

The Seven Levels of Corporate Sustainability

By Richard Barrett (May 2001 – Working Draft)

What is Sustainability?

Over the past ten years the term “sustainability” as used in the corporate world has become synonymous with “the triple bottom line”.

The “triple bottom line” refers to the ability of a company to generate economic, environmental (or ecological) and social benefits. On the one hand, shareholders are demanding that companies become more profitable, and on the other hand, society is demanding that companies become more environmentally friendly and more socially responsible. Initially many companies resisted this notion because they saw the triple bottom line as an EITHER OR situation. They saw society’s demand for environmental and social responsibility as a cost with no financial benefits.

As share ownership increases, the differences between these two groups – shareholders and society – are becoming less distinct. As a consequence we are witnessing a rapid growth in socially responsible investors. These are the members of society that want to invest in companies that are meeting triple bottom line requirements. They want to invest in companies that generate profits AND are ALSO environmentally and socially responsible. More and more people want to invest in companies that are SUSTAINABLE – long-lasting successful companies, and EMBRACE SUSTAINABILITY – companies that are environmentally and socially responsible. At the same time, more and more consumers are making ethical purchasing decisions. They are avoiding purchasing items from companies that are being environmentally and socially irresponsible.

Just as the differences between shareholders and society are becoming less distinct, so the differences between BEING sustainable and EMBRACING sustainability are diminishing. In other words, companies that do not embrace environmental and social responsibility are increasingly becoming “at risk” – by lack of action in these areas they are increasing their chances of becoming unsustainable as corporate entities. Recent experiences have shown that unethical social or environmental conduct can leave a company with a significantly battered bottom line.

Even if environmental and social responsibility has not yet become a sine qua non for corporate success, the absence of an ethical framework that embraces environmental and social responsibility is becoming a significant risk factor that is causing investors to question the long-term viability of a company.

From a socially responsible investors viewpoint, both BEING sustainable and EMBRACING sustainability are important. Enlightened investors want to make money AND support socially responsible businesses. For a

company to be sustainable and successful over the long term it must do more than embrace the concept of the triple bottom line. It must implement modern management practices. It needs to focus on concepts such as quality management, developing a learning organization, continuous renewal, intellectual capital, cultural capital and emotional intelligence.

The question that investors want to find an answer to is “How can I obtain information on all relevant aspects of company performance, including the company’s attitude to environmental and social responsibility, so that I can make an informed decision whether or not to invest?” The answer to this question depends on our ability to measure full-spectrum sustainability.

What is Full Spectrum Sustainability?

Full spectrum sustainability is a powerful and robust concept for measuring corporate performance. It takes account of internal factors such as organizational effectiveness, employee fulfillment, and customer satisfaction, as well as external factors such as environmental and social responsibility. There are seven dimensions to full-spectrum sustainability. Three of these represent the triple bottom line – the financial perspective, the environmental perspective, and the social responsibility perspective. The other four are internal organizational perspectives. The model of Seven Levels of Corporate Sustainability is known as the Barrett Model.

The Barrett Model is fully described in the book, *Liberating the Corporate Soul: Building a Visionary Organization*. This book, which was published late in 1998, has sold close to ten thousand copies in Europe and America and had recently been translated into Spanish, Portuguese and Danish. The book describes the Seven Levels of Corporate Consciousness – See Annex 1 for more detail.

The Barrett model has been used to carry out Culture Assessments in over 150 companies in fourteen countries in the past four years. The survey instrument is available on-line and in twelve languages. It takes about 20 minutes to complete. The survey is usually administered to all employees. A Client Assessment survey instrument of a company’s Corporate Culture is now also available.

The principal theses of *Liberating the Corporate Soul* are,

- a) Individuals and groups of individuals (organizations) grow and evolve, in consciousness terms, according to specific patterns,
- b) The patterns of growth and evolution of individuals and organizations are the same.
- c) Successful individuals and organizations display similar characteristics of consciousness.

- d) Unsuccessful individuals and organizations display similar characteristics of consciousness.

In other words, the beliefs that drive the behaviors of successful individuals are the same beliefs and behaviors that drive successful organizations. The obverse is also true. The beliefs and behaviors that cause individuals to be unsuccessful are the same as the beliefs that cause organizations to fail.

There is no real difference between the way individuals and groups of individuals with a common purpose (organizations) operate. The only differences are in the labels we use to talk about their consciousness.

An individual expresses who they are through their “personality”. An organization, or any other group of individuals, expresses itself through its “culture”. What distinguishes one personality from another, or one culture from another, are the beliefs, behaviors and values that the personality or culture adopts and displays.

I therefore argue in *Liberating the Corporate Soul*, that if we can identify the specific patterns of consciousness that cause individuals to be successful then we can understand how organizations can become successful. To understand the patterns of consciousness of successful individuals, I turned to the work of the work of Abraham Maslow. The distinctive feature of Maslow’s work was that he spent a significant part of his life analyzing the psychological traits of successful individuals rather than sick individuals.

In his major works, *Motivation and Personality* (1954) and *Toward a Psychology of Being* (1962), Maslow argued that each person has a hierarchy of needs. These needs, starting with the most basic physiological requirements for survival – clean air, clean water and wholesome food, progress upwards (in consciousness terms) through safety, belonging, and self-esteem, ultimately culminating in self-actualization. Self-actualization is a state of consciousness in which the individual becomes more self-aware, more creative, more visionary and more focused on the common good.

Each of Maslow’s levels of being represents a state of consciousness with specific values, beliefs and behaviors that are directed toward meeting the particular needs of that level of existence. Thus, for example, an individual or a group of individuals will develop a series of beliefs and behaviors regarding survival and safety, belonging and relationships, and self-esteem and progress. Some of these beliefs may serve individuals well throughout their lives. Others may initially bring positive results, but ultimately cause distress and dysfunction. Usually, these beliefs are driven by fears.

Organizations operating from the “survival” level focus on profits, organizational growth and the safety of employees. If there are underlying insecurities at this level issues they

tend to show up as issues to do with territory, exploitation, caution and control. This is the level at which we see the first concern of the triple bottom line.

Organizations operating from the “relationship” level focus on open communication and customer satisfaction. They are concerned about developing healthy interpersonal relationships between employees and their customers. If there are underlying insecurities at this level they tend to show up as issues to do with blame, interpersonal conflict, and discipline.

Organizations operating from the “self-esteem” level focus best practice, organizational effectiveness and performance management. They are concerned about results. If there are underlying insecurities at this level they tend to show up as issues to do with bureaucracy, arrogance, empire building, image and complacency.

As individuals and groups of individuals become skilled at meeting their lower level needs their focus automatically shifts to the higher-level needs. Self-actualization occurs when an individual or group of individuals learn to operate successfully at the lower levels of consciousness.

The most important change that occurs during self-actualization is the shift from self-interest to the common good. Instead, of focusing on their own needs, individuals begin to balance their needs with the needs of others. They begin to reason from the perspective of what is best for the good of the whole – family, community, nation, planet etc. Maslow described self-actualized individuals in the following way: “Self-actualizing people are without one single exception, involved in a cause outside of themselves. They are devoted, working at something, which is very precious to them – some calling or vocation. They are working at something that fate has called them to somehow and which they work at and which they love, so the work-joy dichotomy in them disappears.”¹

The same phenomenon occurs in organizations. When organizational self-actualization is reached individuals stop focusing on their own needs and start focusing on the needs of the organization and the needs of the larger community.

As I was researching material for *Liberating the Corporate Soul*, I became concerned that Maslow’s hierarchy of needs was incomplete. My concern was that there are different levels to self-actualization for both individuals and organizations.

The first level of self-actualization is “transformation”. It is the level at which the individual begins to recognize the needs of others and embark on a journey of self-knowledge. In organizations, this is the level when we begin to see issues of empowerment, employee

¹ Abraham H. Maslow, *The Farther Reaches of Human Nature* (New York: Penguin Books, 1976).

participation and diversity being raised. It is also the level of the learning organization and continuous renewal.

The next level of consciousness corresponds to “internal cohesion”. It is the level at which individuals fully blend the needs of the ego with the needs of the soul. In organizations, this is the level when people come together around shared vision (common meaning) and shared values. There is a strong sense of community in level 5 organizations. Everyone is working for the common good.

The next level of consciousness corresponds to “inclusion”. It is the place where meaning translates into action. It is the level of making a difference. Individuals at this level are fully internally connected – the ego has merged with the soul and they have aligned themselves behind their soul purpose. They begin to deepen their sense of connectedness by displaying actions and behaviors that support the common good. In organizations, this is the level where the organization begins to recognize it is part of the local community. They focus on win-win partnerships with the local community and with other companies. It is the level of environmental awareness and environmental stewardship – the second aspect of the triple bottom line.

The next level of consciousness corresponds to “unity”. It is the place where making a difference becomes a permanent and pervasive way of life. The self does not sense any boundaries. The whole focus of the existence of the individual revolves around the common good. In organizations, this is the level where the organization begins to recognize that it not only part of the local community it is also part of society. The focus at this level is on ethics and social responsibility – the third aspect of the triple bottom line.

We see from this model that the concept of the triple bottom line falls short of full spectrum sustainability. Focusing only on the financial, environmental and social dimensions of sustainability is not only risky from a corporate standpoint, but it could be extremely dangerous. It is not surprising therefore that the triple bottom line is a difficult concept to sell to business people. It fails to address some of the more significant internal corporate sustainability issues that leaders and managers have to deal with on a day-to-day basis. It is quite unrealistic to expect a leader who is plagued with financial, quality or cultural issues to give emphasis to environmental and social issues. His or her energies are focused on the internal sustainability of the organization. He is more concerned with the short-term issue of corporate survival rather than caring about the impact of the organization on future generations.

Why Corporations Die

To be successful over the long-term organizations need to be able to operate from every level of consciousness – full spectrum sustainability. The beliefs and behaviors

associated with each level must be integrated into the organization’s culture for long-term success. Starting at level 1 and moving upwards, each level increases the organization’s potential for success.

Organizations die for two reasons: either they are unable to meet the simple financial condition that over the long-term income exceeds expenditure, or they are absorbed into another organization. The reasons why organizations are unable to sustain a positive cash flow are manifold. Basically however it is because they either fail to master the first four levels of organizational consciousness or they do not pay sufficient attention to the upper three levels of organizational consciousness. Organizations get absorbed by other organizations because they are unable to realize their full potential. They lack the talent or ability to shift to a higher level of performance.

Level 1 Failure (Survival)

Organizations can successfully operate from level 1 providing they have a unique product or service in the territory that defines their market place. In other words, they have created a niche or a monopoly. The risks and costs of operating from level 1 are high. Because the organization does not care about its employees or its customers (level 2), it may have a high turnover in both categories. This is expensive in terms of hiring and marketing. The company must continue to find new employees and new customers. As soon as an organization loses its niche or monopoly, and begins to face stiff competition, it must shift its focus or die. It must build customer loyalty (level 2) or reduce costs by increasing productivity (level 3). If it jumps directly to level 3 – the productivity strategy, it may maintain its market share because of price. Eventually however, some of its competitors will be able to match that price. It could then try to jump to level 4 – the new products and services strategy, but this will be difficult. Because the organization skipped level 2, there will be no employee loyalty. People will take their ideas for new products and services, leave and set up competing companies. Eventually, the level 1 company must develop level 2 skills or it will die. Level 2 is the only way to successfully graduate from level 1.

Level 2 Failure (Relationships)

Organizations can successfully operate from level 2 providing they can develop a positive cash flow (level 1) and maintain employee and customer loyalty (level 2). This means developing strong positive relationships with employees and between employees and customers. Because the organization is not concerned about productivity and organizational effectiveness (level 3), it may find it difficult to grow. It will be unable to develop the systems and processes that allow it to expand. Level 2 companies are built around relationships. Typically, they are family run businesses. If they are successful they will usually be taken over by a larger organization. If they try to expand without developing a level 3 consciousness, they will become increasingly ineffective and fall apart. They will be unable to streamline their systems and process to manage the expenditures that are required for expansion.

Level 2 companies fail because they are unable to match market place prices or quality, or they do not have the talent within the family to successfully build a level 3 organization.

Level 3 Failure (Self-Esteem)

Organizations can successfully operate from level 3 providing they can develop a positive cash flow (level 1), maintain employee and customer loyalty (level 2) and constantly improve productivity, quality, and organizational effectiveness (level 3). Because the organization is not concerned about the development of new products and services (level 4), it may find it difficult to maintain its growth over a long period. Level 3 organizations are well-managed production machines. If they are to remain successful over the long-term, they must reinvest a significant part of their profits in research and development of new products and services (level 4). Level 3 organizations fail because they are unable to develop the entrepreneurial spirit that will allow them to adapt to the changing market place. They either develop a short-term focus, milking their cash cow for all it is worth, or they develop an internal focus and fall into the trap of taking organizational effectiveness to the level of bureaucracy.

Level 4 Failure (Transformation)

Organizations can successfully operate from level 4 providing they can develop a positive cash flow (level 1), maintain employee and customer loyalty (level 2), improve productivity, quality and organizational effectiveness (level 3), and constantly adapt their products and services to the changing market place (level 4). Because the organization is focused on adapting to the external environment and not concerned about internal cohesion (level 5), it may find it difficult to fully tap the creativity of its employees. Level 4 organizations are focused on innovation, learning and knowledge management. Because they know how to adapt to a changing market place, they can remain successful for long periods of time. If they want to become market leaders they must develop the commitment and enthusiasm of all employees by creating a strong corporate culture and an inspiring vision for the organization. Level 4 companies do not generally fail unless they invest heavily in a product for which there is no demand. Level 4 organizations that are unable to develop the commitment and enthusiasm of their employees (level 5) are like racehorses that always come in second or third. They never quite make it to the winner's enclosure.

Level 5 Failure (Internal Cohesion)

Organizations can successfully operate from level 5 providing they can develop a positive cash flow (level 1), maintain employee and customer loyalty (level 2), improve productivity, quality and organizational effectiveness (level 3), constantly adapt their products and services to the changing market place (level 4), and develop the commitment and enthusiasm of employees by creating a strong culture. Because the organization is focused on developing strong internal cohesion it may find it difficult to develop external alliances and partnerships (level 6).

Level 5 organizations are great places to work. They are full of enthusiasm and creativity. Employees are aligned with the organization's vision and share the same values. If level 5 organizations want to consolidate their position as a market leader over the long-term they must develop external partnerships and strategic alliances. Level 5 organizations do not generally fail. Their biggest danger is that they lose their vitality and fall back to level 4.

Level 6 Failure (Inclusion)

Organizations can successfully operate from level 6 providing they can develop a positive cash flow (level 1), maintain employee and customer loyalty (level 2), improve productivity, quality and organizational effectiveness (level 3), constantly adapt their products and services to the changing market place (level 4), develop the commitment and enthusiasm of employees by creating a strong culture, and build mutually beneficial strategic alliances with like-minded partners and the local community (level 6). Because level 6 organizations are focused on protecting their long-term financial interests through mutually beneficial alliances they may find it difficult to focus on their long-term societal obligations. Level 6 organizations are not just great places to work they provide opportunities for all employees to find personal fulfillment. Level 6 organizations want their employees to be successful at everything they do. To consolidate their position and become a global market leader, level 6 organizations must focus on ethics and social responsibility. Level 6 organizations do not generally fail. Their biggest danger is that they do not build alliances that are strong enough to support them during difficult market conditions.

Level 7 Failure (Unity)

Organizations can successfully operate from level 6 providing they can develop a positive cash flow (level 1), maintain employee and customer loyalty (level 2), improve productivity, quality and organizational effectiveness (level 3), constantly adapt their products and services to the changing market place (level 4), develop the commitment and enthusiasm of employees by creating a strong culture (level 5), build mutually beneficial strategic alliances with like-minded partners and the local community (level 6), and take a strong stand on ethical standards and social responsibility. Level 7 organizations are successful because they protect their long-term interests by being good global citizens. They are recognized as being exemplary organizations. Employees, customers and partners support them because they care about people, the planet and society. They want to create a better world for all. Level 7 organizations never fail. They simply regress to level 6 or 5. Their biggest danger is that they are unable to sustain their social vision.

A Full Spectrum Organization

As we have mentioned earlier, the most successful organizations are those that are able to operate from the full spectrum of consciousness/sustainability and have a high degree of values alignment. Sterling Bank, located in

Houston, Texas, is an example of such an organization. Sterling leaders recognized from the start that if they could outperform the market in customer satisfaction and employee fulfillment, then they would be able to outperform the market in shareholder value. Their results suggest they have achieved this objective.

Sterling Bank opened its doors for business in 1974 with 7 employees and \$3 million in assets. In 2001 it was present in 33 locations throughout Texas with 1000 employees and \$2 billion in assets. Every member of staff at Sterling shares in the success. They receive salaries that are 18.5% more than the average for Commercial Banks, and have consistently received 9.5% salary bonuses. The stock value total annual return has averaged 32% per year for the last five years and 75% for the year 2000. The eight-year growth since the IPO is 680%.

There is a high level of trust and respect in Sterling Bank. The Bank transformed its “tellers” into “front line managers” and provided professional training programs for them at Sterling University. “Front line managers” are empowered to make decisions that directly impact their customers. Sterling University also offers a course on “Creating the Life you Want” and supports their staff in achieving their life-long dreams. To keep track on how well the Bank is doing in the area of employee fulfillment, Sterling carries out a quarterly survey on Employee Fulfillment.

In 1999 Sterling Bank commissioned Richard Barrett and Associates to measure the culture of Sterling Bank using the Corporate Transformation Tools. The results are displayed in Figures 1 and 2. Figure 1 shows the top ten personal values, current culture values and desired culture values of the 450 employees who participated in the survey. The second Figure shows the distribution of all the values that were voted for by the 450 employees.

The results show an extraordinary degree of values alignment (see Figure 1):

- There are three matching values between the employee’s personal values and the current culture of the organization. These are commitment, integrity and friendliness.
- There are no potentially limiting values in the current culture.
- There are eight matching values between the current culture and desired culture.
- Together the top ten values in the current culture cover every level of organizational consciousness.

Figure 1

Values Audit: Sterling Bank (453)

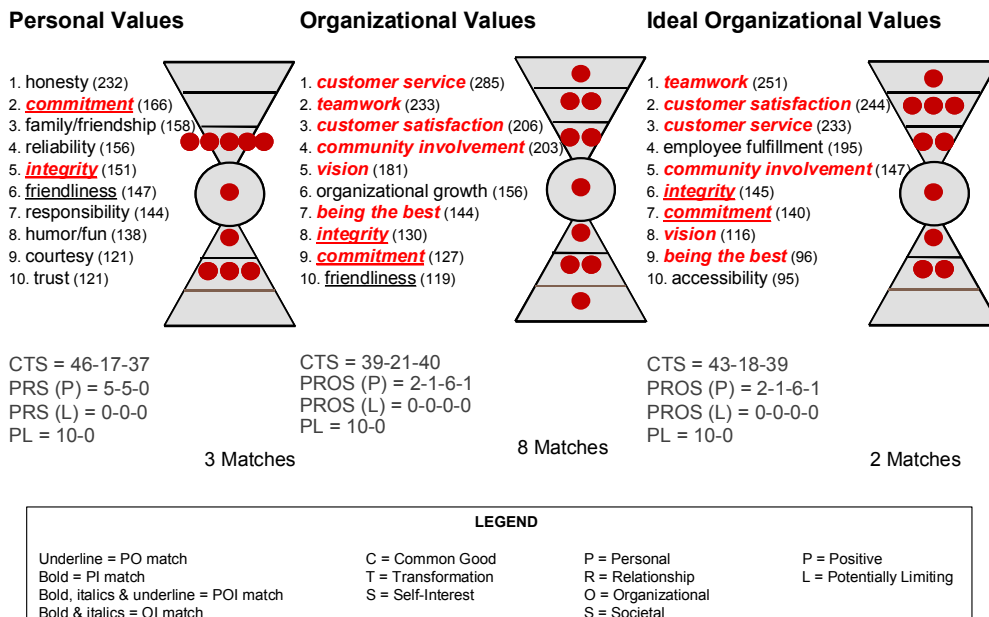
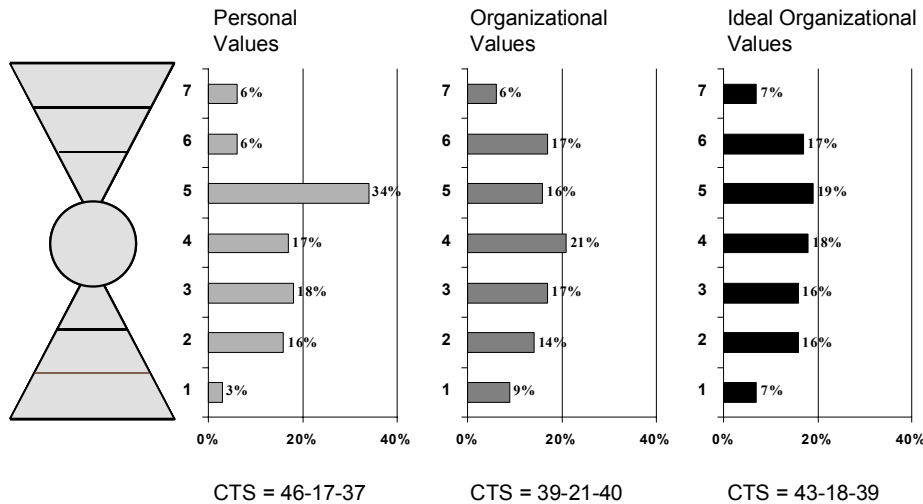


Figure 2

Values Histogram: Sterling Bank (453)



Richard Barrett & Associates LLC. Copyright 1999

In addition to the values alignment there is full spectrum of consciousness in the organization (see Figure 2). There is almost an equal spread of values across all levels in the current and the desired culture.

- The personal values of Sterling Bankers are typical of people working in the service industries – a strong focus at level 5 – the level of meaning and community.
- The distribution of the current culture and desired culture values are very similar showing a relatively evenly spread of values across all levels of consciousness.
- 39% of the current culture values are in the upper three levels of consciousness and 40% in the lower three levels.

These results support the central thesis of the Model of Seven Levels of Consciousness – the most successful individuals and the most successful groups consistently operate from all levels of consciousness.

A Failed Company

MarchFIRST was created from the merger of an Internet technology company and an Internet design company in March 2000 to become one of the first global Internet professional services companies in the world. The combined company had 70 offices in 14 countries and employed close to 8,000 people. The vision of the company was to be the “one-stop-shop” for a Fortune

500’s Internet development needs. The company was positioned to perform services ranging from “front end” web design through “back end” system integration. This was a revolutionary vision at the time that promised marchFIRST would be the leader in a “new economy” fueled by the Internet.

Prior to the merger both companies were doing well and both were “Wall Street Darlings.” However, upon the announcement of the merger both companies’ stock dropped significantly. The reason, Wall Street was extremely concerned about the newly formed Senior Management Team’s ability to effectively integrate very diverse systems, processes, and mindsets. While marchFIRST leadership assured investors that plans were in place for a common technology platform and redefined processes, they were silent about how the “technology minds” and “creative minds” would co-exist and gel into a high performing team.

Sadly, a year later the new company had lost 90% of its value and was on the verge of becoming another Internet dot.bomb. The downward slide ended in April of 2001 when the company declared bankruptcy. A significant factor in the demise of the company was the bursting of the dot.com bubble. However, as can be seen from the results of the culture assessment, even in July 2000, the company was not in a strongly sustainable situation.

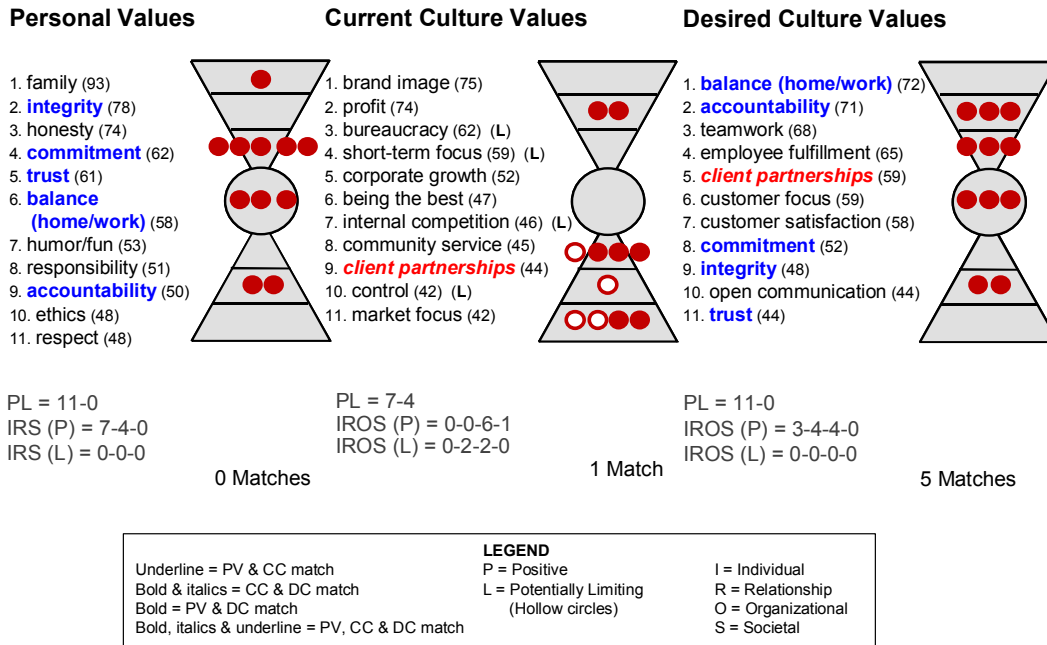
The Culture Assessment survey was carried out at one of the main offices of marchFIRST in July of 2000. The number of employees responding to the survey was 188. While only one office participated in the assessment, most ex-marchFIRST employees agreed that the results were

typical of the company as a whole. The results are shown in Figures 3 and 4.

Internal Competition is potentially limiting when it prevents open communication and the sharing of information, resources or ideas. The focus is on self-interest rather

Figure 3

Values Audit: marchFIRST (188)



Corporate Transformation Tools®. Copyright 2000

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The results show a significant lack of values alignment (see Figure 3):

There are no matching values between the employee's personal values and the current culture of the organization.

There are four potentially limiting values in the current culture – bureaucracy, short-term focus, internal competition and control.

Bureaucracy is a form of institutionalized control. Too much bureaucracy can block employee creativity and entrepreneurial spirit, and takes away accountability and trust. Bureaucratic organizations tend to lose their competitive-edge.

Short-term focus is potentially limiting when it sacrifices long-term growth for short-term gain.

than the common good.

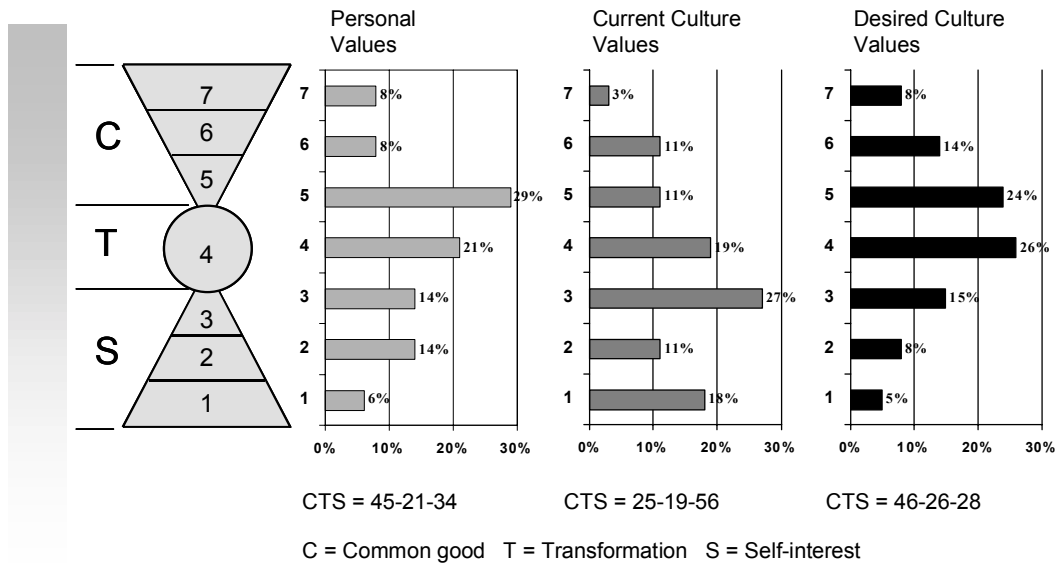
Control implies a lack of trust in others. Control can block innovation, creativity, accountability and entrepreneurship. It is usually a sign of deep-seeded fears.

There is only one matching value between the current culture and desired culture – client partnerships.

There are significant gaps in the Seven Levels of Consciousness/Sustainability Model in the Current Culture. There are no positive values at level 2 – the level of relationships and communications. There are no values at level 4 – the level of continuous improvement and learning. There are no values at level 5 – the level of internal cohesion – shared vision and shared values. There are no values at level 7 – the level of social responsibility. There are values at level 6 – client partnerships and community service.

Figure 4

Values Distribution: marchFIRST (188)



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In Figure 4 we see a significant difference between the distribution of Current Culture values and Desired Culture values.

The personal values of marchFIRST are typical of people working in the service industries – a strong focus at level 5 – the level of meaning and community.

The distribution of the current culture and desired culture values is very different. The Current Culture is heavily focused at levels 1 and 3. The Desired Culture is focused at levels 4 and 5.

Only 25% of the current culture values are in the upper three levels of consciousness and 56% in the lower three levels.

These results support the one of the central theses of the Model of Seven Levels of Sustainability/Consciousness – companies that fail to get to level 4, and have gaps in the lower levels of consciousness are at considerable risk. They do not have the capacity for continuous renewal. They are very vulnerable.

ANNEX 1 – Seven Levels of Organizational Consciousness

Level 1: Survival - Level 1 focuses on financial matters and organizational growth. It includes values such as profit, shareholder value, employee health and safety. The potentially limiting aspects of this level are generated from fears about survival. They include such values as control, territorial behavior, caution and exploitation.

Level 2: Relationships – This level addresses the quality of interpersonal relationships between employees and customers/suppliers. It includes values such as open communication, conflict resolution, customer satisfaction, courtesy and respect. The potentially limiting aspects of this level arise from fears around loss of control or personal regard. This leads to manipulation, blame and internal competition.

Level 3: Self-Esteem – This level concerns best business practices and systems and processes that improve work methods and the delivery of services and products. Values at this level include productivity, efficiency, professional growth, skills development and quality. The potentially limiting aspects of this level result from low self-esteem and being out of control. Potentially limiting values include status, arrogance, bureaucracy and complacency.

There are no potentially limiting aspects to levels 4 through 7.

Level 4: Transformation - Level 4 focuses on continuous renewal and the development of new products and services. It contains values that overcome the potentially limiting values of levels 1 to 3. Values at this level include accountability, employee participation, learning, innovation, teamwork, personal development and knowledge sharing.

Levels 5, 6 and 7 represent increasing degrees of connectedness within the organization.

Level 5: Internal Cohesion - Level 5 focuses on building internal cohesion and a sense of community spirit inside the organization. It includes values such as trust, integrity, honesty, values awareness, cooperation, excellence and fairness. The by-products are enjoyment, enthusiasm, passion, commitment and creativity.

In addition to focusing on internal connectedness, Levels 6 and 7 focus on external connectedness.

Level 6: Inclusion - Level 6 focuses on the deepening and strengthening of relationships and employee fulfillment. Inside the organization, it includes values such as leadership development, mentoring, coaching and employee fulfillment. Externally, it includes values such as customer and supplier collaboration, partnering, strategic alliances, community involvement, environmental awareness and making a difference.

Level 7: Unity - Level 7 reflects the highest order of internal and external connectedness. Inside the organization, it includes values such as vision, wisdom, forgiveness and compassion. Externally it includes values such as social justice, human rights, global perspective and future generations.