

DR FRANK FRANTISAK

Reflections on Corporate Sustainable Development

by Dr. Blair Feltmate

PHOTO: Dr. Blair Feltmate



FROM HIS POSITION AS SENIOR Vice President, Noranda Inc., Dr. Frank Frantisak led the transformation of two industries—mining and forestry—onto the path of sustainable development. This was, and remains, a remarkable achievement. In 2002, Dr. Frantisak was awarded the Order of Canada for his outstanding contributions to the advancement of sustainable development.

Some of Frantisak's numerous achievements include being leader of the Canadian delegation to the ISO Technical Committee on Environment, which resulted in the ISO 14001 standard; Chair of the Environmental Committee of the Canadian Council for International Business; Chair of the Canada/US Relations Subcommittee on Environment; and, head of the Environmental Business/Industry Advisory Committee to the OECD. Frank retired after 20 years with Noranda Inc. in 1998.

In April, 2008, Dr. Blair Feltmate interviewed Dr. Frantisak for Corporate Knights to assess whether business is doing well vis-à-vis sustainable development.

The Noranda group of companies seemed to understand, before others, that businesses must embrace sustainable development. Has this understanding infiltrated thinking across industry sectors?

Unfortunately, I believe sustainable development culture has not advanced within business since the 1990s. Short-term interests are still dominating the corporate boardroom. It seems to me that this is even more so now than in the 90s. The main drivers in business are globalization emphasizing quarterly results, and rewarding CEOs and senior managers for decisions that generally have a short-term horizon. Major shareholders, such as mutual and pension fund managers, also focus on the short-term which leads to the quick buying and selling of stocks. Holding shares for one year is viewed as a long-term investment. It is very sad that the business community is ignoring a major trend—the rapid increase in the general public's awareness of sustainability issues—and opportunity—notably, that a sustainable business culture creates business opportu-

nities and enhances competition that in the longer term will serve shareholders well.

Do you believe companies today are articulate in explaining the business case for sustainable development? Are companies adept at using such tools as EVA [Economic Value Added—a measure of wealth creation] to allocate resources optimally?

Frankly, I do not know. The financial and sustainable development reports do not indicate an understanding of the contribution of sustainable development to the bottom line. The main difficulty is in the quantification of inputs into EVA assessment. Noranda tried. We also tried to get others, such as the Conference Board of Canada and the Canadian Institute of Chartered Accountants, to be interested, but without any success. I believe EVA is a useful tool yet we had to consider sustainable development performance primarily in a qualitative way.

In the mining sector, capital investments are for 30+ years. At Noranda we had no luxury to ignore long-term planning needs

if we were to protect our investments. We came to the realization that we operate with the public's consent. We were convinced that our investments in new mines, smelters, refineries, etc. must be designed with environmental and social issues of the day in mind, as well as with an anticipation of future issues. Similar thinking infiltrated other sectors that Noranda was involved in—such as forestry, oil and gas, and manufacturing.

I was fortunate that my CEOs—Adam Zimmerman, Alf Powis, David Kerr and Peter Bronfman—thought long-term, and they were very supportive of my views on sustainable development; they fully understood the implications for the company if we did not take this approach.

In reference to the sustainable development reports that many companies produce, are they written in such a way that the business community, and particularly financial analysts, can assign value to sustainable development?

There has been little change in sustainable development or environmental reporting quality in the last 18 years. At Noranda, our first report was based on interviews with interested stakeholders—NGOs, government, the academic community, employees, etc. Later on, in the mid-1990s, I tried to find out if the financial community (mutual funds and banks) were interested in telling us what they would like to see in our sustainable development or environmental reports. We conducted opinion surveys of mutual fund managers and banks worldwide. The surveys revealed that many of them could hardly spell sustainable de-

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velopment and environment. I am afraid that the situation has not changed. As I mentioned earlier, mutual fund managers and analysts are interested in the next quarter's cash flows and earnings. They are not interested if the company and its products will be around in 10 years. Also, although many banks look at the risk exposure of their loans, they generally do not adequately address environmental and social issues.

Q) Noranda made use of "scenario planning" as a decision-making tool in the 1990s. Similarly, should corporations be employing strategic analysts (or futurists) to enhance their competitive edge relative to issues surrounding "global change"?

The business community cannot afford to ignore major trends such as:

- Rapid and accelerated interest by the public in sustainability and global environmental issues.
- Consumers who increasingly recognize the power of their purchases and use it to drive sustainability.
- The attitude of the financial community will change as owners/shareholders also recognize their financial power—they will insist on sustainability characterizing the companies that they invest in. This will involve new assessment, evaluation and selection processes that will include quantified values that will improve the environmental and social behaviour of companies.
- Global markets will change rapidly and companies will have to react by anticipating and innovating with sensitivity to sustainability issues.
- Instant communication tools are available—so full disclosure on all performance issues is paramount.
- Corporate sustainable development culture is becoming an important element of a company's competitiveness, so forward thinking companies will embrace it.

Scenario planning is a useful tool. Noranda participated in the World Business Council for Sustainable Development global scenario planning exercise, and we conducted our own exercises, specific to our company and sector. Ten to fifteen years later, we could see that we were right at times, and wrong at others. But, whether we were right or wrong, we always grew to understand our future better. We knew that the consolida-

tion of our businesses, on a global scale, would be the name of the game. Unfortunately, for various reasons, we were not consolidators and we ended up being a target.

What key points of advice do you have for leaders and "up-and-comers" in the field of sustainable development?

My advice is multi-faceted:

- Think about building a value company that will be around in ten to fifteen years. The nature of your business may change over time, but you will survive.
- Develop a sustainable development strategy as an integral part of your long-term strategy and incorporate it into your business plan.
- Do not make business silos—if they exist, change your corporate culture—there is only one bottom line with contributions from economic, environmental and social areas. Remember that a company is successful not because of a few brains in head office, but because of hundreds, thousands of your employees who also have capable brains and are prepared to contribute to your company's success.
- Communicate with your stakeholders—show your directors, shareholders and bankers how sustainable development affects your bottom line.
- Work with your investors on the development of practical tools for assessments, and report what they and other stakeholders want to know regarding your company's sustainable development culture. Sustainable Development Reports are more than PR exercises.
- Understand the trends that may affect your business, your company and participate with like-minded companies/organizations in monitoring them. Be on top of what is happening in the world and in your area of activity.

Has the world exceeded carrying capacity to the point that sustainable development is little more than wishful thinking?

I am an optimist. I believe that it will be the business community, not the government, who will find the solution to accommodate the population in the balanced state. It will be reached through innovation and by corporate cultures taking the needs of others into account. **CK**

Dr. Blair Feltmate is Director of Sustainable Development, Ontario Power Generation.