

EMBEDDING SUSTAINABILITY IN THE BUSINESS OF CITY GOVERNMENT: AN OPPORTUNITY FOR SEATTLE

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“...the state comes into existence, originating in the bare needs of life, and continuing in existence for the sake of a good life.”

- Aristotle

1. The Big Picture: Sustainability as a Framework for Action

At the onset of the 21st century, the interplay of environmental, economic, and social aspirations – commonly called sustainability – is beginning to inform planning, design, and business decisions around the globe. Groups as diverse as the World Economic Forum, the United Nations, and the International Chamber of Commerce are now using sustainability⁴ as a strategic compass. These groups see sustainability as offering an exciting new value proposition – an opportunity to differentiate their product and service offerings, increase the value they provide to customers, and potentially command premium prices in the marketplace.

For municipalities, the motivations to become sustainable are somewhat different. Sustainability is not a new concept for a city; the provision of a good, “sustainable” lifestyle – safe, secure neighborhoods, clean air and water, and affordable housing is at the core of any city’s mission and strategy. Sadly, many cities have seen their ability to implement this strategy fail to keep pace with the stresses on city government. Energy and effort is focused on individual symptoms of non-sustainability without a systems-based view of the whole. And so it is that sprawl, spiraling house prices, water quality and quantity, and other stresses routinely capture the attention of mayors, city councils, employees, and the public.

Against this backdrop, the City of Seattle is renewing its emphasis on sustainability. The City has long been known for its commitment to community and social equity, environmental stewardship, and economic opportunity and security. This commitment permeates the Comprehensive Plan, the planning and policy document that articulates a vision of how the City might grow in ways that reflect, and sustain, citizen values through 2014. Still, tremendous opportunity remains for the city to become more livable. To get there, what is needed is a framework to guide the City’s planning and decision-making in this regard – a strategic lens through which economic, social, and environmental challenges are viewed as interdependent parts of the same system. If sustainability is viewed as the framework that guides the design and delivery of Seattle’s strategy, the connections implicit in the City’s mission are made explicit.

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⁴ Representative definitions can be found in David Pearce (*Blueprint for a Green Economy*, 1992), Paul Hawken (*The Ecology of Commerce*, 1993), Carl Frankel (*In Earth’s Company*, 1998), John Elkington (*Cannibals with Forks*, 1998), and Paul Hawken *et al.* (*Natural Capitalism*, 1999).

Equally important, sustainability becomes the vehicle to catalyze performance improvement in the face of the stresses any city must confront (figure 1).

FIGURE 1. THE OPPORTUNITIES AND BENEFITS OF MANAGING FOR SUSTAINABILITY

<p><i>Three-fold benefits from one or more of these roles</i></p>	<p>ECONOMIC <i>Reduced infrastructure and operating costs, strengthened local economy, improved labor productivity</i></p>	<p>SOCIAL <i>Listening to, involving, and caring for citizens</i></p>	<p>ENVIRONMENTAL <i>Reduced impacts and energy, water and materials consumption</i></p>
<p>Services and Programs</p>	<p>Programs to maintain a vital retail base in the downtown core as well as in neighborhoods.</p>	<p>Neighborhood planning fosters a strong social fabric and sense of community, as well as equity.</p>	<p>Initiatives such as traffic signal synchronization aim to reduce congestion - with consequent improvements in air quality, and reduced fuel use.</p>
<p>Leader by Example</p>	<p>Purchasing practices that promote the inclusion of small-, women-, and minority-owned businesses or create a market for new, more sustainable products like biodiesel.</p>	<p>Commitment to valuing and managing diversity through a workforce that reflects the community it serves strengthens community and fosters engagement.</p>	<p>Energy and water conservation, pesticide and other chemical reduction and green building programs all set a standard for other organizations to follow.</p>
<p>Regulator</p>	<p>Zoning and other regulation can change the incentive structure for firms and households - with positive economic results.</p>	<p>Urban Village Designation Criteria are good examples of how positive social change can be fostered through the regulatory arm of city government.</p>	<p>Building and recycling ordinances have spurred innovation and the removal of material from the waste stream - they have also spurred achievements in sustainable building.</p>

2. A Framework that Complements Existing Tools and Techniques

One of Seattle's enduring strengths is a populace that is committed to preserving and improving Seattle's quality of life and is actively engaged in public policy across a wide range of issues – from efforts to accommodate a growing population to library design. To extend the legacy of these efforts and embed sustainability in the business of city government will require a framework that:

- ▶ □ Guides the collection and dissemination of information to communicate the City's sustainability mission and strategies
- ▶ □ Fosters management decisions that reflect the interrelated nature of the City's goals
- ▶ □ Measures, tracks, and drives performance improvement toward common objectives.

In other words, it will require a framework that assists the Mayor, Council, and employees in effectively implementing the City's strategy for achieving sustainability across all City departments.

2.1 The Challenge of Strategy Implementation

For nearly 20 years, an expanding body of empirical and anecdotal evidence suggest that the overwhelming majority of strategies fail not because the strategies are flawed, but rather because of poor implementation.⁵ The root causes of poor strategy implementation are threefold:

- ▶ □ The tools for measuring strategies have not kept pace with the strategies themselves, which increasingly emphasize intangible rather than tangible assets.
- ▶ □ Knowledge-based strategies do not “fit” well in organizations designed for the industrial-age. Today, advantage comes from the intangible knowledge, capabilities, and relationships created by employees, and effective strategy implementation requires that all business units, support units, and employees be aligned and linked to the organization's strategy.
- ▶ □ Most organizations lack an effective process to involve front-line workers, those who are ultimately charged with implementation. As a result, most organizations find it hard to “translate” strategy in a way that is relevant to and motivates front-line workers.

2.2 Meeting the Challenge: The Balanced Scorecard

In order to meet the strategy implementation challenge, the organization must have a system to measure implementation progress over both the short and long term, as well as over a range of dimensions.⁶ One

⁵ Noteworthy examples include Walter Kiechel's 1982 study for *Fortune* magazine that suggested fewer than 10% of strategies were effectively implemented; and Robert Kaplan and David Norton's recollection in *The Strategy-Focused Organization* (2001, 1), that “a 1999 *Fortune* cover story of prominent CEO failures concluded that the emphasis placed on strategy and vision created a mistaken belief that the right strategy was all that was needed to succeed.”

of the most compelling and successful approaches in this regard is the Balanced Scorecard (BSC).⁷ The BSC approach has gained wide acceptance in the private sector, and is increasingly being used in the public sector as well. Prominent examples in this latter regard include the State of Washington (see the salmon recovery scorecard, www.governor.wa.gov/esa/scorecard); the City of Charlotte, North Carolina; the City of Calgary, Alberta; and the City of Manukau, New Zealand. The primary benefit of the BSC approach is derived from the use of “strategy maps” that link performance, in a leading and lagging manner, across each of four performance areas: learning and growth; internal business process; customer; and financial.

The underlying theory is that improvements in learning and growth (competency development) lead to improvements in internal business processes, which in turn enhance the customer’s experience with a product or service, resulting in strong financial results. The measurement of cause-and-effect relationships in strategy maps shows how intangible assets are transformed into tangible outcomes. Put another way, they show how short-term efforts and investments in people and processes can be translated into long-term value.

The value of the BSC is that it allows one to map the long-term vision and strategic intent of an organization down to day-to-day activities. In this way, strategy is made meaningful to everyone in an organization. A key part of making the approach work is the development of performance measures that consider the importance of all four BSC performance areas.⁸ The scorecard can be thought of as the “recipe” that enables ingredients already existing in the organization to be combined in the right way to create long-term value. An example of a generic municipal scorecard is provided as Figure 2.

⁶Financial measures, for example, are lagging indicators that report on the consequences of past actions. Exclusive reliance on financial indicators promoted short-term behavior that sacrificed long-term value creation for short-term performance.

⁷The Balanced Scorecard (BSC) has been popularized by a series of articles in the Harvard Business Review, and two books, *The Balanced Scorecard* (1996) and *The Strategy-focused Organization* (2001), all written by Robert Kaplan and David Norton.

⁸In its recent report on sustainability in the Pacific Northwest (*This Place on Earth 2002*), the Seattle think-tank, Northwest Environment Watch, reinforced the need for performance measurement that includes more than financial information: “The Northwest’s chosen indicators should spring from the region’s values, its aspirations for the future. Financial security ranks high among those values, so it is fitting that the Northwest monitor its financial capital. But it is not fitting that financial measurements should overwhelm all others.”

FIGURE 2. GENERIC PUBLIC SECTOR SCORECARD WITH SAMPLE THEMES, OBJECTIVES, AND MEASURES

	Strategic Themes	Strategic Objectives	Strategic Measures
<p>Customer Perspective <i>To achieve our vision, how must we look to our customers and constituents?</i></p>	Neighborhood Vitality	<ul style="list-style-type: none"> ■ Enhance personal safety ■ Improve transportation ■ Improve environmental quality ■ Provide new, exciting employment options ■ Enhance equality and opportunity 	<ul style="list-style-type: none"> ■ Crime rate ■ Alternative transportation usage ■ Improve perception of quality of life ■ Employment in targeted industry segments ■ % residents rating services good/very good
<p>Financial Perspective <i>If we succeed, how will we look to our stakeholders?</i></p>	Economic Efficiency and Fiscal Integrity	<ul style="list-style-type: none"> ■ Secure funding/service partners ■ Grow tax base ■ Maintain bond rating 	<ul style="list-style-type: none"> ■ Number and nature of new funding partners ■ Tax base/revenue ■ Bond rating ■ Expenditure per capita
<p>Internal Business Perspective <i>To satisfy our customers and constituents, at which processes must we excel?</i></p>	Superior Capacity and Service	<ul style="list-style-type: none"> ■ Streamline customer interactions ■ Promote community-based problem-solving ■ Improve productivity 	<ul style="list-style-type: none"> ■ Cycle-time on customer interactions ■ Number/nature of community-based solutions ■ Regional GNP per capita
<p>Learning & Growth Perspective <i>To achieve our vision, how must we learn and improve?</i></p>	Motivated and Prepared Workforce	<ul style="list-style-type: none"> ■ Positive employee climate ■ Close skills gap ■ Enhance information management 	<ul style="list-style-type: none"> ■ Employee satisfaction ■ Skills acquisition

Source: Adapted from Kaplan and Norton (2001, 41)

3. Modifying the Balanced Scorecard to Address Sustainability

One of the most useful features of the BSC is its capacity to take into account short-term, non-financial success factors that ultimately affect strategic outcomes. This holistic view makes the BSC a promising starting point to incorporate environmental and social factors into the overall management system of an organization. Considerable recent effort in Europe has been directed at the creation of “sustainability scorecards.”⁹ Viewing sustainability within the BSC helps to overcome the shortcomings of many conventional approaches to management which typically separate environmental and social issues from core strategic management. In the emerging conceptual framework, financial, social and environmental considerations are woven into a single and overarching strategic management tool.

To make the BSC effective as a management framework for sustainability, especially in the public sector, it must be modified in three ways:

- ▶ □ The order and importance of the financial measure must be changed to recognize that the primary purpose of government is not to “make money”, but to improve “quality of life”.
- ▶ □ The financial measure must be broadened to incorporate non-financial attributes such as environmental and social performance.¹⁰
- ▶ □ The customer component must be expanded to include other key stakeholders.¹¹

⁹ Prominent examples include Frank Figge *et al.* (2002), “The Sustainability Balanced Scorecard – Linking Sustainability Management to Business Strategy” (forthcoming in *Business Strategy and the Environment*); and Frank Figge *et al.* (2001), “The Sustainability Balanced Scorecard – A Tool for Value-Oriented Sustainability Management in Strategy-Focused Organizations”. Conference Proceedings of the 2001 Eco-Management and Auditing Conference.

¹⁰ Kaplan and Norton (2001, 136) use the term “value and benefit” of service to address what we have called quality of life. The State of Washington in its application of the BSC has adopted the same language.

¹¹ Such an expansion was recommended in Johnson (1998), and is consistent with stakeholder theory and Kaplan and Norton (2001, 136) who recognize “legitimizing authorities” as a target stakeholder group whose support and satisfaction are required for success in the public sector.

The next step is to develop a strategy map which populates the new conceptual BSC model with specific performance objectives, and to do so for each of the City’s key strategic themes – efficient mobility, strong and vital neighborhoods, and public safety (figure 3).

FIGURE 3. HIGH-LEVEL SUSTAINABILITY STRATEGY MAP FOR THE CITY OF SEATTLE

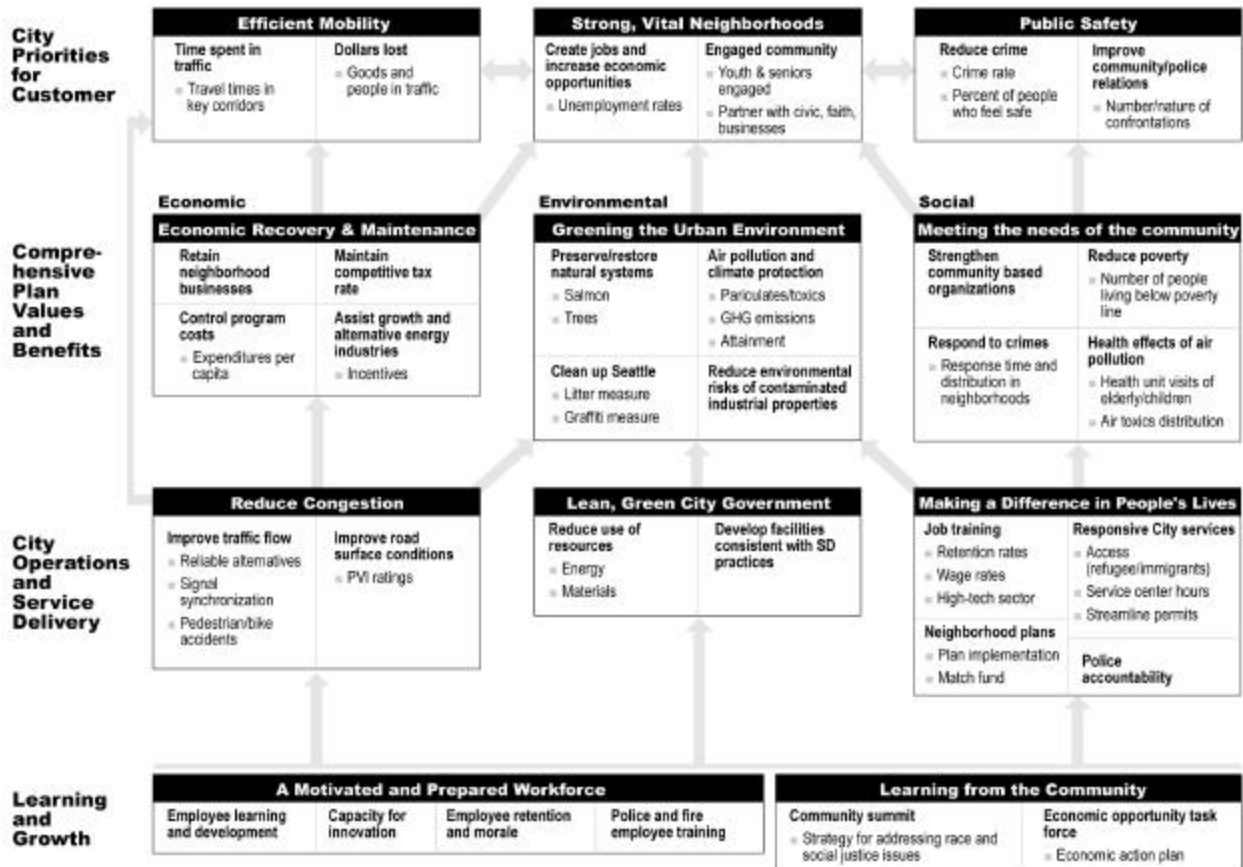


Figure 4 translates the strategy into the scorecard itself. This scorecard forms the basis on which performance metrics can be monitored at the city level. Additionally, it is the foundation for department-specific scorecards that support the City-wide scorecard.

**FIGURE 4
HIGH-LEVEL BALANCED SCORECARD FOR THE CITY OF SEATTLE
INCORPORATING SUSTAINABILITY**

	Strategic Themes	Strategic Objectives	Strategic Measures
<p>City Priorities for Customers and Constituents</p> <p><i>To achieve our vision, how must customers and constituents perceive our city?</i></p>	Reduce Congestion	<ul style="list-style-type: none"> ▫ Reduce time spent in traffic ▫ Reduce \$ lost to congestion 	<ul style="list-style-type: none"> ▫ Travel times in key corridors ▫ Unemployment rate
	Create Strong, Vital Neighborhoods	<ul style="list-style-type: none"> ▫ Create jobs and economic opportunity 	
	Achieve Public Safety	<ul style="list-style-type: none"> ▫ Reduce crime rate ▫ Improve community - police relations 	<ul style="list-style-type: none"> ▫ Crime rate ▫ Number and nature of Community - Police Confrontations
<p>Values and Benefits (Sustainability Perspective)</p> <p><i>What areas of performance must we affect to change in the city?</i></p> <p><i>(expanded financial perspective)</i></p>	<p>Environmental Value:</p> Green the Urban Environment	<ul style="list-style-type: none"> ▫ Protect/restore natural systems ▫ Reduce air pollution & climate change ▫ Clean up Seattle 	<ul style="list-style-type: none"> ▫ Tree canopy ▫ Salmon habitat ▫ Particulates ▫ GHG emissions per capita ▫ Attainment/non-attainment status ▫ Litter measure
	<p>Economic Value:</p> Foster Economic Recovery and Maintenance	<ul style="list-style-type: none"> ▫ Retain neighborhood businesses ▫ Assist growth of alternative energy companies 	
	<p>Social Value:</p> Meet Community Needs	<ul style="list-style-type: none"> ▫ Reduce poverty ▫ Reduce health unit visits 	<ul style="list-style-type: none"> ▫ Number of people below poverty line ▫ Number of children living below poverty line ▫ Health unit visits by seniors and children ▫ Distribution of air toxics
<p>City Operations & Service Delivery Perspective</p> <p><i>To improve the performance noted above and satisfy our customers and constituents, at which processes must we excel?</i></p>	Achieve Efficient Mobility	<ul style="list-style-type: none"> ▫ Improve traffic flow 	<ul style="list-style-type: none"> ▫ Signal synchronization
	Foster Lean, Green City Government	<ul style="list-style-type: none"> ▫ Improve road surface conditions 	<ul style="list-style-type: none"> ▫ Pavement surface ratings
	Make a Difference in People's Lives	<ul style="list-style-type: none"> ▫ Reduce use of resources ▫ Develop sustainable facilities ▫ Improve neighborhood plans ▫ Improve police accountability 	<ul style="list-style-type: none"> ▫ Energy & materials consumption ▫ Number & nature of sustainable facilities ▫ Neighborhood plan implementation
<p>Learning & Growth Perspective</p> <p><i>To improve processes and delivery systems, how must we learn and grow?</i></p>	A Motivated and Prepared Workforce <i>(informed by task force and other community outreach efforts)</i>	<ul style="list-style-type: none"> ▫ Climate for action ▫ Core competency development 	<ul style="list-style-type: none"> ▫ Employee satisfaction ▫ New idea translation

4. Conclusion

In order to ensure that sustainability is embedded in City government—including implementation of its Comprehensive Plan—a framework is needed to guide City planning and decision-making. With such a framework in place, the City is in a better position to advocate and drive sustainability efforts:

- ▶ Through its own programs and services.
- ▶ By setting an example to others.
- ▶ Through its leadership as a policy regulator.

The framework should link the City's mission with specific strategic outcomes, foster management decisions that support the City's interrelated goals, and employ performance metrics to track progress toward sustainability goals.

The Balanced Scorecard (BSC) represents perhaps the most critical component in that framework. It can be leveraged to track progress not only over time, but across different performance areas, including: learning and growth; internal business process; customer; and financial. Before applying the BSC to City efforts, the model should be tailored for the public sector to address sustainability, and to reflect the City's mission beyond the financial element. The final scorecard framework should measure quality of life, not just monetary issues, by incorporating attributes such as environmental and social performance.

The City already has a process—Managing for Results or MFR—to communicate to constituents how it is utilizing resources to improve quality of life. The MFR and BSC approach complement each other; combined, they provide a framework that:

- ▶ Incorporates an organized approach to strategy building that forces clarity and consensus.
- ▶ Utilizes a process for analyzing performance and performance drivers, which allows the City to manage for results.
- ▶ Smart cost-cutting that emphasizes the most critical elements needed for strategic success: effective internal processes and appropriate employee skills.

Aligning the MFR process with the BSC approach can be considered an important first step in embedding sustainability into the minds of managers and employees charged with implementing City projects and policies.

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