

## Governance and Sustainability

In 2001 the UN added 'institutional sustainability' to their definition of sustainable development.<sup>1</sup> 'Institution' refers to the socially-accepted rules or norms governing 'good' behaviour in a society.<sup>2</sup> Combined with 'sustainability', good behaviour may be understood as actions that maintain social well-being, economic resilience, and ecological integrity. Recently the more applied term 'governance' has replaced institutional sustainability. It refers to the rules, practices and processes required to guide good behaviour within society and organizations.<sup>3</sup> From this notion it follows that all unsustainable practices can ultimately be traced back to poor governance, either within governments at various scales, or within particular organizations. Consequently the various environmental problems New Zealand is grappling with in the agribusiness sector can be traced to poor governance. Therefore solving these problems requires the development of good governance. Based on evidence in the literature four key interlinked ways in which good governance can deliver sustainable outcomes in the agribusiness sector is outlined: strategic, proactive leadership; stakeholder inclusion; accountability through transparent assurance schemes; and coordination and control of the supply chain.

### Strategic, Proactive Leadership

Sustainability is primarily driven by strategic, proactive leadership within an organization rather than reactive, responding to regulatory or consumer pressure, or efficient, cost/consumption-reduction, management.<sup>4-5</sup><sup>6-7</sup> This prescient, ends-focused, 'visionary' leadership determines shifting public opinion, peer momentum, and legislative direction, developing the rules, practices and processes required to pioneer sustainability initiatives.<sup>8-9</sup><sup>10</sup> Specifically, visionary leadership incorporates sustainability into the core focus and purpose of the business at every level and every step, it creates specific internal business

- Good governance in the context of sustainable development refers to rules, practices and processes required to guide behaviour within society and organizations that maintains social well-being, economic resilience, and ecological integrity.
- Good governance delivers sustainable outcomes through: strategic, proactive leadership; stakeholder inclusion; accountability through transparent assurance schemes; and coordination and control of the supply chain.

structures focused on sustainability, it implements initiatives such as product lifecycle management and sustainable growth planning, and ensures that adequate resourcing and sufficient incentives are in place to achieve its goals.<sup>11-12</sup>—This visionary leadership also expands the concept of stakeholders, makes itself accountable to these stakeholders through transparent assurance schemes and coordinates and controls the entire supply chain.

### Stakeholder Inclusion

Corporate governance has traditionally been responsible to shareholders.<sup>13</sup> Food and environmental scares led agribusinesses to expand the scope of stakeholders. At a minimum this incorporates consumers but the most radical expansion includes communities effected by a business's activities and the environment itself.<sup>14-15-16</sup> The expansion of stakeholders is a particularly powerful driver for change because its purpose is to challenge the company's role in social and environmental sustainability.<sup>17</sup> Genuine stakeholder engagement goes beyond simply responding to consumer demand wanting the organization to be perceived as legitimate. Visionary leadership achieves organizational legitimacy amongst the wider stakeholders through the development of transparent assurance schemes which make them accountable.<sup>18</sup>

## Accountability through Transparent Assurance Schemes

Good sustainability governance seeks to verify that its operations are sustainable through publicly available information.<sup>19</sup> Such transparency and resulting accountability is generally sought through the use of third party verified assurance schemes<sup>20-21</sup>. The public is increasing its demand for sustainability reports that truly and fairly represent what the businesses have achieved and what they will achieve in the future.<sup>22</sup> Corporations understand that accountability is crucial to consumer trust and have developed a range of mechanisms to gain and maintain that trust.<sup>23</sup> The importance of accountability may be observed in the increasingly common practice of corporations incorporating sustainability into their main financial reporting rather than being kept separate and distinct from the core function of business.<sup>24</sup> That is to say, accountability has seen sustainability considered concurrently and equally with core financial issues by leading firms.<sup>25</sup>

## Coordination and Control

Good sustainability governance encourages sustainability by coordinating and controlling the supply chain. Ensuring that all the production, supply and logistical links in the chain are meeting sustainability requirements demands expert coordination and control from leadership.<sup>26</sup> Part of this coordination and control is ensuring that the raw materials, constituent components, manufacturing processes etc. that feed into and make up the supply chain are sourced, made, operated etc. in the most efficient – ethically and environmentally – manner.<sup>27</sup> Likewise ensuring premiums are gained through the promotion of the sustainability-oriented credence attributes comes from control of the supply chain.<sup>28</sup> Other than governments, global agribusinesses are the only actors with the resources to promote the use of sustainability assurance schemes downstream.<sup>29</sup> There are increased expectations of corporate conduct and company management has responded by incorporating social and environmental

concerns into their supply chain agendas.<sup>30</sup> Good governance delivers formalised mechanisms of coordination and control across the supply chain that ensure that every link is meeting required standards.<sup>31</sup>

## Policy Recommendations

Visionary leadership is the single most important factor that drives the other elements of good governance. The aim is to transition from management driven by regulatory or consumer pressure or lower cost and consumption objectives to strategic, proactive leadership driven by combined ethical and economic concern. A number of policy paths can encourage visionary leadership:

- Task CRIs to examine/work with existing international/national/Māori visionary agribusiness leaders to develop sector/subsector corporate environmental and social responsibility objectives.
- Recognise existing visionary leadership through MPI awards programme.
- Reward existing visionary leadership through fiscal incentives.
- Establish agribusiness leadership forums to facilitate leadership communication.
- Encourage mentoring among agribusinesses within/across subsectors.
- Create investment fund for emerging visionary leaders through existing MPI SFF or new fund.
- Strengthen/make compulsory FMA corporate social responsibility principles.
- Facilitate wider stakeholder collaboration with agribusiness leadership.
- Enhance sustainability assurance reporting through standardisation/integration.
- Explore legislative/regulatory means to enhance visionary leaders control of supply chain.

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## Further Information

Notes and citations be found on the  
New Zealand Sustainability Dashboard Website:  
<http://www.nzdashboard.org.nz/>

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