The Sustainable Organization: The Chief Executive Officer's Perspective
Management Consulting Podcast Series

High performance. Delivered.

accenture
The third element is that it strengthens our relationship with our customers. We see clearly that our customers are more and more focused on how we manage their pensions and how we create additional value, and being active in this field enables us to strengthen that dialogue and getting closer to our customers.

Last but not least, it’s a clear trend in our part of the world that talent, particularly young talents, they are extremely focused on the values, the set of core principles, which is the basis for how the companies run. And being reflective and having developed our own thinking about the role they play in society and how we will develop going forward helps us to attract the right talent.

Idar, I know that assessing the value of sustainability is very material to you because it guides your firm’s investment decisions. Now, to what extent do you see other firms providing the tangible data that you need to make appropriate investment decisions? What more do firms need to do here?

You know, the development and the reporting over the last couple years have been – has actually been remarkable and we welcome that, and I think it’s very much driven by larger asset managers starting to ask more pointed questions and expecting to get clear answers from CEOs and companies. What we would want to see are short term goals combined with the long term perspectives for the most critical sustainability areas. So the CEO, the company, the industrial relations guy can help us to identify what they see as the key strategic risks and opportunities for their business. And based on that insight, develop some clear and tangible measures for us to follow as investors.

Well, how about your own reporting, how do you translate the value of sustainability into metrics that can actually be used by investors to help them assess how it affects your firm’s long term valuation?

I think there are three key areas that we try to focus on. First of all, we have clearly explained to the market the importance it was in asset management, and we are transparent in how we are doing our reinvestment decisions and the effects of that.

Secondly, we have developed very clear and tangible data for how we operate our businesses, it is between 30 and 40 key measures that we report on, and we also get our auditors to go through that reporting to see to that it’s in accordance with what should be expected externally.

The third element that we are focusing a lot on is to measure both the understanding and the ability of our own organization to deliver on the customer value propositions that we put forward in the market in this area because as you know the tone at the top is important, but if it’s not reflected in how our customers meet the business, then the value is little, so we have to follow the organization too.

Okay, well metrics is one part of implementation. One of the headline challenges that many CEOs are grappling with is just how to best embed sustainability within their organization. Why do you think it’s so hard, and what kind of management framework or process do you use to embed this?

I think that the hardest thing is to transform all the nice talk into concrete action. And for one of my sales people, he needs to know, or she needs to know what is the implication of everything you say when I sit down with a customer what is the implication for the value proposition we put forward to the market? So it is important to translate your objectives into something that is concrete. And the way to do that is to spend less time discussing the corporate social responsibility assigned, good corporate citizen kind of thing, and start spending more time identifying and understanding the risks and opportunities strategically that your business will face as a consequence of the global challenges going forward. And that mindset should be used, in my opinion, both in the dialogue and the discussion with the board of directors setting the scene for the strategic decision and also setting the priorities for the business, and it should also be used when the management team meets the employees to discuss and describe the way going forward and the key priorities and initiatives they’re going to take.
Let me ask you a little bit more about leadership on this point. Do you think it makes sense to centralize that in a simple function like having a chief sustainability officer, or to do the opposite, decentralize it across the entire management team?

You know to me, organization is not a strategic issue, it’s something that has to be considered continuously, and it’s one of the tools we have as leaders to run the organization. And the answer to your question depends very much on where the company is in its development. If you are starting off, I mean, if you are in the early stages, you need the central driving force to help you formulate and help develop and drive the discussions both internally and the management team and with the board. If you are more mature in your thinking and you have identified the strategic priorities, then the implementation is key and you need to decentralize the responsibility for making things happen, and that involves the line management in a significant way. We were probably one of the first companies in Europe to appoint a chief sustainability officer and inviting the CSO into our executive board. But now – and that was five, six years ago – but now we have moved on and we have given the responsibility for sustainability to our chief strategy officer, so he handles strategy and sustainability, and we are linking the two completely from the top and throughout the organization. And then we have given the line management to the managing directors, clear responsibilities for making things happen, for implementing, and for producing the results, and that organization serves us well.

Clearly you’ve made a success out of this, but for companies that are new to it, once there’s the clear operational framework in place and they’ve identified the leadership and the metrics, well, how – how do they maintain a sense of motivation for the long term, especially once and if change fatigue sets in?

I think there are a couple of challenges. I think change fatigue is one of them and the other of course is the financial markets, the climate. With the markets there are a number of challenges when it comes to sticking to your focus. I would say there are three key areas.

One area is your customer value proposition. If you have embedded sustainability as an integral part in your communication with your customers, you have told your customers that they should expect something from you also in this area, and it’s highly dangerous to move away from that. So that gives a lot of discipline in your priorities.

The second thing is that it should try to develop this as a part of the organization’s DNA, the way we see your results. We see results with the same organization. We see ourselves as an organization that understands and takes seriously the responsibilities we have and the role we have in a broader type of context. So that’s the second thing.

And the third thing is, of course, just to follow the discussion, understand what’s going on, and try to convert everything you see here and feels in the market into what is relevant for your business. And as we both know, there are more challenges and opportunities out there than anything your company can grab, so it’s just to stick to it.

One final question, Idar. We want this series to provide practical advice and guidance to other C-suite leaders. Now, if you were advising, say, a CEO of another financial services firm implementing sustainability, what are the things that you would advise them to prioritize for this?

I would start by inviting my management team to challenge our – sustainability, our –business model in the light of the global challenges we are facing, population, energy, greenhouse gases, mobility, cities, ecosystems, and then try to identify which of these challenges or mega trends will affect our business model the most, and then invite the management team into the discussion, guys, where do we see the key risks, and work with them for a while, and then turn the question around. Okay, we had identified the risk this is good – then let’s sit down and discuss the opportunities. It’s a job to be done, what could be our role in this? And then use that as a platform for the dialogue with the board of directors in the strategic discussions pointing out and clearly assign the priorities and the objectives. Having that clarified and having that platform, you can turn around to the organization and start a dialogue. Last, what are we going to do with this, what are the actions, what are the processes, what are the competences needed, and how can we develop this going forward? I would start on the strategic level. I would not start with sort of my reporting or my programs for good corporate citizenship because that would send the thought in a wrong direction, start with the core, of the core of the business, and that platform you can – how to building this as an integral part of your business.

Well, Idar Kruetzer, thank you so much for speaking with us today, and thanks also to those of you listening. If you’d like more information related to the topics we talked about in this podcast, or to learn how Accenture can help you achieve high performance, just visit us on the web, we’re at Accenture.com/managementconsulting. You can also email us at consultingpodcasts@accenture.com. Thank you.
About Accenture

Accenture is a global management consulting, technology services and outsourcing company, with more than 244,000 people serving clients in more than 120 countries. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world’s most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. The company generated net revenues of US$25.5 billion for the fiscal year ended Aug. 31, 2011. Its home page is www.accenture.com.