relations between Canada and the US prevents a security partnership being developed. The lack of a coherent energy policy spells a bleak future for energy availability on the continent.

Ultimately, having identified two critical uncertainties that are likely to govern the evolution of the North American property industry, The researcher constructed a set of three plausible, differentiated, and challenging, scenarios for North America in 2030 against the two axes of Political Stability and Civic Security and Energy Availability and Resource Management. In creating scenarios for the three regions, it is important to draw a line between the differences in the markets from region to region, i.e. the harmonised and contiguous European markets, the more complex Asia- Pacific market; against the homogeneous United States market. While each of the scenarios is nested in a global outlook, it is not possible to produce one global scenario for the future of the property industry.

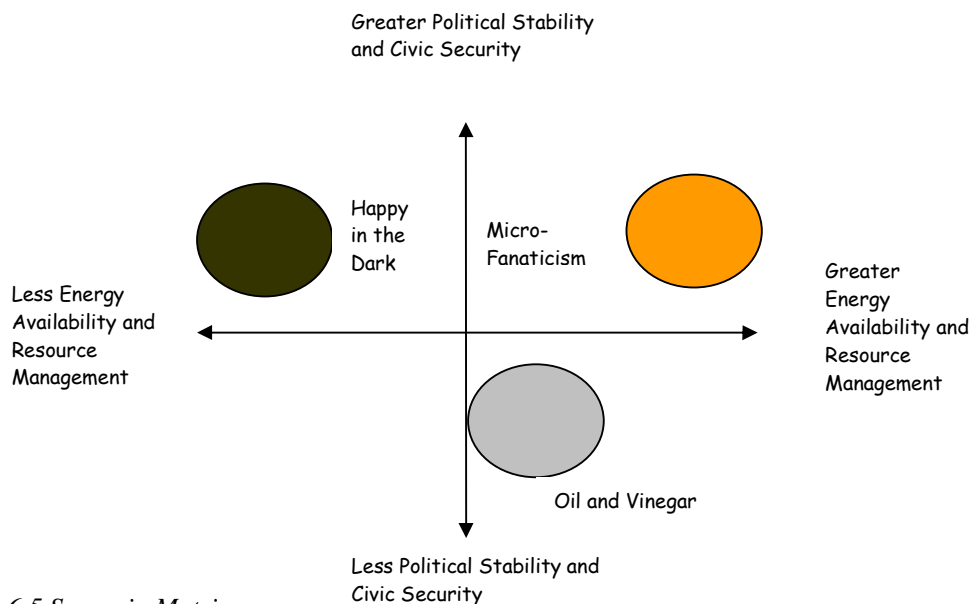


Figure 6.5 Scenario Matrix

It was beyond the scope of the exercise to go into a detailed analysis of each scenario and how it might play out in different companies, nonetheless, there is scope to take this work further in order to indicate possible outcomes, warning signs, and repercussions for the property industry over the come two decades and beyond, so that organisations can go some way towards anticipating and preparing for uncertainty and change.

### **6.4.3 Policy Themes and Action Agendas**

Following completion, review and revision of the scenarios, a period of time was spent using the insight gained through the scenarios exercise to identify the key challenges facing the North American property industry. The working groups identified what would be the preferred responses in the North American property industry in terms of policies, practices, tools and technologies. During the workshop, over 60 challenges were identified. Each group developed a list of ideas, but more importantly, the groups, though working under three different scenarios, ended up with a number of overlapping ideas of what the preferred responses in the North American property industry would be. These were subsequently synthesised into the 10 most significant challenges likely to face the industry over the coming two decades, and listed below. These overlapping policies, practices, tools and technologies are listed under five common themes. Under the five policy themes ten action agendas were identified for each theme as follows.

1. Federal / State and Local Governments
2. Existing Stock and Security: The Urban Challenge
3. Economy, Transparency and Accountability
4. Energy and Environment
5. Society/ Population/ Demography

## **6.5 Strengths and Weaknesses of the Futures Process**

In analysing the overall Futures process, the following observations were made: A notable observation during the futures workshop was the general difficulty in identifying the axes of uncertainty, which is essentially the framework for shaping the scenarios. The main difficulty was in identifying two axes that were sufficiently independent, in order to make the scenarios challenging and different. The axes needed to combine the driving forces into three possible

futures our possible future end states. Participants were evidently having difficulties, particularly considering the time constraints.

On a more positive note the atmosphere was constructive, with a lot of engagement and participation. More time would have been more beneficial. In fact, a two day workshop, in hindsight would be more beneficial as it would enable the wind tunnel test on the scenarios the next day, and would give a period of incubation of the ideas suggested on the first day. This would perhaps result in the creation of a set of policies, strategies and actions. Participants suggested that they would have liked to *take something away with them* that they could bring back to their organisation, in terms of, for example, an agenda for action.

In general, running a workshop demands constant interaction and communication of the goals and objectives. Preparation is key, without which the outcome can be problematic. Some difficulties encountered on the day included: not enough time to complete the tasks, not enough thinking outside the box, failure to understand certain tasks, heavy agenda leaving both the facilitator and participants unable to relax and enjoy the process.

The objective of the futures exercise is to encourage participants to act creatively and in concert. In reality this is often hard to achieve. Being in tune with participants from the outset is crucial so that task can be adapted to suit the type of group.

## **6.6 A Property Manifesto: Strategic Roadmap to Sustainability**

In the past, running a property business was far simpler. Property developers, investors and managers, could focus on the basics. But in today's rapidly changing global economic and regulatory landscape, the gargantuan challenges facing the property industry grow more complex by the day. Reduced investor confidence in both the residential and commercial market - propagated by growing uncertainty as a result of the current recession, thinning developer profit margins, moribund rental yields – is just one of the key issues facing property companies today. In order to succeed, property professionals must be able to focus on many things simultaneously.

Without a forward-thinking plan that clearly describes policy objectives, property professionals will be unable to make the decisions to help ensure the long-term success and

sustainability of the property industry and as a result will remain vulnerable to the risks associated with political, economic, social, environmental, and technological change. Reversing recent economic trends does not require a single brilliant eureka moment, but rather is an ongoing exercise that requires a practical assessment of external market conditions and internal realities, combined with a rigorous plan of execution.

Through its work with a series of experts, the Built Environment Foresight research team identified five critical issues that leaders in the property industry must be prepared to address effectively if they and their organisation are to prosper. These are summarised as follows.

1. Changing Economic and Political Landscape
2. Shifting Priorities of Consumers
3. Climate Change Adaptation
4. Rapid Technological Advances
5. The Need for Global Education

To address the above issues and challenges, this research concludes with a strategic guideline or roadmap, which hopes to provide both clearly articulated goals, as well as the necessary practical steps to achieve the desired future. The overarching aim is to ensure more effective strategic planning for property planners, developers, managers and consultants. Naturally, property companies and indeed the different markets they operate in around the world will be unique. Therefore it is essential for companies to be able to tailor its application of the following strategic options to individual circumstances and needs (see figure 6.6 below).

## CONVERGE

- a) Converge existing environmental and social standards to ensure that adequate movement towards sustainability across the built environment is achieved and create new standards where existing ones fail
- b) Adoption of a coherent approach to property development, investment and management, merging cross-disciplinary expertise.
- c) Integration and information sharing through government, institutions and business.

## CREATE

- a) A sustainable global property vision that identifies and clearly defines the industry's long-term policy objectives
- b) Opportunities to breakdown cultural / mental barriers and forge global alliances across the built environment
- c) Develop an inclusive business model, incorporating government, the private sector, as well as external stakeholders, such as community groups and think tanks, who can contribute to the overall development of a sustainable business model.

## REPAIR

- a) Fragmented and inefficient property processes and procedures
- b) Poor governance systems to increase accountability as well as social and environmental responsibility
- c) Inadequate and obsolete legislative and regulatory requirements
- d) Reduce the gap between the short-termist market-oriented property perspective and the longer-term goals of sustainability
- e) Ineffective employee recruitment and retention processes

## BUILD

- a) A coherent value creation framework for corporate social responsibility
- b) Strategic public private partnerships to embark on innovative and socially / environmentally sound projects
- c) Alliances with academia and private industry for research and development collaborations
- d) Joint programs with academia to fill the skills gap

## FOSTER

- a) Sharing of successes of property strategic leadership and transformational change
- b) Recognition of successful collaborations and partnerships
- c) Wider stakeholder engagement and the communication of successes to both internal and external stakeholders
- d) A sustainable approach from design to delivery to develop a built environment that enables people to adopt sustainable lifestyles.

## LEAD

- a) A new type of leadership that is visionary, responsible and pragmatic to ensure effective corporate governance determined by collaborative values
- b) Promote higher density living and diversity of land-use. Life cycle analysis, as opposed to costing, must become mainstreamed, along with design for longer life, design for reuse, upgrade and ultimately deconstruction with low environmental impact / minimal waste

## 6.7 Key Reflections and Synthesis

Arguably the most obvious benefit of this scenario exercise has been to stretch the boundaries of the participants' mindsets. Having pulled together the findings from the various research methods utilised in the study (Futures Workshops, Strategic conversations, Survey questionnaires) the major insights of the scenario exercise are summarised as follows:

### 6.7.1 Major Insights of the Scenario Exercise

- a) There is a strong need for a more holistic approach to planning, developing, managing, and investing in property than has been typical in the past.
- b) There is a greater need for transparency across all professions, particularly in the investment community as well as government.
- c) Greater stakeholder engagement to facilitate the involvement of all relevant stakeholders in the property process.

### 6.7.2 Moving Towards a Desired Future for the Commercial Property Industry

In terms of the actions needed to address the above challenges and help the property industry to achieve a more desirable future, the following issues were identified:

- a) **Education** Educate property professionals in the advantages of conducting business activities in a more holistic manner.
- b) **Stakeholder Dialogue** Increase dialogue between the various stakeholders in the property process from design to implementation to management and monitoring.
- c) **Sustainability Mindset** Prepare a new generation of property managers on developing a more holistic approach; shifting the corporate culture and incentive system in support of support of sustainable business.
- d) **Cross Sector Linkages** Recognise the benefits of developing coherent linkages across sectors – from developers, architects, engineers, planners, suppliers, builders, environmental consultants, academia – to draw out the various roles and responsibilities to enable shared learning and mutual benefit. Greater linkages between, government, industry and community stakeholders is needed.

- e) **Partnerships** Build public-private-partnerships (PPP's) to ensure increased proliferation and market uptake of existing and emerging technologies and property / construction methods

It is important to note that due to the variety of values, cultures and opinions between participants in each of the three spheres of influence Europe, Asia-Pacific and North America, it has been difficult, if not impossible, to form one overall conclusion for the future for the global built environment in general, and the property industry specifically in relation to CRB and sustainability. For instance different standards and policies may have relevance to companies operating in Europe and North America for instance, but may bear no significance for companies operating in the Far East. While every effort was made to capture the various insights across the three regions, the limited resources of this exercise did not allow for an in-depth consideration or conclusion of one global future. As a result, each phase of the report: Europe, Asia-Pacific and North America should be viewed as a separate body of work and relevant only to the region in question. The limitations of this study have led to the recognition that the Futures exercise in its entirety is merely the foundation for a more profound study into the future for CRB and sustainability in the global property industry.

The following chapter provides an overall summary of the research; addresses the various limitations and identifies the implications of the findings for the commercial property industry. The thesis concludes with a number of propositions that can be used by property practitioners in the development of CRB policy and strategy, as well as the key recommendations of the research.

## **Chapter 7**

# **Conclusions and Recommendations**



## 7.0 CONCLUSIONS AND RECOMMENDATIONS

Old beliefs often shatter on the rocks of historical events, and  
new thinking emerges from the wreckage

[Ping Chen]

The previous two chapters present the findings of the study. This chapter pulls together all of the previous chapters in a summary of the research, a discussion of the key results and conclusions, and an examination of the research in terms of its contribution to academic knowledge as well its practical application in industry. It begins by revisiting the main aims and objectives of the research and evaluates the way in which the research was approached. The chapter continues with a discussion of the results in more detail, followed by a reiteration of the results in the form of contributions to literature and finishes with a presentation of a number of recommendations for the future of CRB in the commercial property industry. Therefore, the chapter has five aims.

1. To map out the findings of this study according to the overview presented in the opening chapter.
2. To further discuss the findings in detail, linking the various strands and components under theoretical and practical themes.
3. To present the conceptual and operational framework to guide decision-makers in formulating systematic, executable CRB policies and practices for addressing CRB.
4. To present a number of practically oriented propositions to guide the property industry in building future CRB policies and strategies.
5. To conclude the thesis with recommendations for theory and practice, the limitations of the research, and areas of further study.

### 7.1 Summary of the Research

This research broadly set out to examine corporate responsible behaviour (CRB) and the role of futures, as both a philosophy and a critical research methodology in fostering a culture of responsibility within the commercial property industry. More specifically, the objectives were to develop an integrative, conceptual and operational framework to guide decision-makers in formulating systematic, executable CRB policies and practices; and to build a set of propositions that may influence the development of CRB policies and strategies for the commercial property industry in the UK. To achieve the two main aims, the researcher

developed a predominantly qualitative methodological approach, based on a multi-method design, in order to address both the conceptual and operative challenges that arise when CRB is addressed in the context of commercial property. The research was divided into two phases: the first consisting of documentary review, horizon scan, survey questionnaire, strategic conversations and in-depth semi-structured interviews; the second (empirical) phase involving collaboration on two separate but related futures projects to test the application of futures thinking and techniques in examining the future of CRB in the commercial property industry.

The first phase of the research, consisting of a documentary review on the concept of CRB and Futures was presented and discussed in Chapters 2 and 3 respectively. Chapter 2 explored the current status of sustainability and CRB from a global, institutional, corporate, and individual perspective; the key challenges facing the field, (e.g. the difficulty in measuring social and business impacts, implementing policies and monitoring performance); as well as potential approaches to achieving holistic CRB, (e.g. futures, evolutionary systems theory, and values based leadership). Chapter 3 explored the general concept of futures and examined the critical elements of futures research in terms of both the conceptual and practical implications for CRB development and implementation; and discussed the implications for linking CRB and futures in developing a new futures-oriented framework for the development of CRB policy and practice.

The second phase of the research, to explore how business in general is responding to the CRB agenda - highlight current best practice; explore the potential of utilising a futures approach to develop and implement CRB policy and practice - was presented in Chapters 5 and 6 respectively. Chapter 5, the first of the core findings chapters, considered CRB - through a series of questionnaires and in-depth interviews - in terms of how government bodies, corporations and institutions have embraced this issue; and examined CRB on multiple levels - global, European, institutional and corporate. Simultaneously a horizon scan of the available literature (consultancy, think-tanks, NGOs) on the behaviour of corporations in reference to CRB was undertaken to explore the present level of understanding and action taken at each of these levels. This enabled further understanding of the influences, criticisms and coherence of responses, and allowed access to opinions and representation from outside the corporate world, in order to support the data and contextualise the research. The status and place of CRB policy and legal / regulatory mechanisms were also examined as part of

this phase. While the research at this point did not attempt to provide any conclusive findings, it established a baseline of current CRB policies and practices in business in general, highlighted best practice where possible, and identified the potential for futures to enhance the development and implementation of CRB policy and practice.

Chapter 6 presented and analysed the findings of two related FS undertaken during the course of the research, and provided a clear insight into how increased stakeholder dialogue, through the use of various futures approaches (Scenario through Prospective Process, Strategic Conversations) can enhance the process of developing CRB policies and strategies in the commercial property industry. The two projects were systematically examined in terms of the aims and deliverables, providing the opportunity to test the methodological process. A series of futures workshops, in-depth semi-structured interviews, and strategic conversations with leading ‘*experts*’ in the field of CRB, commercial property and Futures, were convened and a number of questionnaires were also prepared and sent out to participants and selected industry experts to inform the research.

Ultimately both phases of the research informed the development of several practice-oriented propositions to guide the development of CRB policy and strategy within commercial property companies and other relevant stakeholders, and as such is one of the key outputs of the research. The second major output of the research was the development of a holistic futures-oriented framework for CRB engagement, designed to assist and influence companies in creating a new corporate mindset, based on values and knowledge development, in order to foster CRB as a manifestation of and contribution towards corporate sustainability.

## **7.2 Research Conclusions**

Following an in-depth exploration of the three strands of this research: CRB, futures and commercial property, this section presents the conclusions of the research. The hypothesis of this research is that: *In tackling the conceptual and operative challenges that arise in developing CRB policy and practice, decision-makers will arguably need to abandon obsolete mentalities, and find a new, more integrated approach. Futures Studies is an approach which encourages and fosters the development of responsible and sustainable commercial property policy and practice* The findings support this hypothesis to the extent that the CRB development and implementation process is a complex process that needs to be

integrated into every part of the organisation in order to be successful. The findings indicate that current approaches to address CRB are generally failing within the commercial property industry, with the exception of one or two exceptionally forward-thinking companies, and that most companies are merely scratching the surface of what is coming to be understood as a deeply complex concept that has the potential to radically change economic, social and political systems.

Several distinct factors are driving the property industry to adopt more sustainable and responsible practices – risk management, compliance, operational efficiencies and reputational management. The globalisation of property markets has only intensified this trend. However, the limited response of the commercial property markets to the sustainability agenda is well recorded (e.g. Pivo and McNamara 2005; Cox and Cadman 2004 see Chapter 2). The majority continue to isolate issues of sustainability, indicating a lack of recognition of the complex interaction between the economy, environment and society (Cadman and Hirigoyen, 2003). The research concludes that if the property profession is not prepared for heightened complexity and change, they leave themselves open to significant risks. In this context, the profession as a whole needs to come together to explore new and innovative ways to both drive and shape the sustainability agenda.

### **7.2.1 Philosophical Implications for CRB**

From a philosophical perspective, existing CRB theories are relatively underdeveloped, and many illustrate CRB *either* as a conceptual issue *or* as a practical tool. In fact, most current CRB approaches are conceptual, and thus lack the operational relevance to ensure the development of effective policy and practice. Those that are practical tend to be fragmented and ignore the wider context of sustainability. Where previously many companies considered responsibility merely in terms of legal compliance and adherence to company rules and regulations, the focus now has shifted to ethical behavior, transparency and openness. As corporations have become increasingly powerful actors in global economic terms, societal expectations have increased, which goes in some way towards explaining why values and ethics have become so important in defining how companies are expected to behave. In one sense, this is creating the basis for values based leadership, which is aimed at not just dealing with short-term, superficial issues, but to reflect on deeper underlying issues that affect and drive business. An outcome of this is that business leaders increasingly will become aware of the ethical implications of their decisions, and, perhaps more importantly, decision-makers

will be able to measure the consequences of their actions and impacts on their stakeholders and the larger society within which they operate.

To address these ethical challenges the research suggests that companies will be forced to develop a new mindset, one that is more equipped to tackle the complexities of responsibility in the current and future global business climate. Placing ethics as key in developing CRB policies and strategies confronts the inevitable challenges of ethical dilemmas that face companies when the choice is between what is right and what is profitable. This goes back to the Friedman debate (Chapter 2) which unambiguously states that *the business of business is business*. However, as a result of changes in societal expectations, there seems to be emerging new standards of corporate performance that calls for business practices along both financial and moral lines (e.g. Ingelhart and Welzel, 2002).

Having grappled with Capra's systems theory, and Bohm's Theory of Wholeness, the research concludes that evolutionary or holistic systems thinking, combined with FS methods and techniques is a robust, well developed theory to investigate CRB in a broader context and to respond to the need for a more holistic CRB approach to be developed.

### **7.2.2 Practical Implications for CRB**

Practically speaking, the findings suggest that CRB needs to be re-examined as a fundamental challenge to bring about internal organisational change, rather than solely as a stakeholder engagement issue. Change in this context relates to the core values and culture of the organisation (e.g. what role the company sees itself as having in society), policy and strategy development (alignment of the principles of responsibility with the company's policies and strategies) and implementation processes. The findings point towards the need for a new paradigm, based on values and knowledge development to foster CRB as a manifestation of transformation at the deepest level.

Referring back to Starik and Rand's (1995) insistence (section 1.8) that issues related to CRB and sustainability must always be treated systemically, the findings support this assertion, indicating that for companies to engage successfully in CRB, it may be more beneficial to view the concept holistically. This would essentially involve a complete re-evaluation of the company's values, norms, priorities and practices. What comes across clearly in the research is the interrelation and perhaps to a greater extent, interdependency of CRB engagement with

many aspects of general corporate activities: culture (values and purpose), strategic management (futuraity), marketing (reputation), human resource management (employee retention), health and safety (legislation), supply chain management (supplier relations), and waste management (environmental efficiency). Therefore, it is absolutely in a company's interest to engage in CRB meaningfully and to master all aspects in a coherent and holistic manner. Business leaders need to be better educated on the need to move away from the current, narrow perception of the purposes of business. Shareholders invest for a return, but they need to comprehend that this return is not necessarily going to be less because a firm chooses to contribute to the enhancement of the local community.

The research concludes that the reason most companies efforts to improve the social and environmental consequences of their activities have not been as effective as they could have been is due to the fact that, firstly, business and society are seen as mutually exclusive; in other words they fail to see the interdependent relationship; and secondly, companies are being forced to consider CRB in a generic way, rather than considering it in a manner appropriate to the firm. For this reason, most CRB approaches are fragmented and disconnected from core business strategy, preventing the opportunity for companies to benefit society, the environment or indeed the company in any meaningful way. If companies were instead to examine their CRB capabilities using the frameworks they analyse their core business competencies with, (see Porter and Kramer, 2007 Chapter 2) CRB would no longer be seen as a cost, and instead could become a source of opportunity, innovation and competitive advantage.

Unless there is increased understanding about how decision-makers can increase their sensitivity about the social impact of their decisions and actions, no real progress can be made on the alignment of business conduct with society's expectations. In this regard, the researcher also concludes that values in, particular, directly influence the extent to which companies perceive and act upon its economic, social and environmental responsibility. The concept of CRB, therefore, overlaps with the creation of a new philosophy of business, one that fundamentally re-evaluates the nature and purpose of why a company exists in the first place. One of the key elements of CRB is a company's ethical responsibility, which is also influenced by the values of society. CRB has become an umbrella term, under which the ethical rights and duties existing between companies and society can be debated, but also under which the economic, legal activities of a business are undertaken and adapted to ethical

norms, company values and consumer expectation. A key function of CRB is to create the understanding and processes for merging values, business ethics, and social responsibility into an effective management structure, which then considers all aspects of a company's culture, strategy and operations.

The researcher suggests that a new participatory and collaborative approach among companies and stakeholders needs to be embraced, to embed responsibility throughout companies in a manner that perceives CRB as ongoing long-term process, rather than short-term, ad hoc strategy implementation procedure. In this context, the research highlights the potential for a futures approach to be adopted as a creative and holistic approach to developing effective CRB policy and practice.

Establishing a new form of in-depth collaboration among companies and their stakeholders can enable companies to better develop and implement responsibility in every decision made and every action taken. In this context, a focus on the individual, rather than solely on the organisational aspects of corporate responsibility is necessary. What is also of fundamental importance is education. Rethinking the way managers are educated and trained, may encourage thinking at a more profound level.

### **7.3 Linking Futures and CRB: The Myriad Benefits of a New Alliance**

Futures workshops, strategic conversations and scenario development are emerged in recent years as an important tool in testing the robustness of a company vision. Made famous by Shell in the 1970s, through the use of economic models, a number of robust and intricate scenarios were created, focusing on population growth and oil prices. However, scenarios are now created with a more participatory and collaborative approach, using information from a range of stakeholders, both inside and outside the organisation. Corporations still need to gather quantitative data for scenario planning, but that data covers many more dimensions of society: income distribution, demographic shifts, climate change impacts and the like. This aspect of strategic planning has essentially evolved in order to enhance *the capability of organisations to perceive what is going on in their business environments, to think through what this means for them, and then to act upon this new knowledge* (Van der Heijden *et al.*, 2002). The authors (*ibid*) refer to this strategy as adaptive organisational learning, or in other words: a holistic, proactive approach to the strategic management process that focuses on

scenario development to explore a range of potential outcomes and implications for companies. As just two approaches to scenario planning, strategic conversations, and futures workshops evolve when a group of experts come together in a setting to share information, thought, and perceptions. The concept of managerial stakeholder engagement indicates the structural shift in models of corporate communication.

In fact, without engaging stakeholders in strategic conversations, focus groups or future workshops, companies run the risk of closing themselves off from significant intellectual contributions to the process of CRB development, leading to myopic thinking on issues that need systematic consideration. In Einstein's dictum *Problems cannot be solved with the mindset that created them*. Therefore it is proposed in this research that a new mindset is required by corporate organisations to anticipate and prepare for the future.

Futures thinking, through such methods as Prospective, foresight and CLA, can evidently help change this mindset. By learning to develop and use methods and techniques drawn from the 'futures field' organisations can take actions to make a desirable future occur, quickly adapt to unfavourable environments, and efficiently implement strategies that will succeed in many different social and economic condition. Catalysing long-term business success or highly productive short term business projects often requires re-imagining the underlying motives. A FS approach can thus enhance the process of CRB development, helping companies to improve performance, encourage inclusion of various stakeholders' interests into corporate decision making as well as support them to become more sustainable operating entities in the widest sense.

From the empirical research undertaken in this study, it was widely supported by participants that adopting a futures approach and developing a set of alternative future scenarios, encourages decision-makers to recognise unlikely and unpopular outcomes, along with expected outcomes, and therefore enabled individuals and organisations to be more prepared to respond in a timely manner and more effectively whatever the outcome may come to pass

The most notable benefits of using a futures approach were in terms of helping participants to create a climate where alternative worldviews could emerge, and also in terms of helping participants to deconstruct what they perceived to be reality, encouraging discourse and exploring alternative worldviews, visions of a preferred future for their organisation. Having



analysed the application of futures, it is evident that it not only created the opportunity to question dominant paradigms, but allowed for deeper exploration of the big issues, resulting in a broader consideration of the challenges facing companies as well as potential solutions.

Decision-makers within the property industry are becoming more aware of their role in achieving sustainable development: social prosperity, environmental conservation and sustained competitiveness, but there are still relatively few instances of companies demonstrating the benefits of a '*pluralistic mindset*'. It is becoming increasingly clear that traditional models of strategic decision-making in this industry are failing to support the effective adoption of CRB policies and strategies that align the interests of stakeholders, decision-makers, and employees. By adopting both an inside-out, and out-side-in perspective to strategic decision making, as Porter and Kramer (2006) suggest, the perspectives of all relevant stakeholders can be more involved in the CRB policy and strategy development process. Embracing Futures for whole system change is a potentially powerful way for companies to drive sustainability forward. Futures can be used as a mutually enhancing philosophy and methodology for both the researcher and practitioner.

As Weingand (1995) points out, despite the uncertainties, the lack of validity and perceived reliability with the use of Futures Studies as a robust methodology for business, what ever way one looks at it, companies are faced with challenging times ahead. The scale of the problems, the need for urgent solutions, and the unprecedented and rapid rate of change is rendering traditional strategic planning and management approaches wholly inadequate. This calls for an interdisciplinary, creative approach to address both current situations and anticipated future outcomes. It is proposed in this research that a Futures approach, supported by the various methods and techniques used in this study can enable decision-makers to adapt their current mindset to effectively solve tomorrow's problems today. In the context of CRB engagement, from an analysis of the research findings, it is the normative aspect that can be best addressed through the concept of Futures. It is, therefore, the central premise of this research that the most effective processes, outcomes and overall value of Futures in the development of CRB policy strategy are yet to be fully comprehended by both academics and practitioners.

By examining CRB through the concept and methods of FS, it is seen as an interactive process from which CRB is systematically analysed and developed by deconstructing and

recreating a framework to develop CRB policies and strategies, based on both internal and external stakeholder participation. Thus, applying Futures to the study of CRB opens a range of alternative perspectives and implications for academia and industry. In this context, the current research is both timely and necessary.

#### 7.4 Conceptual and Operational Framework for the CRB

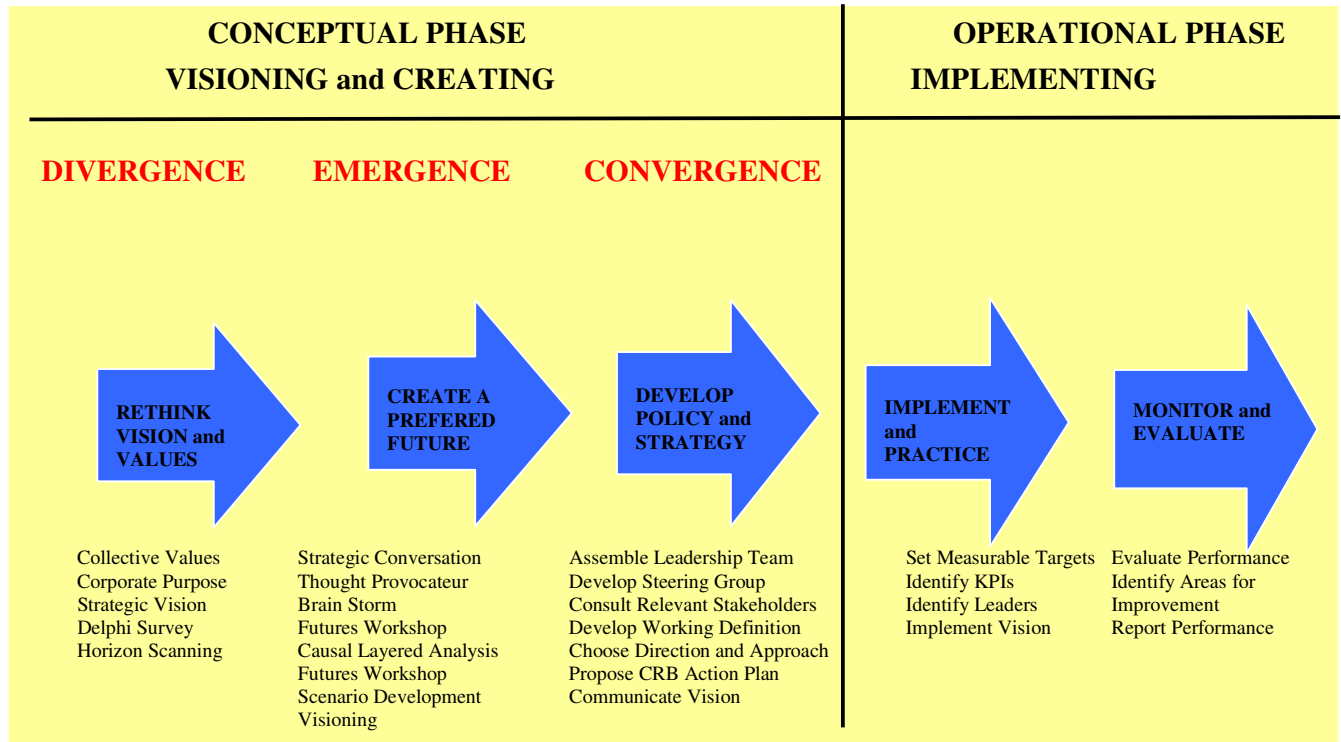


Figure 7.1 Cyclical CRB Process

There is no one path for CRB progress over the next decade and beyond. The results would have inevitably been different if more businesses or other cultural perceptions were included in the research. However, of those involved for this study most agree more or less with the view that CRB progress will be slow over the next ten to twenty years, but will become increasingly mainstream in business. The results suggest that increasing social and environmental crises will continue to drive CRB forward, albeit at a slow rate. Today's differing commitment to CRB - will be evident in the future, however it is likely that more strategic, integrated and holistic CRB will emerge over the next two decades. One of the most significant trends will be the increasing influence of stakeholders. Stakeholders will become more strategic and more coordinated, increasingly working together on issues of common

concern. There is a need therefore for a new approach to facilitate strategic dialogue between business leaders, stakeholders and employees. Consumers and employees will become more demanding as and when they perceive the connections between corporate behaviour and their quality of life. Suppliers will increasingly be brought into the realm of CRB practice as companies begin to integrate CRB throughout their supply chains. The environment, social exclusion, governance, ethics, transparency and accountability are expected to be the key themes on future business agendas when considering CRB policy and practice. The focus in future will be on continuous CRB improvement and most especially the impact CRB operations have on social and environmental conditions. Companies will be increasingly called upon to help address the growing social and environmental challenges emerging globally and local. Using the above model as an overarching conceptual and operational framework to address the extent of a company's responsibilities will arguably go in some way towards translating CRB rhetoric into reality. By viewing CRB as a cyclical, long-term, holistic process, it will enable companies to align their responsibilities more closely with the core philosophy of the business, and ultimately make a valid contribution to sustainable development.

Done in this way, CRB can offer, what Boltanski and Chiapello (2005) describe as new incentives to motivate employees, legitimise corporate actions toward the larger society and essentially offer an entirely new normative framework for corporate existence and performance. Other scholars insist that this type of holistic CRB can provide an opportunity to re-energise companies, but most tend to remain vague as to how this may be done. Crucially, other authors assert that CRB can contribute to the recruitment of the highly talented staff (Hancock, 2004; Hawkings, 2006; Allouche, 2006a) (Kotler and Lee, (2005) and De Woot (2005) further argue that CRB facilitates managers and workers in finding a new meaning of corporate purpose, beyond the sole search for short term profitability, in that CRB enables the company to reconnect corporate performance with the public good of the larger society. Thus, CRB is a way to move beyond the opposition suggested by critics between the specific interest of the corporation and the largest interest of the society.

While there is certainly a long way to go before CRB becomes part of mainstream business, some innovative companies are beginning to recognise that it is possible to combine profit making with responsible behaviour. Few would disagree that the commercial property market is fragmenting along ethical lines, placing companies who utilise sustainable business

practices in a competitive position. Those on the other side of the divide are faced with two choices: to either wait for a statutory framework to be developed, from which company policies can be formed, or become actively engaged in the CRB debate and help shape its agenda (Cox *et al.*, 2002). Although there is still great uncertainty in this field, there is evidence to suggest that taking precautionary measures prevent greater costs for the industry in the long-term. Suffice it to say, a more proactive role may prove more cost-effective for those corporations with a longer-term perspective. Some good progress is being made in the real estate industry, particularly in terms of environmental management, but by failing to embrace the wider challenges of sustainability and responsibility, companies are closing themselves off to the long-term financial gains to be accrued from managing commercial property in a way that meets the three conditions of social equity, environmental preservation and economic development. While CRB might entail short-term costs, it will inevitably pay off for the firm in the long run. Firms would benefit from greater social legitimacy with less government regulation, and a better society is good for long-term profitability. Companies need to need to look to the future, not the past.

Based on the conclusion of this research, the following ten propositions are recommended as follows:

## **7.5 Ten Recommendations for a Responsible and Sustainable Commercial Property Industry**

The future can be considered fundamentally plural and open or, as May (1998) describes it: *an arena of possibilities, and not of discernable inevitabilities*. In this regard, the researcher concludes the research by presenting ten practice-oriented propositions for the future of the commercial property industry. Using methods of triangulation and crystallisation to analyse the results of the various methods and techniques used in the research (strategic conversations, futures workshops, focus groups, in-depth interviews and questionnaires), this led to the development of the following propositions designed to inform and influence the development of CRB policy and strategy within property companies and other relevant stakeholders. According to Richardson (1994), *crystallisation provides us with a deepened, complex thoroughly partial, understanding of the topic*. Essentially crystallisation incorporates interdisciplinary thinking to inform the research process and broaden our

understanding of the subject under examination. As such, both of the FS studies, involving collaboration between various individuals across industry, academia and institutions, aided the researcher in developing the following propositions, which can hopefully be perceived as conceptually relevant and operationally valid in both current and future economic climates.

### **1. The Values Proposition: From Responsibility to Reciprocity**

Traditional models of corporate decision-making are failing to support the effective adoption of CRB policies and strategies that align the interests of stakeholders, decision-makers, and employees. CRB should not be seen as limited to a set of concepts, policies and practices, but rather as a metaphor for a new type of capitalism, based on values and knowledge development to foster CRB as a manifestation, of and contribution towards the *necessary transformation* towards sustainability within companies. To do so, CRB needs to be re-evaluated as a fundamental internal transformation challenge, rather than solely based on stakeholder engagement, where changes need to take place across organisational culture, strategy, structure and operations. In this context, full alignment of the principles of responsibility and sustainable development with corporate purpose needs to take place.

For property professionals to tackle the challenges of the 21<sup>st</sup> century, they may be forced to abandon obsolete mentalities and to fundamentally rethink their position in terms of the complex societal and environmental milieu of which they are a part. Property companies need to perceive their company, like any business, as part of a system, comprised of the wider community within which it operates; customers; suppliers; employees and neighbours; as well gain a greater awareness of the political, cultural, demographic, economic, environmental and technological influences that impact the company. According to David Cadman, founder of Upstream in the UK and Thought Provocateur at one of the Futures Workshops in London 2007: *the crisis that we face is not one of technical perception, it is more about the way we see the world, things to be true or false...the task of translating the understanding of sustainability and the nature of relativity in a systematic way as well as translating it into market prices is huge...but there will be quite a lot of work done on that quicker than it could be imagined.*

CRB, therefore, is essentially about developing reciprocal strategic relationships that deliver social and economic value. A futures-oriented company would be motivated by the belief that sustainability is the only option, that everything is interconnected, and by the notion that

business has a universal responsibility, and may need to undergo what the author cares to call a necessary transformation.

The United Nations Environment Programmes Finance Initiative (UNEP FI) developed a Property Working Group (PWG), demonstrating to property fund managers how and why it is financially beneficial to manage their existing built assets in a responsible way (McNamara 2007). Responsible Property Investment (RPI) specifically relates to *maximising the positive effects and minimising the negative effects of property ownership, management and development on society and the natural environment, in a way that is consistent with investor goals and fiduciary responsibilities* (Pivo and McNamara 2005). While this work is clearly valuable, the problem with a singular fixation on the business case can mean that sustainability, and wider CRB issues, are abandoned during, for instance, an economic slowdown or turbulent stock markets. Moreover this research suggests that without a business case, companies are justified in continuing on business as usual. With this kind of thinking endemic across the profession, sustainable development could remain an impractical concept, embraced only when it is deemed financially viable. Property companies may need to move beyond the business case to find a new corporate purpose, founded on the principles of natural capitalism: social prosperity, environmental efficiency and sustained competitiveness. Over the coming decade a combination of market forces, increasing regulatory pressure, and the onset of changing values systems will encourage property investors, developers, consultants, and managers to enhance the sustainability of their portfolios, however, affordability and operational efficiency will inevitably remain significant drivers.

## **2. A New Type of Leadership: Visionary, Responsible and Pragmatic**

Value systems play an important role in understanding and driving sustainability and CRB. The key to better engagement in the development of CRB policy and practice lies in a newly evolving type of corporate leadership, based on values. Values are increasingly becoming the preferred mode of decision-making in business. And ultimately, effective corporate governance will not be determined by corporate standards and policies, but by collaborative values. Essentially, this is what is needed to make the principle and practice of CRB worthwhile, both for society and property companies alike. Within this framework, the property sector can play a key role in bringing standards above simply compliant levels, and, to this end, shape the CRB agenda to suit not only their needs, but also the needs of society: from developing new properties according to social and environmental criteria, improving the

energy performance of existing properties, to managing and disposing of properties in a responsible manner.

### **3. Interdisciplinary Participation and Collaboration: Promoting Strategic Innovation Capacity**

A participatory and collaborative approach among companies and between stakeholders needs to be embraced so as to facilitate the development of organisational change in order to align sustainability and responsibility more thoroughly with the core values and goals of the company. The more central CRB activities are to corporate purpose the more likely it is that companies will rid themselves of internal contradictions and engage in the development of meaningful and long-lasting CRB policies and strategies. Strategic conversations between decision-makers, employees, and external stakeholders can be an essential component of an organisation's level of CRB engagement, as they can help to bridge the knowledge gaps both within and without the company, by bringing together the relevant people (e.g. those responsible for strategy development, executing strategies, and all relevant stakeholders who are affected by corporate activities).

### **4. Sustainability Futures: Developing a Pluralistic Mindset**

Given the scale of the challenges facing society, the need for urgent solutions, and the unprecedented and rapid rate of change, traditional strategic management approaches are increasingly being rendered inadequate. This calls for an interdisciplinary, creative approach to both address current issues and anticipate future outcomes. Strategies that are anchored to the past make it difficult for companies to envision and shape a sustainable future. By contrast, a Futures approach, supported by tested methods and techniques, can enable decision-makers to adapt their current mindset to effectively solve tomorrow's problems. In the context of CRB engagement, it is the normative components that can be best addressed through the concept of Futures. By examining CRB through an interactive process, using the concept and methods of FS, CRB can be systematically analysed and developed. This is done by deconstructing and recreating a framework to develop CRB policies and strategies, based on both the internal change challenge and external stakeholder participation. Thus, applying Futures to the study of CRB opens a range of alternative perspectives and implications for practitioners.

The findings of the two studies undertaken in this research demonstrate the benefits of utilising a Futures approach (Scenarios Through Prospective, Causal Layered Analysis, strategic conversations, focus groups, futures workshops, horizon scanning) to gain a better awareness and understanding of the uncertainties, trends and interrelated forces influencing the shape and direction of both industries, not least by encouraging both internal and external participation in decision-making; promoting the development of social networks; fostering creative thinking within rigid organisational structures or strategies, essentially ‘thinking outside the box’; and enabling flexibility and adaptability in decision-making . What has emerged from the research is that strategic conversations and Futures workshops, in particular, are useful in facilitating the process of multiple stakeholder engagement. Responsible property companies of the future will need to actively engage stakeholders in issues of responsibility and sustainability, highlighting the need for new approaches to the process of developing CRB policy and strategy.

Lafarge, the largest building material producer in the world has demonstrated the benefits of interdisciplinary collaboration and participation in building its sustainable and responsible construction policy and practice. In 2001 the Sustainability Stakeholder Panel was established, its mission *to serve as ‘critical friends’ who challenge Lafarge’s approach to CSR; suggest improvements; and to form an opinion on Lafarge’s performance and accountability in this field.* The panel, constituted of both internal and external members, is selected based on their high level of expertise regarding the implication of sustainability on Lafarge’s operating environment. The panel essentially represents the organisations’ key stakeholders - from Union’s, NGOs and architects to internal decision-makers. This has resulted in the development of a comprehensive and holistic annual Sustainability and CSR report for the past number of years. One of the key elements of the report is how it communicates the company’s goal to embed sustainability and responsibility throughout company decision-making processes. Another key strength is the extent to which the report outlines specific performance indicators, be they negative or positive (including employee accidents, anti-competitive behaviour). Following criticism of the short-termist thinking of early reports, recent reports are more futures-oriented in scope, highlighting long-term risks such as the likely quadrupling of CO<sup>2</sup> emissions by 2050, given the estimated demand for building materials. In each case Lafarge has taken the opportunity to debate the issues to quantify its commitment to improving long –term performance. Lafarge is a clear example of



how stakeholder participation, combined with the development of new problem-solving and decision-making tools, facilitates the *consensus-building process*.

## **5. Managerial Interplay: Utilising Dynamic Capabilities**

Like most industries, the business of responsibility is oligopolistic, in that a small number of companies are dominating the agenda. Currently there is a handful of leaders, a large number of followers and many laggards, whose stated sustainability and CRB policies and strategies are more honoured in the breach than the observance. Furthermore, the accent, in general, is more on *green buildings, green travel plans smart workplaces*, with less focus, for example, on the issue of futurity, or the socio-cultural dimensions of property investment, development, and management within the communities where these companies operate.

CRB concerns for the property sector need to be conceptualised and implemented both internally (throughout systems and operations), and externally (supply chain - consumers, stakeholders, suppliers with a range of drivers and roles). When focusing on the development of CRB policy and strategy in the commercial property industry, a striking feature of CRB approaches, as in management approaches in general, is the interplay between different managerial traditions. The profession as a whole needs to come together to explore new and innovative ways to both shape and drive the sustainability agenda. There is potential for cooperation among the key players within the industry, where companies can both teach and learn from each other in the development CRB policies and practices. According to Angus McIntosh of King Sturge, one of the leading international property consultancy firms in the UK, *what we are really trying to capture is a dynamic of relations and how to express that in terms of policy, markets and so on*.

## **6. Addressing the Definitional Deficit: From Rhetoric to Reality**

Currently, within and between companies, there is evidently a large discrepancy in the way the terms sustainability, sustainable development and responsibility, are defined, often being used interchangeably, with no real differentiation between each term. With no clear definitions or objectives, companies will continue to find it difficult to gain a comprehensive understanding of how best to move CRB beyond rhetoric. The concepts of sustainability and responsibility mean different things to different people at different times. Presently, companies are mainly considering CRB in a generic way, rather than considering it in a manner appropriate to the firm. For this reason, most CRB approaches are fragmented and

disconnected from core business strategy, preventing the opportunity for companies to benefit society, the environment or indeed the company in any meaningful way.

If companies were instead to examine their CRB capabilities using the frameworks they analyse their core business competencies with, CRB would no longer be seen as a cost. Instead CRB could become a source of opportunity, innovation and competitive advantage. The key challenge for businesses in the future is to define the terms as they relate specifically to particular sectors.

For property companies to enhance their understanding of, and to make a greater contribution to sustainable development, more emphasis needs to be placed on finding a common definition. Generally speaking, the property sector has identified three sets of behaviour, associated with responsibility and sustainability: consuming less, producing more, and wasting nothing. Whilst this may sound over-simplified, to put this into practice requires a dramatic change in thinking and behaviour and the ability to view sustainability more holistically by seeing the interconnectedness of each issue. Definitions of CRB need to be living, breathing things, flexible enough to allow for change, rather than focusing on getting the formula right

## **7. The Motivation Factor: Inspiration and Incentivisation**

Corporations that engage in CRB are driven by a combination of factors, the most common of which include: ethical obligation or financial imperative. In other words corporations are either driven by *values* or the search for *value*. While each motivation has its own benefits and flaws, taking the ‘either/or’ stance merely diverts attention away from the point of intersection; where economics and responsibility unite and where potential solutions can emerge. The reason most companies efforts to improve the social and environmental consequences of their activities have not been as effective as they could have been is due to the fact that business and society are seen as mutually exclusive; in other words they fail to see the interdependent relationship between the two. The nexus is not found by merely analysing responsibility through an economic lens or in discounting economic models, but by linking ethical practices to economic ones, so that responsible decisions are both socially and financially responsible. The degree to which these two perspectives are complementary fuels the growth of CRB, while the degree to which they are contradictory impedes it.

The drive towards a sustainable, low carbon economy, presents both risks and opportunities for the commercial property industry. Perceived in the right way, CRB can be a source of opportunity for this sector in terms of exploring how wider societal issues relate to property and vice versa. In developing CRB policies and strategies, questions such as where will new property markets be, what kind of buildings will consumers want in ten or twenty years time, or what will employees demand from organisations in the future, are significant; and both futures workshops and strategic conversations are dynamic, creative approaches that can help companies to deal with fundamental changes in business direction.

According to a recent Jones Lang LaSalle Report, the investment case for sustainability is strong despite the global economic downturn, suggesting that *sustainability represents a real opportunity for these investors to cut costs in the short term while increasing attractiveness to tenants and ensuring that assets are future-proofed for the long term* (Mitchell, 2009). The firm was recognised as one of the real estate industry's leaders based on criteria that include corporate social responsibility, quality of services and global effectiveness.

## **7. Risk and Uncertainty: Anticipation and Preparation to Shape a Preferred Future**

If property companies are unprepared for future uncertainty and change, it will be difficult, if not impossible, to generate long-term returns for shareholders. A lack of understanding about what clients may want, about how valuable the business is to the community, or about crucial changes in the regulatory environment will leave the company exposed to significant risk. Put simply, sustainability is inherent to corporate survival, but it is essential to have a broad understanding of the company's responsibility to drive competitiveness in the long-term. The path ahead defies easy prognosis. Nevertheless, new legislative measures across Europe will inevitably have profound implications for the future of business, and indeed for the property industry, and to ignore CRB will leave companies open to significant risks which will, in some form or other, affect the bottom-line.

Property companies are no longer able to ignore social and environmental legislation relevant to their industry, whether it has to do with land remediation, waste management, health and safety, or equal opportunity matters. By engaging in CRB, companies can benefit from having an infrastructure in place to comply with legislation. CRB is also a significant part of risk management. Taking the property sector as a relevant example, this is of particular

significance given that stg£35 billion of property may soon be uninsurable, due to climate change-related issues. Furthermore, producing social and environmental reports illustrates a company's commitment to CRB, while also enabling companies to exchange information. By doing so, companies are able to avoid the risk associated with adverse public reaction to the neglect of environmental, social or ethical considerations. In a new Ernst and Young study (2008), risk management has been identified as a way to *improve operations, financial performance, and shareholder value*. According to one participant *if you are a big company, you need to manage reputational risk, as you will be held accountable...the real problem lies with the small-medium-size enterprises. Cost factors to incorporate CRB are significantly higher for smaller companies and in many cases it is unfeasible. Without legislation, only the larger companies are likely to respond to the sustainability imperative.*

#### **8. Consilience and Creativity: Towards Holistic CRB for the Property Industry**

The emergence of a reciprocal economy calls for *consilience*, to form a mutually enhancing interdependent relationship between business and society. To put this in the context of sustainability, it relates to the synthesis of the individual and the collective, where organisations embrace whole systems thinking to participate in both economic and socio-political affairs. To achieve integrated and holistic CRB need to meet the following criterion:

- a) Requires a rethink of traditional business models to integrate CRB, that moves beyond being seen as a strategic advantage, in the belief that there is a need to address social and environmental impacts
- b) Generally such companies have comprehensive CRB policies covering all areas of their operations and have developed rigorous performance standards, objectives and reward mechanisms
- c) CRB or sustainable development will inform decision-making and business strategy throughout the company
- d) Companies as such would generally ascribe to a higher societal purpose. For CRB to progress it must be considered at this level.

For the commercial property industry, responsibility and sustainability, therefore, need to be addressed at all stages in the property process: in the evaluation, acquisition, design, costing, planning permission, construction, occupation, management and disposal of buildings; from transforming urban centres, in terms of purpose, re-sourcing materials used to construct

buildings, and examining fundamental shifts in policy relating to every aspect of sustainability. Practitioners need to ensure integrated planning, design and construction processes; adapt life cycle analysis; examine property sustainability from both inside-out and outside-in; and promote internal and external stakeholder engagement. For the development of holistic CRB policies and strategies a combination of the following issues need to be tackled:

- a) climate adaptation
- b) energy conservation and preservation
- c) water conservation, recycling
- d) resource efficiency,
- e) reuse of material
- f) sustainable transport
- g) efficient land use
- h) enhanced biodiversity
- i) reduced carbon emissions
- j) indoor environment quality (IEQ)
- k) health and well-being

#### **10. Visioning for the Future of Commercial Property**

What are the long-term implications of climate change for the industry? What are the prime issues as they relate to land use and building design? Are property companies able to manage risk in a globalising world? How can the profession build communities to house the two billion more people who are expected to live in slums by 2050? To what extent will the movement of hundreds of millions of rural people to the emerging mega-cities impact on the environment? Where does the greatest opportunity for real estate sustainability lie? Such questions need to be asked. Only in this way will the property industry be able to sift through the rhetoric and identify practical solutions to global challenges.

Some of the more progressive real estate firms and institutions, such as Land Securities, Grosvenor, King Sturge, Jones Lang LaSalle, Hermes, and PRUPIM, have begun to take a closer look at the wider issues of sustainability such as climate change, pollution and social exclusion. And, in time, these firms assuredly will begin to reap the many rewards, financial or otherwise. The challenge now is to go beyond the triple-bottom-line to find a new, more

integrated, approach to measuring and managing business performance and corporate success into the future. This inevitably requires that buildings, whether residential, retail, public, or commercial space, need to be developed in the context of sustainable development; in other words that they consume no more than they produce, and that they consider the needs of the wider community. The future of CRB lies in the hands of the public and civil society organisations and their changing expectations and the vision and leadership of the private sector.

## **7.6 Significance of the Findings and Suggestions for Further Research**

The research presented in this thesis was undertaken in order to address the need for a new business paradigm to foster corporate responsible behaviour as a manifestation of, and potential contribution to, sustainable transformation at the deepest level. Coming from a background in international business and sustainable development, the author was acutely aware that unbridled growth over the last century has unquestionably damaged society, the world economy and global ecosystems. Long foreseen crises, such as climate change, collapsing ecosystems, energy scarcity, economic decline, poverty, over-population, extreme weather, food and water shortages, political instability and war - are unfolding as this thesis is written, and are converging into a global economic, social and environmental crisis of unprecedented proportions. While corporations are not solely responsible for all the worlds' problems, they are in a unique position, through their capacity for innovation, technological advancements, management capabilities and capital resources, as key solution providers.

There have undoubtedly been great strides made in relation to CRB, for example in environmental efficiency and stakeholder management, as pointed out in the first chapter, but by and large this is offset by the increase in the overall impact of corporate activity resulting from the ongoing pursuit of economic growth and globalisation. Furthermore, given the speed of progress, decision-makers are largely unable to keep up with the growing complexities of a rapidly changing world. There continues to be a lack of clarity around what CRB means, why it is important and how to go about putting it into practice and fears are mounting that CRB will become rigid and unyielding and as a result fade from corporate agendas. For many companies responsibility is seen as linked to cost savings, staff retention, competitiveness, and, increasingly, risk management, as decision-makers mostly concern themselves with

measuring the impact of sustainability activities on their bottom line (the business case), and less so on the wider societal and environmental needs (moral obligation). From the research there is evidence to suggest that the business case will not be robust enough for CRB to become mainstream unless companies are regulated or incentives are given. Thus, perceived in this either/or way, CRB continues to be negligible in solving urgent social, environmental and ethical issues. Furthermore, the lack of correlation between stated CRB commitments and actual corporate performance could mean that rather than pursuing greater transparency and openness, companies will become experts in hiding true corporate practices.

Nevertheless, given today's unstable economic environment, companies are being forced to address the existing dichotomy between profit and values and rethink the reason for why they exist in the first place. Leaders, activists and scholars are calling for a new form of capitalism, based on a reciprocal economic system, where the dual pursuit of economic development and social prosperity can be mutually enhancing: the contention being that a healthy society means a wealthy business. To develop this new capitalist paradigm it is essential for companies to develop a greater understanding of the interdependence between priorities and purpose. Sustainability needs to be perceived as an ongoing process where everything is interconnected, where economic, social, political and ecological systems function as part of an integrated relationship (Folke *et al.* 2005).

The world envisioned, perhaps in 2030 and beyond, may well need to be based on radically different perceptions of the world than are common today; perceptions that are more in harmony with the natural world. One of the key issues that emerged in the research was the marked lack of understanding of business competitiveness in the long-term. Most companies plan for between three and five years ahead, to the neglect of the long-term future for their organisation.

In line with the hypothesis of the research: *In tackling the conceptual and operative challenges that arise in developing CRB policy and practice, decision-makers will arguably need to abandon obsolete mentalities, and find a new, more integrated approach. Futures Studies is an approach which encourages and fosters the development of responsible and sustainable commercial property policy and practice*, this research supports the notion that exploring possible futures generates greater understanding of where business' are today, enables the identification of where they want to be tomorrow, and facilitates the development

of strategies to take them there. Futures Studies, offers a range of methods and techniques that can assist companies in engaging more effectively in the development of CRB policy and practice and discover the strategic benefits of aligning CRB into company culture and operations. Only in this way will the industry be able to sift through the rhetoric and identify practical solutions to global challenges.

Futures Studies, perhaps more importantly, encourages new ways of thinking about the future of business and emphasises the idea that decision-makers have a role to play in shaping the future for their organisation, not three to five years into the future, but three to five decades. By exploring alternative ways of doing business and creating a vision of where companies want to be in decades to come, decision-makers can do their best to ensure that their company will stand the test of time. For example, FS concepts, methods and techniques, used in a CRB context, can help bring about greater cross-functional interaction, so that CRB managers can tap into the expertise at all levels in the company. As a result, decision-makers can more easily identify and operationalise business opportunities. The potential for Futures Studies as both a philosophy and critical methodology, to play an important role in embedding corporate responsible behaviour firmly into the DNA of a company is significant in that decision-makers can gain a more holistic understanding of complexity and change, and ultimately make more informed decisions, both in the short and long- term.

Having completed the work on this thesis, the author intends to conduct further research on the application of futures methods and techniques in a CRB context. A number of issues were identified as possibilities for further research.

1. **Practical Assessment of the Proposed Conceptual and Operational Framework:** Assessing the proposed framework was beyond the scope of this research therefore it would be interesting and valuable to carry out an empirical evaluation of the framework in the context of both corporations in general and the commercial property industry specifically.
2. **Develop a Futures Handbook for CRB engagement.** The scope of this research did not allow the development of a guide or practical handbook that can be used by industry in developing futures-oriented CRB policy and practice. Research in this context would be useful in terms of uniting the conceptual and practical elements of this work.



- 3. Exploring Alternative Futures Studies Concepts, Methods and Techniques.** This research mainly used the Prospective Through Scenarios Approach, however, throughout the course of the research, other concepts and methods were identified that could be useful in addressing CRB, such as Critical Futures Thinking and Causal Layered Analysis.

The above suggestions of further research are general in nature however the author would like to address some of the issues that have emerged from this research. Specifically it is the intention of the author to establish an online CRB network to promote and foster greater dialogue and collaboration between the various academic, government and industry experts. Currently there is a great divide between academics, industry and government, particularly in relation to CRB engagement, which is essentially preventing progress from being made.

It is hoped that this research will make an impact, however small, in redefining business paradigms, helping corporate decision-makers to develop clearly articulated goals and focus on aligning responsibility more closely with the philosophy and values of their organisation. It is also hoped that the conceptual and operational framework presented in this chapter will assist decision-makers in anticipating change and creating the visions, policies and strategic options to engage more effectively in CRB. By so doing, it is hoped that CRB will be addressed not merely as a means of improving profit, but rather as a force for change at the most fundamental and systemic level, and ultimately as a tool to respond to the overarching goal of sustainable development.

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## Appendix 1 Survey Questionnaire Template

### Questionnaire

The aim of this questionnaire is to collect your thoughts on a range of issues affecting the future of the built environment in the North-American region, with particular emphasis on real estate sustainability and corporate social responsibility. The results of this questionnaire will be used in the creation of a set of scenarios for the built environment in the North American region.

All responses will be kept strictly confidential, however, if you wish to be listed in the appendix of the final report, please provide your name and organization in the space provided.

*Gillian O'Brien, PhD Researcher*

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**NAME:**

**ORGANISATION:**

**EMAIL:**

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NB. If you wish to remain anonymous please leave this section blank.

1. What pivotal events from the past few years provide good lessons for the future of the real estate industry in North America?

- a)
- b)
- c)

**2. Given the uncertainty of the current business climate, what are the most pressing challenges facing the real estate industry in the North American region over the coming two decades, and what steps can the real estate profession take now to prepare and anticipate for the future?**

- a)
- b)
- c)

**3. What are the key forces driving global change in the North American real estate industry?**

- a)
- b)
- c)

**4. Under the following six headings, identify two or three major issues and trends that you feel will affect the North American real estate industry over the next two decades?**

*Demographic*

- a)
- b)
- c)

*Economic*

- a)
- b)
- c)

*Governance*

- a)
- b)
- c)

*Environmental*

- a)
- b)
- c)

*Technological*

- a)
- b)
- c)

*Cultural*

- a)
- b)
- c)

**5. In your opinion have commercial real estate companies reached consensus on how to comprehensively define the concepts of sustainability / corporate social responsibility? (Please give specific examples)**

- a)
- b)
- c)

**6. Do you agree or disagree with the following statements concerning corporate responsibility in the commercial real estate industry? (1 = strongly agree, 5 = strongly disagree)**

No clear definition of CSR  
Too many standards, codes and guidelines  
No clear guidance on/ criteria for selection  
Too much overlap  
Too much incompatibility

**7. Which group advocates sustainability and is proactive in terms of sustainable solutions? Tick all that apply, rank 1 to 3 the three most influential groups**

Architects  
Developers  
Property managers  
Facilities managers  
Landlords  
Brokers  
Insurers  
Investors  
Occupiers  
Stakeholders- society/ local communities  
CRE Leaders  
Public planners

**8. Which of the following sustainability issues are important to your company?**

Carbon emissions  
Environmentally friendly business operations  
Energy and water utilization  
Waste management  
Corporate social responsibility  
Other (please state)

**9. Mark the level by which the following factors are most likely to increase the importance of sustainability and CSR within the commercial real estate industry?**

<b>Low</b>	<b>High</b>	<b>Medium</b>
Government incentives		
Energy and emissions regulations		
Energy and carbon taxes		
Growing costs of energy		
Improved technology		
CEO and senior management focus and support		
Employee interest		
Consumer pressure		

**10. How many sustainability projects has your company completed in the following timescales: (please give examples)**

Last year  
Two to five years ago  
Ongoing projects  
Planned projects for next two years

**11. As a global firm, have you experienced difficulties in translating your sustainability and responsibility practices worldwide (e.g. US LEED rating system, compared to say the UK's BREEAM or Australia's Green Star?)**

**12. Choose the opportunities which creates sustainability for your organization:**

- a) Risk management
- b) Diversification
- c) Growth
- d) PR tool
- e) Other (please state)

**13. In your opinion does the North American real estate industry cater for CSR / sustainability requirements?**

**14. In evaluating real estate sustainability what key environmental, social and ethical aspects do you believe should be considered over the next two decades?**

***Thank you for your time and assistance!***

*Please return by email or post to:*

***Gillian O'Brien  
The Futures Academy  
DIT, Bolton Street, D 1, Ireland***

## Appendix 2

### Strategic Conversation Topic Guide

1. Given the uncertainty of the current business climate, what are the key challenges facing the commercial real estate industry over the next two decades?
2. What do you believe are the key forces driving global change in the real estate industry in the US? Demographic, Economic, Governance, Environmental, Cultural and Technological.
3. Investors and occupiers seem to agree that energy efficiency and sustainability programs enhance profitability as much as it does the planet. But from our experience it seems that communicating the goals of sustainability and CSR is far easier than actually putting these policies into practice. The number of differing opinions out there on what it means to be sustainable or responsible is overwhelming. What does sustainability and responsibility mean for you? And can you give examples or programs you either have or plan to put into place?
4. Many companies seem to have mature corporate social responsibility and sustainability policies in place in relation to their core business, but this is rarely extended to corporate real estate? What is your view on this in the context of your organisation? Is CRE linked to core business strategy?
5. What would be the key factors that propel you to consider sustainability in the context of the real estate sector? (values, legislation, market etc.)
6. Are current incentives and penalties effective in delivering sustainable development in the real estate industry in the US or are changes required?
7. In evaluating sustainability in the commercial real estate industry, what aspects do you believe should be considered?
8. Are you aware of any global led benchmarks for the delivery of sustainable development in the real estate industry?
9. What do you believe are the most important components in integrating corporate social responsibility into core business? Please Rank 1-5 (high to low importance)
  - a) Clients/Consumers demand it
  - b) CRB improves reputation/company image
  - c) Personal and managerial values
  - d) Part of core business strategy
  - e) Need in the community
  - f) Employee Retention
  - g) Compliance with laws and regulations
10. How important are 'values' in driving responsibility in the real estate industry in the US?

**Appendix 3**  
**Strategic Conversation Letter**

**REAL ESTATE FUTURES 2030:  
The Sustainable Development Imperative**

Dear,

In collaboration with DePaul University, Purdue University and the Royal Institution of Chartered Surveyors Foundation, The Futures Academy at the Dublin Institute of Technology, Ireland, is currently conducting a two year global research project on Real Estate Futures.

The general aim of the study is to conduct comparative research between the three global 'spheres of influence': Europe, Asia Pacific and North America, in order to identify the major forces of change affecting the built environment in general, and the specific issues and trends likely to affect the real estate industry at a global, regional and local level. Ultimately, we intend to develop a number of propositions to guide global real estate professionals in addressing the myriad and complex challenges associated with sustainable development. We have so far conducted workshops and strategic conversations in Europe and Asia-pacific - North America is the third and final strand of the project.

The Strategic Conversation is one of the primary techniques that we use during the research process in order to gain insights from leading authorities in the real estate field. On behalf of Professor John Ratcliffe, I would like to invite you to take part in a strategic conversation to discuss the future of the built environment, looking specifically at issues such as sustainability and corporate social responsibility and their importance for the real estate industry over the coming decades.

I realize it is extremely short notice but we would be delighted if you could take an hour out of your busy schedule to meet with me during this time. I can arrange to come to your office any time if that would suit better?

I look forward to hearing from you.

Yours sincerely,

Gillian O'Brien BA, MSc  
The Futures Academy,  
Dublin Institute of Technology  
Ireland



## Appendix 4 Sample Futures Workshop Invitation

*By Special invitation only....*

### **Real Estate Futures North American Workshop**

**DePaul University - Chicago, Illinois**

**June 5, 2009 from 8:00 am – 5:00pm**

**Continental Breakfast and Lunch will be provided.**

**Location: DePaul Center - Room 11013, 1 East Jackson Blvd, Chicago, IL 60604**

This ***free of charge, invitation only workshop*** is being co-hosted by The Real Estate Center at DePaul University and Purdue University's Department of Building Construction Management. This event is the final workshop meeting in a series of Futures Workshops held in conjunction with completing the Built Environment Foresight Research Project. You have received this invitation because you have been identified as a major stakeholder in the built environment. This event is limited to 30 professionals from related disciplines of the built environment – regulatory, design, planning, construction, real estate, finance, operations, end-users, etc... **To confirm your registration, please send an e-mail to Dr. Robert F. Cox ([rffcox@purdue.edu](mailto:rffcox@purdue.edu)) by May 15<sup>th</sup>.**

### **BUILT ENVIRONMENT FORESIGHT 2030: The Sustainable Development Imperative**

In collaboration with the Royal Institution of Chartered Surveyors Foundation, King Sturge and Hong Kong University, The Futures Academy at the Dublin Institute of Technology is in the final stages of a two year global research project on Built Environment Foresight.

The purpose of this project is to conduct research on a comparative basis between the three global 'spheres of influence': Europe, Asia-Pacific and North America, in order to identify the major forces of change affecting the built environment in general, and the issues and trends relating to the real estate industry in particular. A second aim is to identify steps the international property community should take in order to prepare itself now to address the sustainable development imperative.

The project employs the 'Prospective Through Scenarios' approach, developed by The Futures Academy and applied in a range of studies across the built environment. (<http://www.thefuturesacademy.ie/node/113>)

The session begins with five 'thought provocateurs' giving a personal contribution of no more than 5 minutes each on a dimension of the future within which the real estate industry will have to function over the next twenty years or so [e.g. social, technological, ethical, economic, demographic, political, occupational, cultural, financial, global etc.]. The intent being to provoke, not necessarily inform.

### **Research Sponsors**

This research is sponsored by the Royal Institution of Chartered Surveyors, King Sturge, and the Dublin Institute of Technology.