



Achieving  
high performance:  
the sustainability  
imperative

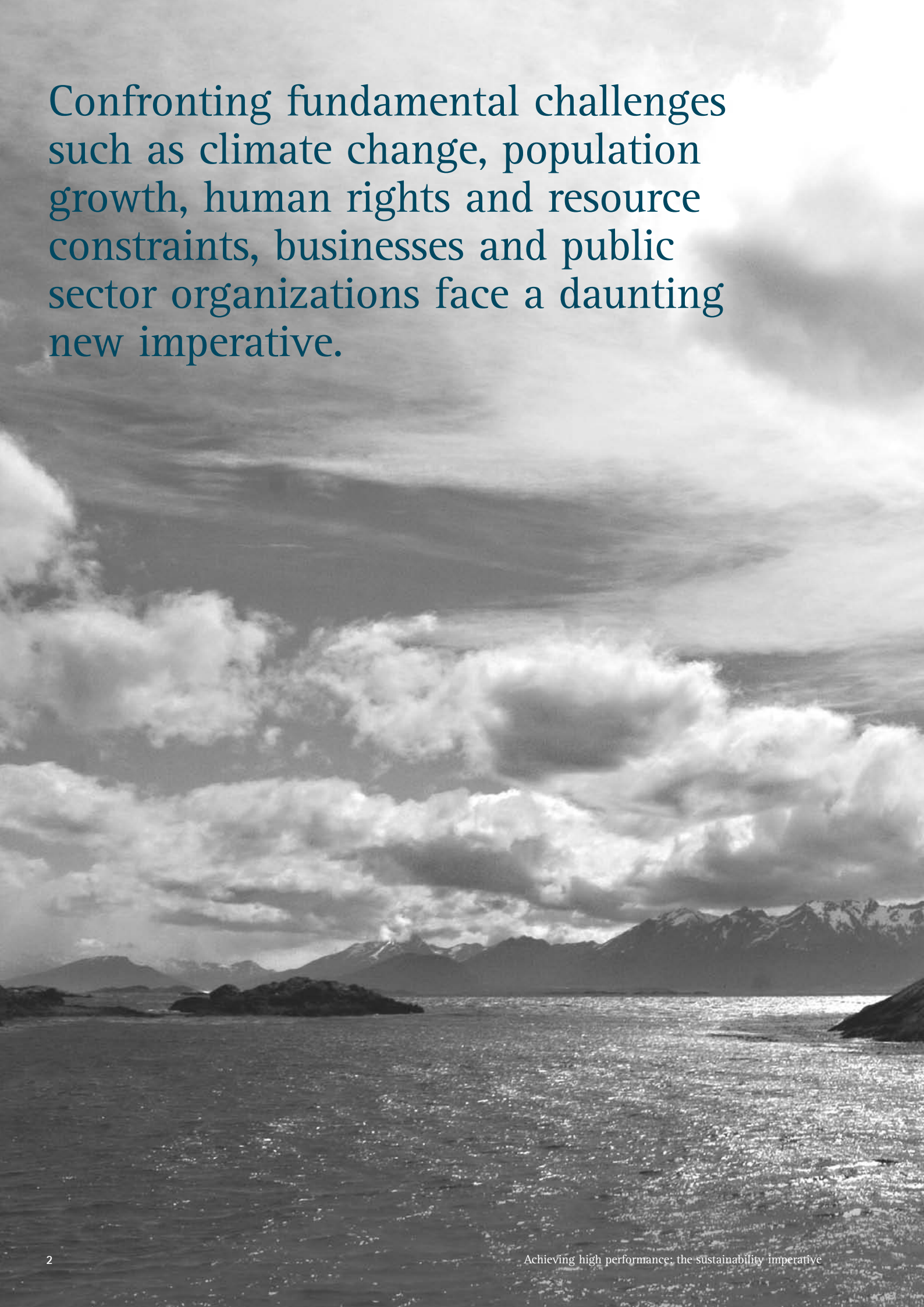
>  
accenture

*High performance. Delivered.*

By Bruno Berthon,  
Jim Grimsley, Peter Lacy  
and David Abood

• Consulting • Technology • Outsourcing

Confronting fundamental challenges such as climate change, population growth, human rights and resource constraints, businesses and public sector organizations face a daunting new imperative.



They must use fewer resources to produce goods and services that benefit society and the environment and still meet traditional demands—from customers and citizens for price, quality and availability; from shareholders for outstanding performance and returns; and from politicians for economic growth and prosperity in both developed and developing economies.

The imperative for sustainable production and consumption builds on the principles of reduce, reuse and recycle, but it requires much more than that. It requires innovative thinking and fundamental alterations in business models. It requires making the most of fast-changing regulations, leading-edge technologies and shifting consumer expectations and demands. Above all, this new imperative requires that sustainability be woven into the core strategies of companies and public sector organizations.

As sustainability moves from the periphery to the heart of business and the public sector, organizations are finding that it comes with a price and a prize. The price is the fundamental transformation that fully integrated sustainability requires in the face of an aggressive social, environmental and economic agenda. The prize, however, is tantalizing: the opportunity for organizations to outperform their peers and achieve high performance.

So what to do as a top executive? We believe opportunities abound to both preserve and create value by integrating sustainability into your business strategy and operating model. New and differentiated products and services can increase revenue and generate market-leading innovations and technologies for a renewed path to profitable growth. Higher resource efficiency and lower emissions can reduce cost. Proactive responses can better manage regulatory and operational risk. Together these opportunities also can build the intangible—and invaluable—assets of brand and reputation.

### Sustainability defined

Sustainability affects all industries and governments. Issues encompass an integrated agenda of environmental, social and economic impact—sometimes referred to as “planet, people and profit.”

Accenture defines sustainability as the way a company or organization creates value for its shareholders and society by maximizing the positive and minimizing the negative effects on social, environmental and economic issues and stakeholders to:

- Grow revenue
- Reduce cost
- Manage risk
- Build intangible assets

# Drivers of change

The challenge is getting from here to there and delivering the benefits. In a rapidly changing business context, gaining competitive advantage can be daunting. Accenture believes there are six key drivers of change on which executives should begin acting now. Broadly speaking, these drivers represent the impact sustainability has on changing supply, changing demand and changing rules of the game.



# Changing supply

## Natural resources

Robust economic growth in emerging economies, combined with the high requirements of Western economies, has caused fierce competition for natural resources, particularly energy and water. It also has increased carbon dioxide (CO<sub>2</sub>) emissions, which contribute to global climate change. The UN Framework Convention on Climate Change estimates that the private sector will need to invest more than US\$600 billion every year through 2030 to stabilize CO<sub>2</sub> emissions. The price is huge, but so is the prize. Dealing with climate change can galvanize an extraordinary wave of technology, service and business model innovation and drive coordinated global action on a scale not seen before. The level of venture capital investment in clean and "green" technologies is already significant, on a par with the early phases of the dot-com boom. Cleantech investments in the United States rocketed from US\$500 million in 2005 to more than US\$4 billion in 2007.<sup>1</sup> European growth is slower but still significant, more than doubling to US\$1 billion in the same period.

## Employees

In the face of an aging workforce and global competition for talent, organizations that take sustainability seriously are well positioned to attract and retain the most qualified employees, studies indicate. In developing countries, companies that offer above-average working conditions and health care benefits can have an easier time finding skilled employees in areas with limited educational systems. But benefits for companies go beyond employment. As a number of global human resources executives have told us, leadership and performance on sustainability also can directly contribute to productivity and to customer sales and satisfaction by increasing employees' motivation and commitment and their propensity to go beyond what is expected of them.

## Capital markets

Investors have begun to consider sustainability performance as an indicator of business performance and a new lens through which to scrutinize the quality of management. Banks and pension funds are starting to view the longevity of a business and its environmental, social and governance impact as part of their financial rating process. Increasingly they are willing to praise—and punish—sustainability performance. JPMorgan, Citigroup and Morgan Stanley have developed lending guidelines that make it tougher for investor-owned utilities to build coal-fired power plants because of the risks associated with CO<sub>2</sub> emissions. We also see significant growth in sustainability reports and indexes from leading global financial institutions like Goldman Sachs, Lehman Brothers and Morgan Stanley, which weigh the impact on valuation and investment decisions.

<sup>1</sup> Estimates cited in *Greening the Economy: New Energy for Business—Creating a Climate for Change*, INSEAD study for the European Business Summit, February 21–22, 2008.

# Changing demand

## Consumers as citizens

Changing consumer expectations and behavior have a material impact on value creation, profitability and growth. Nine out of 10 consumers around the world say they are ready to switch to energy providers offering products and services that help reduce carbon emissions—and two-thirds are willing to pay on average 11 percent more for the privilege.<sup>2</sup> Consumers read labels more avidly than ever, scrutinizing not just a product's content but also the process required to put it in their hands. They pay more attention to ethical and environmental concerns, including the use of child labor, the procurement of conflict diamonds, the spread of HIV/AIDS, human rights abuses and the rising amount of non-recyclable waste.

Sustaining high performance means meeting these rising consumer expectations and competing for trust to secure growth, reputation and brand strength. In the area of climate change, this is no small task. Consumers have little faith in government and business

to advise them on ways to address climate change. Asked who they most trust, about 43 percent of consumers "always" believe academics and non-governmental organizations (NGOs) and 37 percent believe consumer associations, but less than 15 percent believe governments and energy companies.<sup>3</sup> Nonetheless, 18 percent of consumers believe that the responsibility for tackling climate change lies primarily with government and business.

## Stakeholder influence

Businesses and public sector organizations must answer to an expanding group of stakeholders, including NGOs, the media, academia, and influential individuals and celebrities. All of them have fresh demands and increasing power to threaten a company's commercial viability. Their perception is your reality, regardless of the facts. Social capital can determine a company's license to operate. Companies today must take responsibility for both the social and environmental impact of their operations

or leave themselves open to retrospective legislation and stakeholder backlash in the future. If you want to do business in Africa, you must contend with HIV/AIDS and its effect on the health of your workforce and the communities in which you operate. If you want to establish a presence in a developing country but do not have on-the-ground connections to local people, your chances for success are diminished.

However, companies' reactions to stakeholder pressure can demonstrate leadership in sustainability. Global Witness lobbied De Beers to stop trading in conflict diamonds in 1998; today the company leads advocates of the Kimberley Process Certification Scheme to ensure that rough diamonds are conflict-free. Nike suffered consumer boycotts in the 1990s over the use of child labor in its contractors' sweatshops; today the company is viewed as a sector role model for human rights policies because it implemented changes.

<sup>2</sup> End-consumer Survey on Climate Change, Accenture, 2007.

<sup>3</sup> Ibid.

# Changing rules of the game

## Policy and regulation

National or global regulation on sustainability creates winners and losers. While it can disrupt and even destroy existing business models and industry structures, it also can create a positive platform for change by reducing business uncertainty and creating new market opportunities. In the area of climate change, four out of five business leaders want governments to take a central role in tackling the issue.<sup>4</sup> They feel this way even though there is no agreement over how best to standardize requirements across countries and incentivize businesses and consumers to change their behavior. Proactively partnering with policy-makers, stakeholders and even industry rivals in shaping regulation and policy solutions that benefit business and society makes sense in managing healthy competition. Increasingly this will be a feature of smart strategy.

<sup>4</sup> Achieving High Performance in an Era of Climate Change, Accenture, 2008.



# Difficult trade-offs

In the face of these changes and pressures, organizations must grapple with difficult trade-offs and major changes to business models.

Electric utilities, for example, must meet ever-increasing demand and still find ways to reduce emissions from generating electricity. The industry is responding not only with investments in renewable energy and clean-coal technology but also with new business models that make energy demand management a core component of the business and a competitive advantage. Accenture helped a multinational network utility embed a scenario-planning approach within its business and identify and manage strategic uncertainties—including environmental effects and requirements, changing consumer behaviors and the shifting availability of resources—that would affect the business over the next 10 to 20 years.

Companies in extractive industries still need to grow despite scarce resources, so they are moving deeper into remote locations and frontier geographies where they are unaccustomed to operating. These moves demand new levels of corporate responsibility—since their revenues can equal the entire gross domestic product of the host country—as well as higher costs.

When BP led several consortia of petroleum companies to develop oil and gas fields in Azerbaijan, Georgia and Turkey, the company opened an Enterprise Center in Baku to help develop an effective local supplier base and strengthen the Azerbaijani economy.<sup>5</sup> The center, run on behalf of BP's international oil and gas partners in the Caspian region, offers training in management, finance, IT, quality control and marketing. Experts also provide technological assistance to improve engineering and manufacturing know-how. BP's local supplier development program benefits BP and local Azerbaijani firms alike. More competitive local firms offer BP a greater choice of cost-effective suppliers. Building local skills encourages improved business practices, staff development, technology investments and better safety performance.

<sup>5</sup> As quoted in "Business for Development: Business Solutions in Support of the Millennium Development Goals," report of the World Business Council for Sustainable Development, pp. 44-45, September 2005.



# Complex conditions

Facing sustainability challenges isn't easy. It is important not to make the wrong bet in your choice of policies and technologies. Early regulation, for example, can unexpectedly handicap business for the longer term. Germany decided in the late 1990s to close all its nuclear power reactors by 2020. As a result, renewable energies grew too slowly, and the carbon footprint of German electricity remains very high. Meanwhile, numerous other countries today are considering major investments or reinvestments in nuclear facilities to reduce their carbon emissions.

It is also important to understand the full impact of sustainability up and down your supply chain and the expected extent of your responsibility now and in the future. Timberland was surprised to discover that its major carbon impact occurred before the company even got involved in the making of shoes. It was the manufacture of the raw materials, not the manufacture and transportation of the final product, that caused the greatest impact. Similarly, when Cadbury performed a life-cycle assessment on its Dairy Milk bar, the company discovered that the biggest environmental impact

came from the methane generated by cows producing the milk rather than from the transportation, packaging or processing of the finished product.

Herman Miller, working to make its chairs more environmentally sustainable, had to reach deep into its chain of suppliers and its suppliers' suppliers—numbering into the hundreds—which were reluctant to disclose sensitive information. To understand the full vulnerability—and opportunity—that supply chains represent, companies must develop new relationships with their suppliers to influence them effectively. For their part, suppliers can gain first-mover advantage in some cases by making the shift to more sustainable production and influencing their customers.

Integrating sustainability into business strategies is further complicated by the speed, intensity and aggressiveness of globalization, which many business leaders still struggle to address or even understand. Fast-moving globalization is one reason execution is especially difficult in global organizations with critical global processes and complex operating models and organization structures.

Add to the mix the unprecedented change and complexity that organizations face with the advent of the multi-polar world—a world characterized by multiple centers of economic power and activity.<sup>6</sup> Established global companies now compete with emerging-market multinationals for natural resources, capital and talent as well as for consumers and innovations. In the future, they might also contend with hybrid organizations such as public-private partnerships or social enterprises, which operate as for-profit businesses with social or environmental missions.

In the face of such sweeping changes, little wonder that senior executives tell us their biggest challenge is shifting from strategy to execution.

<sup>6</sup> See *The Rise of the Multi-Polar World*, Accenture, 2007, and *Multi-Polar World 2: The Rise of the Emerging-Market Multinational*, Accenture, 2008.



# Seizing competitive advantage

The complexity of the issues notwithstanding, sustainability can create substantial value and innovation—a point validated by the world's largest research study to date on corporate responsibility.<sup>7</sup> Companies with the highest levels of social performance view social and environmental challenges as drivers to innovate and unlock new opportunities. The study also found that businesses excelling in their approach to corporate responsibility tend to be those that integrate the principles of sustainability into both their everyday business processes and their strategic decision making.

Leading companies already are demonstrating how integrating sustainability into their business helps them achieve high performance.

Accenture helped a leading electronics retailer transform its supply chain network, cutting distribution costs by 11 percent and reducing its carbon footprint by 10 percent.

Electricité de France is introducing smart metering on a broad scale to help users better manage their electricity consumption and evaluate new ways to optimize and balance production cycles and volume.

Wal-Mart measures 60,000 suppliers on their ability to develop environmentally

friendly packaging and conserve natural resources. Local products are sourced in two dozen states to reduce “food miles”, save shipping costs and increase product freshness. The company projects that reducing product and logistics packaging by just 5 percent will yield a savings in its global supply chain of US\$11 billion by 2013, including US\$3.4 billion flowing directly to Wal-Mart.

Sustainability labeling is also emerging as an opportunity for companies to differentiate and grow market share. Accenture is working with a major global retailer to explore sustainable labeling and life-cycle assessment for the full range of its branded products.

Fairtrade is a fast-growing, multi-billion-dollar annual global market for coffee, chocolate and other agricultural commodities. In the United Kingdom—where Fairtrade is already estimated to be worth £400 million in 2007, up from £290 million in 2006—significant competition is emerging among retailers and consumer goods companies. The Co-op, a supermarket chain, recently announced a switch of its own brand of teas to Fairtrade. Sainsbury's recently committed to stock only Fairtrade bananas. Tesco already stocks more than 140 Fairtrade products. Tate & Lyle

intends to move its entire line of retail cane sugars to Fairtrade, the largest switch to Fairtrade by any major UK food or drink brand.

## Walking the Talk

Walking the talk on sustainability is important. Accenture itself developed an environmental policy outlining our corporate commitment in areas such as travel, procurement and technology. We have achieved ISO 14001 certification in a number of locations and have factored in environmental considerations based on LEED<sup>®</sup>, BREEAM<sup>®</sup> and Green Star into our office design decisions. We recently signed the United Nations Global Compact, a voluntary initiative that seeks to promote responsible corporate citizenship. Five years ago, we established Accenture Development Partnerships, a not-for-profit group within Accenture focused on channeling Accenture's management consulting and information technology resources and experience to address development sector challenges. Accenture is also a member of the World Business Council for Sustainable Development, a CEO-led, global association of some 200 companies dealing exclusively with business and sustainable development.

# Strategic options

Organizations that effectively weave sustainability into the fabric of their core strategy and operating model can drive new capabilities and innovation with far-reaching effects in four areas:

- Revenue growth from new or differentiated products and services
- Cost reduction and efficiency improvements
- Better risk management
- Brand and reputation enhancement

To achieve these benefits, it is important to prioritize and leverage core strengths and opportunities in the short term and execute accordingly. From our work in sustainability across the globe, we see companies employing four types of competitive strategies.

## Go it alone

Some companies differentiate based on sustainability by virtue of having a first-mover advantage and a clear way to profit from a new market segment or consumer preferences. Toyota and its Prius hybrid car is one example. Another is Philips, which invested €400 million in "green" lighting technologies from 2001 to 2005. By 2006, the company's total portfolio of "green" products had grown to €4 billion, accounting for 15 percent of its total turnover.

## Collaborate in partnerships and clusters

Other organizations partner with NGOs, development agencies or across their value chain with suppliers, distributors and new business partners to develop new technologies and solutions or win stakeholder and consumer trust.

Lafarge, the French cement and building materials producer, has a long-standing partnership with the World Wildlife Fund to better understand and manage its environmental impact. Demonstrating credible performance makes it easier for the company to secure access to land and resources.

UK retailer Marks & Spencer works with supply chain partner MAS Holdings in Sri Lanka on a broad range of sustainability initiatives, from sharing best practices and co-investment in environmental management systems to a "Go Beyond" label that supports women's issues and diversity. Joint efforts like these play an important part in raising performance and underpinning credibility in the battle

for consumer trust, typified by Marks & Spencer's "Plan A" campaign.

## Collaborate at an industry level

Leading players in an industry can voluntarily band together to regulate themselves, setting and agreeing on voluntary codes of conduct. This is critical where there is a first-mover disadvantage or collective action problem and little chance of formal regulation. The long-standing Forest Stewardship Council, set up to avoid unsustainable forestry, is an example. Begun in partnership with leading NGOs and UK retailer B&Q, it now includes many of the world's leading industry players.

## Shape regulation and policy

Companies can proactively engage in efforts to shape regulation that benefits business and society, particularly when they are well placed to take advantage of new markets. Alcoa, DuPont, Duke Energy, GE and others have teamed with the US Climate Action Partnership to lead lobbying to limit carbon emissions and introduce cap and trade mechanisms at the state and federal levels. In California, the public utility commission adopted a groundbreaking decision mandating California's four investor-owned utilities to prepare a single, statewide energy efficiency plan for 2009–2020. Accenture was selected as the third-party advisor to manage the process of pulling together various agencies and stakeholders to develop an actionable plan to meet the state's ambitious CO<sub>2</sub> reduction goals.

## Combine options

None of these strategies are mutually exclusive. Companies often implement more than one at the same time. GE is going it alone to develop its Ecomagination suite of "green" industrial products while it actively works to shape regulation for its future markets.

To make the right choices, organizations considering their options should ask themselves the following questions:

- Is there a first-mover advantage or disadvantage?
- What is the chance for formal regulation and policy support? How can we attempt to influence and shape it?
- Do we have the capabilities ourselves to succeed?
- Who are the right partners, and what are the most effective forms of collaboration?

<sup>7</sup> Project RESPONSE, joint research conducted between 2004 and 2007 by the European Academy of Business in Society (EABIS) and a consortium of top European business schools, led by INSEAD, Copenhagen Business School, SDA Bocconi and LKAEM. The study encompassed nearly 1,500 respondents from 20 major multinational companies and 180 stakeholder organizations.

<sup>8</sup> Leadership in Energy and Environmental Design.

<sup>9</sup> The Building Research Establishment Environmental Assessment Method.

# Playing to win

In order to win, you need to play—even though a clear answer on what it takes to achieve success may not be available yet. Wait too long and it will be too late. With the proper level of assessment and scenario planning, it is possible to test some initiatives early, learn from the lessons and make informed decisions about your business strategy and operating model.

It is also critical to take an integrated approach to action. Organizations that create value from sustainability exhibit two features:

- Sustained and public leadership commitment—absolutely necessary for symbolic, financial and motivational reasons.
- An integrated framework across their organization and value chain.

True integration is essential, as opposed to random, isolated efforts with narrow impact and little measurement.

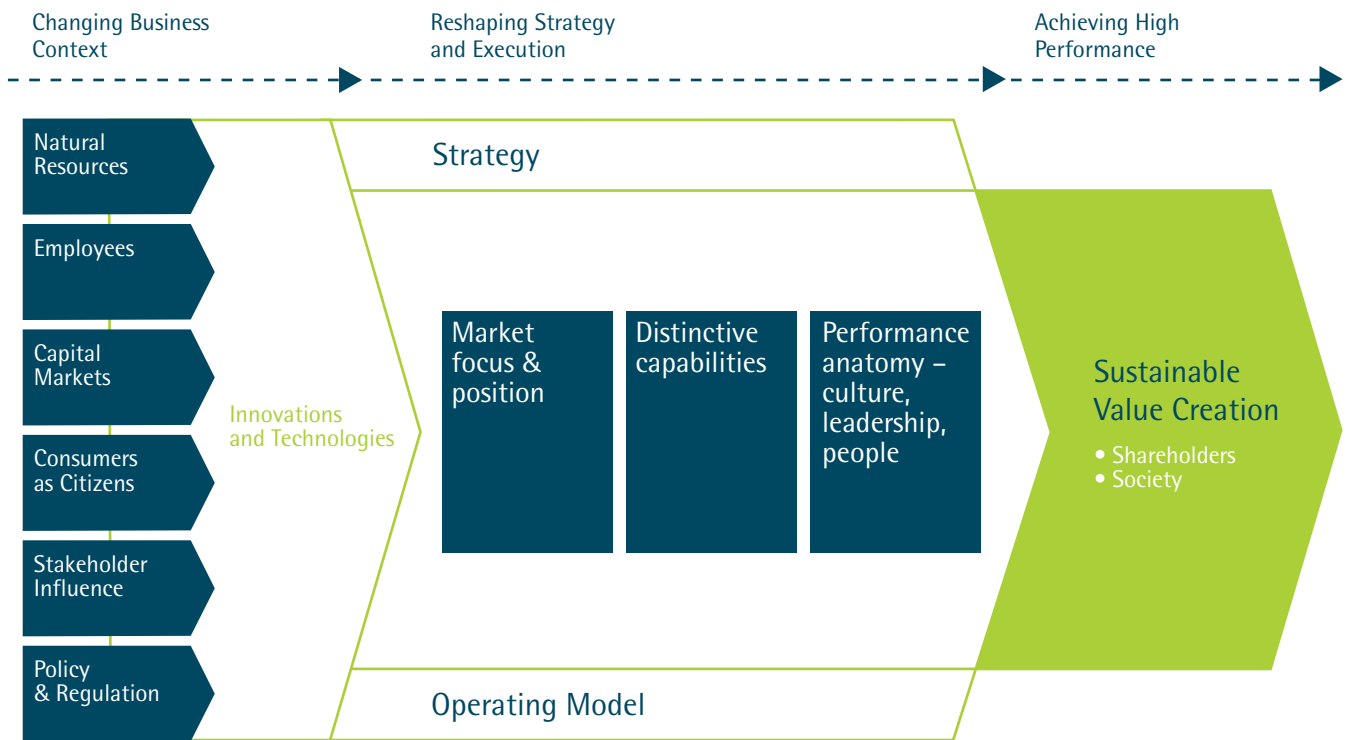
Integrated sustainability means:

- Integrated into core business strategies based on a rich understanding of industry trends, with execution based on deep industry insights.
- Integrated across environmental, social and economic issues.
- Integrated and aligned across business segments.

- Integrated into strategy and execution across the value chain, from design to build to run.
- Integrated into performance management measures so sustainability indicators can help manage stakeholder expectations and deliver both direct and indirect business benefits.

Accenture's framework further illustrates the depth and breadth of integration required. To achieve sustainable value creation for shareholders and society, sustainability must be integrated throughout an organization's strategy and operating model—taking into account the six drivers of change and the enabling effects of innovations and technologies—as the adjacent model shows. True integration will require new tools, technologies, processes and metrics, as well as changes in human behavior, to align strategy and operations.

## Turning Sustainability into a Lever of High Performance



### Key Questions You Should Ask

#### Key Questions

How does sustainability affect our business and our industry now and in the future?

What are we doing—and what should we be doing?

How should we execute? What framework and tools do we need?

What does success look like? How do we measure and manage it?

#### Follow-up Questions

What are the material issues for our business, what do our stakeholders expect of us and how do we prioritize demands?

Where are we placing our sustainability investments? Are they the right amount? Are they worth it?

What new technologies, innovations and business models do we need?

What organizational capabilities and what individual skills, talent and leadership do we need?

Are initiatives aligned with each other and with the business as a whole?

How do we measure performance and make sure we stay on track?

What does competitive advantage look like—and how do we maintain it? What are our competitors doing?

# Integrating sustainability throughout your organization

Accenture sees sustainability as an engine to drive high-performance businesses and public sector organizations by:

- Focusing on business imperatives—growing new business, optimizing assets and protecting long-term business value.
- Creating value through appropriate levers—emissions reductions, materials safety, waste reduction, land sustainability, water use optimization, energy reduction and social value.
- Applying levers to core business areas—value chain, products and services, physical assets, operational execution and stakeholder influence.
- Guiding organization moves toward sustainability—through rigorous strategic analysis, program management, performance measurement and leadership.

We have found the most efficient and effective way to achieve these objectives is through the three building blocks of high performance:

- Market focus and position define the best business strategies on where and when to compete.
- Distinctive capabilities represent the hard-to-replicate capabilities that

define how businesses compete and create value. Accenture research has identified five areas of functional mastery: human and organizational performance, marketing and customer management, finance and performance management, supply chain management and information technology (IT).

- Performance anatomy represents the common mindsets relating to culture, leadership and the workforce that help companies out-execute their competition. Performance anatomy determines the mindset top management brings to such diverse areas as strategy, planning and financial control, leadership and people development, performance management and use of IT.

These building blocks are part of Accenture's research into High Performance Business, our groundbreaking and ongoing research program on the characteristics and practices that make organizations outperform their peers. By focusing on the right balance, alignment and renewal among the building blocks, organizations can develop a blueprint that creates business opportunities and lasting value from sustainability strategies.

## Market focus and position

Activities to integrate sustainability include stakeholder analysis, enhanced customer analytics and business intelligence, best practices for internal and external benchmarking, new product development, strategic portfolio management and considerations on how to win in both high-value and high-potential markets.

**Case in point:** When we worked with a national postal service to identify and define growth opportunities, we found three interrelated areas of commercial importance that provide significant opportunities to generate new profit in the mail, parcel and recycling markets. We also discovered opportunities to minimize emissions reduction costs and develop a profitable carbon trading capability.

Market focus and position enable you to consider such key questions as:

- Are our strategies aligned with strengths, and are they realizable? In particular, where are the opportunities for sustainable growth?
- Do we have the right governance structure to deal with changing environmental issues, public agencies and stakeholders?

- Are we in the right businesses for the future?
- Are we making the right investments in the right areas of our business? What is the right pace? The right level?
- Does a shareholder/stakeholder value perspective permeate our metrics and decision making?
- Are we at risk from a specific stakeholder's point of view? Do we systematically map and prioritize stakeholders and issues?
- Do we manage to multiple horizons or do we focus excessively on one time frame?

### Distinctive capabilities

Distinctive capabilities in sustainability allow you to manage and integrate stakeholder expectations across a social, economic and environmental agenda, either working alone or in partnership. They produce actionable insights, optimized supply chains, smart technologies, product life-cycle innovation and optimal customer segmentation.

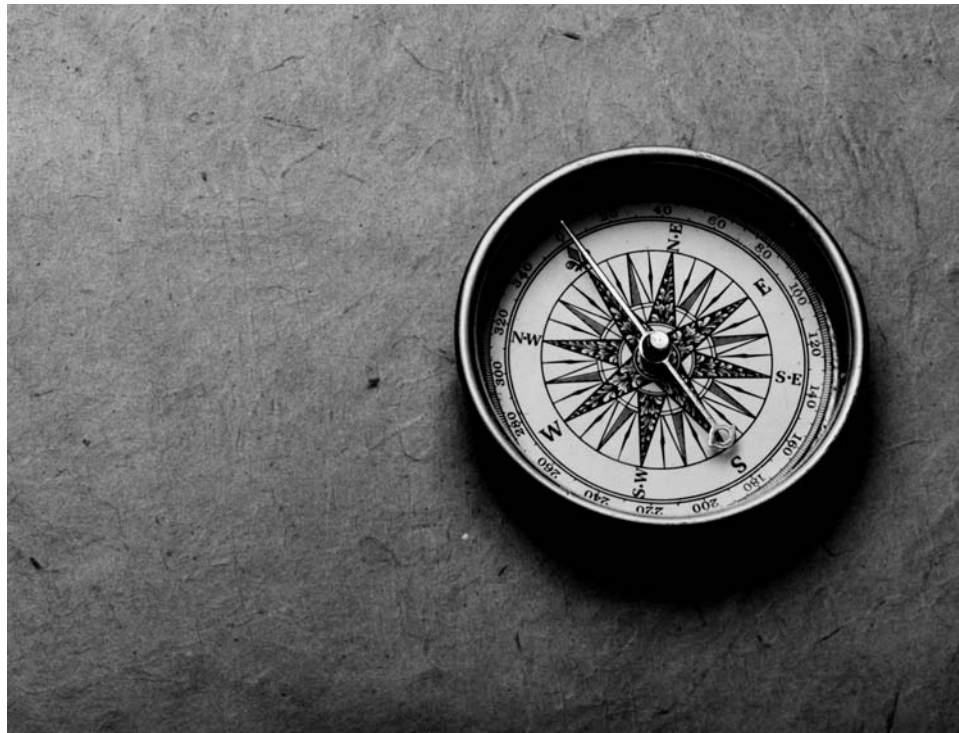
**Cases in point:** In the area of supply chain management, we are helping transform Unilever's logistics network in South Africa in a project expected to deliver significant reductions in the carbon footprint through network consolidation. Further analysis has been conducted on leading "green" initiatives for warehousing that are being considered as part of the new warehouse designs.

In the area of information technology, we are working with a digital television provider to reduce the environmental impact and improve the performance of its data centers.

Accenture Development Partnerships have worked extensively with the GSM Association Development Fund in a unique public-private collaboration to bring mobile telephony to remote and developing communities to improve voice and data access, health care and mobile money transfer. Projects have been completed in Nigeria, Kenya, Bangladesh, India, South Africa, Namibia, Rwanda, Pakistan, Uganda and Algeria.

Distinctive capabilities provoke action on such key questions as:

- Do we monitor external developments in the political, economic, social and technological arenas and act accordingly?



- Do we set, communicate and measure long-term sustainability goals that guide and motivate our actions and behaviors across all functions and processes?
- Do we measure and manage integrated performance? Do we track qualitative and quantitative key performance indicators and their impact on core business performance?
- Do we plan for multiple scenarios—and do we have the organizational capability to adapt to a changing business environment?

### Performance anatomy

Performance anatomy drives a flexible, scalable and integrated sustainability business model. It promotes long-term competitive advantage by multiplying talent and rewarding activities that support the organization's sustainability agenda. Above all, performance anatomy creates a culture of sustainability consciousness and strengthens new processes and activities. It helps executives support sustainability and communicate regularly on the progress they make.

**Case in point:** We are helping a large mining company develop a standardized, disclosed and globally accepted form of sustainability information based on guidelines of the Global Reporting Initiative. When the project is completed this year, the company will be able to provide the public, investors and internal stakeholders with a better assessment of its performance along environmental, social and economic parameters.

Importantly, the company will have solid performance metrics to provide insight into further actions it should take.

Performance anatomy inspires deep insights into such questions as:

- Do we have the right balance between making markets and executing effectively?
- Do we get more from our employees than our competitors get from theirs? Are our employees committed to delivering the discretionary effort that drives higher productivity? Are they personally engaged with our organization's strategy? Are we giving them the right training and development on sustainability to drive business performance?
- Do we use IT as a strategic weapon across the enterprise?
- Do we adequately balance intangibles that drive long-term success against financial measurement?
- Does our organization demonstrate the required agility in the face of uncertainty?
- Do we know—in real time—how we are performing against our targets?
- Do we have the operational data available to understand our challenges and opportunities in enough time to adjust for them?



# Deploying the High Performance Business model for the State of Florida

## Business challenge

In July 2007, Governor Charlie Crist directed his agencies to address the impact of climate change, which is expected to have significant impact on Florida and other coastal states. Crist also followed other US governors and mayors of major US cities in setting targets for carbon reduction.

## Market position (strategic response)

Accenture helped the client design and execute the governor's program in two areas: sustainable sourcing, and carbon footprint measurement and reduction. For sustainable sourcing, we designed a framework for the state to develop and maintain an environmentally preferred products list. In the area of carbon footprinting, we used a greenhouse gas (GHG) protocol to create an emissions baseline assessment for state agencies, focusing on facility and fleet operations.

## Distinctive capabilities and performance anatomy (operational response)

Accenture leveraged our supply chain distribution and project management skills to work with the state to identify organizational and operational boundaries, collect and validate data, track assumptions and calculate GHG emissions. We also developed a reporting format for the final baseline assessment. For the sustainable sourcing initiative, we used our strategic sourcing skills to research current product sustainability labels and standards and assess them for independence, verifiability, relevance and reasonableness to deploy. Then we coordinated the collection of vendor input on relevant labels and standards across all product categories. We also tracked the submission and approval of product sustainability labels and standards by the Florida Department of Environmental Protection to document their approval decision process.

## High performance delivered

State agencies were able to meet the governor's requirements with minimal resources despite aggressive deadlines. The central collection and management of baseline assessment emission activity data allowed agencies to spend time on data validation rather than data gathering. The team leveraged the centralized data to identify opportunities for agencies to reduce GHG emissions by looking at average fuel economy by vehicle class and alternative fuel vehicles as a percentage of total vehicles. Approved sustainability labels and standards and a list of environmentally preferred products were delivered in less than six weeks, using a process that provided transparency into the criteria for labeling and standards assessment. Enhancements to the eProcurement system also were designed and piloted within three months to encourage state agencies to purchase environmentally preferred products.



# Deploying the High Performance Business model for KLM Royal Dutch Airlines

## **Business challenge**

As the European parliament prepared legislation to include the aviation industry in the Emission Trading Scheme (ETS), KLM Royal Dutch Airlines faced a quandary. The legislation would cap allowed industry emissions in Europe and put an economic value on carbon dioxide (CO<sub>2</sub>) emissions. Because almost 80 percent of all industry CO<sub>2</sub> emissions are caused by intercontinental transportation, there is no clear alternative to flying.

## **Market position (strategic response)**

Accenture helped KLM assess the potential financial impact of introducing aviation into ETS, dealing with possible legislative scenarios and uncertainties. We identified the company's major CO<sub>2</sub> drivers and developed a framework that will be used to manage the carbon agenda. This framework covers all CO<sub>2</sub> reduction initiatives, as well as performance management and offsetting

(both through Voluntary Emissions Rights and emissions trading). To ensure that the carbon agenda was integrated into the heart of the organization, we worked with KLM to introduce the value of CO<sub>2</sub> into all fuel-related decisions. Finally, we assisted the airline in its procurement of emissions rights to compensate for customer offsetting through the company's recently launched CO<sub>2</sub> offsetting program.

## **Distinctive capabilities and performance anatomy (operational response)**

Accenture leveraged its airline and sustainability skills and experience to work with KLM to develop the CO<sub>2</sub> framework. Our work encompassed the company's public affairs team in Brussels to ensure optimal understanding of the legislative process and its progress. We also collaborated with the airline's fleet development, network planning, flight operations and fuel strategy functions

to cover all areas affected by the CO<sub>2</sub> agenda.

## **High performance delivered**

We helped increase KLM's awareness of the impact of ETS and changed the attitude of senior management on the necessity to act. A mid-term (five- to 10-year) framework identifies the major drivers of CO<sub>2</sub> reduction and gives the airline a clear vision of how to set up, run and govern the CO<sub>2</sub> program. Based on our work, KLM significantly raised its ambition to explore new opportunities to develop aviation biofuels. Finally, we also provided recommendations on immediate steps to take, including feasibility studies on which capabilities to develop, such as carbon trading and gaining access to biofuels and related technologies.



# Achieving high performance through sustainability

There is no doubt that sustainability can and will drive dynamic change for industries and companies. In France, more than eight in 10 companies consider sustainable development to be a differentiating factor and believe their customers will demand new sustainable products and services. Most respondents also expect an increase in customer expectations over the next three years.<sup>10</sup>

The market shifts that make sustainability a pressing issue today will continue to evolve. They require companies to address sustainability's most immediate demands and also develop the ability to enable additional change as new sustainability-driven market shifts emerge.

To achieve high performance in the short term, companies must understand their existing risks, competencies and opportunities across their supply and value chains. They must consider strategic options and develop new competencies to move from strategy to execution.

Creating high performance for the long term will require more than new processes or technologies or regulatory compliance. It will entail new strategies and a transformation of organizational structure, culture and behavior to thrive, not just survive, in a complex and fast-changing landscape.

Future sustainability leaders will align their strategies and operating models and the drivers of internal performance with the key building blocks of high performance. They will recognize that the way they create value is changing, and they will redefine what value means for their company and their industry.

The imperative is daunting, but the prize is worth it: the opportunity to integrate sustainability into a repeatable formula for high performance, competitive advantage and value creation that benefits both shareholders and society at large.

<sup>10</sup> The Economic and Financial Stakes of Sustainable Development: an Exclusive Study with French Companies, Accenture 2008.

The authors thank Rebecca Sternberg and Jonathan Burton for their insights and contributions to this article.

## About Accenture Sustainability Practice

We help organizations achieve substantial improvement in their performance through integrated programs that maximize the positive and minimize the negative effects on social, environmental and economic issues and stakeholders. We see sustainability both as a commercial opportunity and as an extension of our stewardship role in supporting global business and societies. We work with clients across industries and geographies to integrate sustainability approaches into their business strategies, operating models and critical processes. Our holistic approach encompasses strategy, design and execution to increase revenue, reduce cost, manage risk and enhance brand, reputation and intangible assets. We also help clients develop deep insights on sustainability issues based on our ongoing investments in research, including recent studies on consumer expectations and global executive opinion on climate change.

[sustainability@accenture.com](mailto:sustainability@accenture.com)

[www.accenture.com/sustainability](http://www.accenture.com/sustainability)

## To learn more about the Accenture Sustainability Practice, please contact:

### **Bruno Berthon** Sustainability Practice Lead Global and Asia/Pacific

Bruno Berthon, based in Paris, has worked with the top management of multinationals across several industries, including consumer goods, retail, telecommunications and media, on their transformation agenda. Over the last 14 years, he has specialized in helping organizations address the challenges of globalization, large-scale operating model change and innovation. As the global lead of the sustainability practice, Mr. Berthon's expertise lies in helping multinational clients evaluate business opportunities related to climate change and sustainability challenges across sectors. He was previously Accenture's strategy Practice Lead for the Gallia region (Belgium, France, Luxembourg and the Netherlands) and also led Accenture's Business Launch Center focusing on Internet-related activities. Mr. Berthon started his career with the French multinational Pechiney, where he worked in a number of management positions in the packaging division, including general management for its operations in Central and Eastern Europe.

### **Jim Grimsley** Sustainability Practice Lead North America

Jim Grimsley, based in Houston, Texas, has significant experience in large-scale change efforts as the result of leading a number of successful reengineering and transformation projects. Prior to his current role, he was the global managing partner for upstream in Accenture's energy industry group. Mr. Grimsley's consulting background encompasses a broad range of leadership experiences, including major merger integration efforts in the energy industry as well as several significant supply chain projects. Before joining Accenture, he was a vice president at CSC Index and also worked at Amoco in numerous management roles.

### **Peter Lacy** Sustainability Practice Lead Europe, Africa and Latin America

Peter Lacy, based in London, has worked with the top management of a range of *Fortune* 500 companies, the United Nations, European Union and public sector organizations on sustainability strategy, policy and delivery. He was formerly the executive director of the European Academy of Business in Society, a leading global alliance on research and executive development, and a Senior Advisor on business in society to another top strategy consultancy. Mr. Lacy has led several of the world's largest research programs and projects on business and sustainability and speaks regularly on the topic. He sits on numerous boards and advisory councils.

### **David Abood** Executive Director Resources Climate Change Practice

David Abood, based in Cleveland, Ohio, has 18 years' experience leading business and technology change initiatives from strategy through solution design, planning and implementation. In his current role, he works with clients in a wide range of industries, as well as with government agencies, to understand and address the business opportunities and risks associated with climate change across Accenture's span of capabilities. Mr. Abood plays a lead role in incubating several of Accenture's new business initiatives related to climate change, and provides counsel to a number of non-profit organizations in this area. He is also deeply involved in Accenture's internal sustainability initiatives focused on corporate citizenship and employee engagement.

## About Accenture

Accenture is a global management consulting, technology services and outsourcing company. 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. With more than 178,000 people in 49 countries, the company generated net revenues of US\$19.70 billion for the fiscal year ended Aug. 31, 2007. Its home page is [www.accenture.com](http://www.accenture.com).

Copyright © 2008 Accenture  
All rights reserved.

Accenture, its logo, and  
High Performance Delivered  
are trademarks of Accenture.



Printed on Revive Uncoated  
100% recycled paper.



1 2 4 5 7 8 0 8