accenture

consulting | technology | outsourcing

Organizing for Success on Sustainability

How to build an operating model combining strategy and structure

High performance. Delivered.

Executive summary

While many chief executive officers of leading companies are now setting ambitious sustainability strategies and targets for their businesses, their teams are often unclear about how to organize for success. What is the right structure to ensure high performance? What approach allows the best exchange of knowledge? How do you arrange this across complex, matrix organizational structures? Is a dedicated practice better than embedding this across the business, or is another approach better?

Few of these answers are clear to executives today. But the reality is that without the right structures and operating models for sustainability, the prospects for success are far lower.

Inevitably, there is no one-size-fits-all model. Businesses have different drivers for sustainability and will need to structure themselves accordingly: the challenge is to organize the sustainability function for an optimal fit with the company's strategy and existing business model.

In broad terms, the aim should be for a holistic approach to sustainability, with a joined up structure that operates across the organization. Integration is needed across customer segments, geographies, business functions, product and revenue models.

From there, mature businesses can move towards self-governance, rather than a rules-based approach policed by a central sustainability team. This will require sustainability to be embedded throughout the organization as an integral part of its corporate culture.

But once sustainability is embedded across the business, the natural instinct might be to dispense with the central team. However, as this report argues, this scenario should not be regarded as an end-point as continuous improvement is key: when no-one has a designated responsibility for sustainability the model may steadily slip from view and the business's consciousness.

Sustainability and Business Strategies

Businesses are increasingly looking to build sustainability plans that are closely integrated with their core strategies. Their objectives may differ—from exploiting new revenue and growth opportunities, to brand protection, operational efficiency, or risk management—and their operating structures may vary accordingly. Different drivers will, for example, require different leadership and governance solutions, as well as different sustainability models.

We have found that there are seven key capabilities of high performing sustainability functions:

Coordination with corporate strategy

The organization can begin by aligning the sustainability strategy of the business with its corporate strategy, taking account of the long-term trends and growth opportunities identified. Sustainability experts should have access to the business's strategic planners and have influence at board level. One good example is Unilever's Sustainable Living Plan, which combines corporate and sustainability strategy and is based on the business case for sustainability.[1]

Connection to customers

Sustainability experts are generally key contributors as the business designs and rolls out its products and services, building the case for sustainability in each instance. Those with responsibility for sustainability will need to have sufficient authority to fight their corner, even if more junior staff take up the work once the business case is established. Wal-Mart's Sustainable Value Networks bring together employees from all levels, including the c-suite, with suppliers, NGOs, and academics, and succeeds in making sustainability the responsibility of all stakeholders. This allows the continuous identification of efficiency savings across the business.[2]

Collaboration with business functions

Sustainability works best when embedded into every function in the company—not just market-facing divisions. The aim should be for consistency across every department so that information technology, finance and human resources, say, adopt policies that reflect the same corporate sustainability objectives as marketing and production. This may require collaboration and extensive training throughout the organization, and a close working relationship with sustainability teams—with designated partners, for example—during the transition process. At Natura, for example, the sustainability team works closely with the finance department to enhance the triple bottom line accounting methodology and to integrate this approach across the business.[3]

Change management

Exploring sustainability opportunities often requires a business to go beyond the usual investment criteria applied to potential new projects—in which case, new mechanisms will be required to help business functions build a business case. Sustainability teams can support the development of such mechanisms. At Marks & Spencer, for instance, business units are able to bid for finance from a central innovation fund when they build the case for new sustainability projects.[4]

Centre of excellence

As a centre of excellence, the sustainability team can offer a valuable pool of expertise while raising the profile of sustainability across the business. But it should also strive to share that knowledge so that other functions and departments can begin to build their own sustainability objectives and initiatives whilst supporting innovation. This will help to enable the business to scale its sustainability strategy much more quickly and to embed sustainability into the company's culture. Some businesses that have done so have benefited from a 24 percent increase in effectiveness according to research from the Institute of Supply Management.[5]

Consideration for the future

Strategic sustainability imperatives may alter over time in response to change both within the business and beyond. The sustainability team needs to be able to anticipate these trends in order to avoid locking the business today into a course of action that ultimately proves unsustainable. The key is to recognize the fluid environment and to develop response plans that improve risk management and help to build a long-term business case for sustainability. For example, in the case of one retailer, strategic sustainability is affecting its real estate strategy because an out-of-town store location that delivers high footfall with today's petrol prices may become less viable as those prices increase over the next 15 years.

Communication of performance

With a sustainability strategy in place, the business needs to ensure metrics are consistent with the strategy, and are targeted to enable and evaluate performance of individual functions. The sustainability team may also want robust reporting processes in place in order for the business to collect the right data at the right time so that it can respond where action is needed. One diversified mining company assesses which metrics are relevant to each business unit and reviews sustainability performance on an annual basis. Consistent consolidated monthly reports are received at board level.

As they build these seven capabilities, businesses may also need to construct systems capable of supporting delivery. This requires clear leadership and governance on sustainability, as well as work on budgets, targets and incentives.

The leadership issue is vital – companies with leading sustainability performance have top-level support built into their operating models. Indeed, whether the sustainability team is represented on the board is a good indicator of how integral to the company sustainability really is. At companies such as Unilever and Natura, sustainability is sponsored by the chief executive officer, with execution championed and led by a fellow member of the c-suite, often a director with other functional responsibilities, but increasingly falling to a dedicated board-level chief sustainability officer.[6, 7]

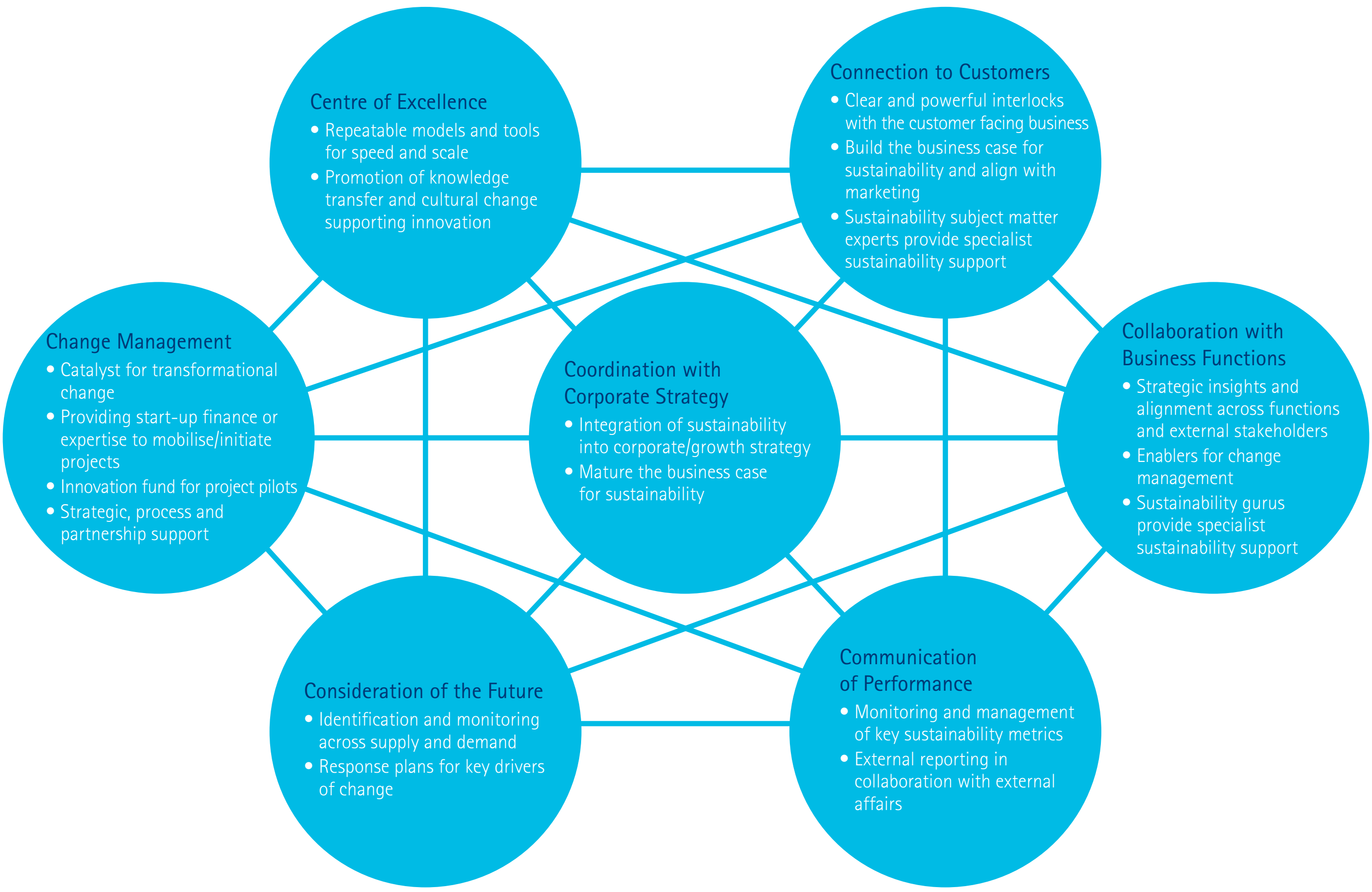
In addition, sustainability steering committees that bring together the company's business unit leaders on a regular basis can be a valuable forum for decision making at a senior level, as well as strategic alignment, co-ordination and knowledge sharing.

There is also a role for external advisers—from academics to non-government organizations to government representatives to other business leaders—who can audit the company's performance on sustainability and challenge its corporate direction. Wal-Mart, for example, maintains Sustainable Value Networks that bring together supplier companies, academia, government and non-government organizations to explore sustainability challenges and develop solutions.[8]

Central sustainability teams typically control small budgets, with investments in projects generally coming from the business units responsible. But it is necessary to find methods for accounting for sustainability in the decision-making process. That may simply mean using traditional accounting techniques or it could require a model that formally quantifies social, economic and environmental benefits. Puma, the sportwear and apparel company, has taken a leading approach here: it has developed an enterprise and supply chain-wide view of its environmental impacts in monetary terms, which can be taken into account strategically and embedded into the business decision making processes.[9]

Sustainability leaders will also need to set clear targets for their reports and build sustainability-linked incentives into performance and compensation plans. Natura is a prime example, having decided that sustainability is core to the way in which it operates; it is present within the company's vision, value and business strategy, embedded across operations in the value chain, and success is measured using what Natura calls the "Triple Bottom-line Principle". In addition, individuals' remuneration packages feature rewards for performance against financial and non-financial targets on a balanced scorecard, which comprises corporate, unit-specific and individual targets.[10]

Figure 1: The seven capabilities of successful sustainability

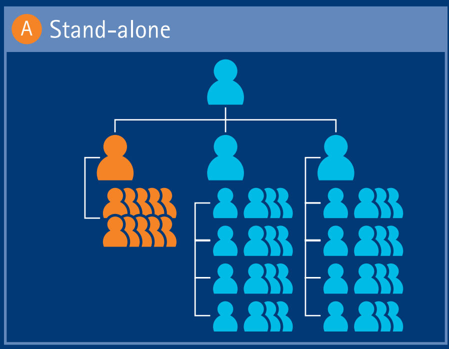


Building sustainability enabled organizational strategy

Structural models

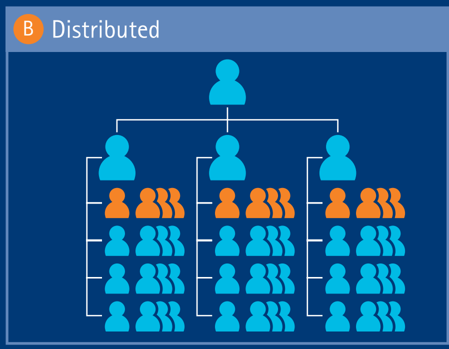
Accenture's research and work with clients suggest that generally companies have adopted one of four different structural models as they implement their strategic visions for sustainability. That is not to say every company fits neatly into one of these models – businesses pick and choose features to suit their needs, but there are stand-out ways of operating.

It is also noticeable that organizations with strong performance on sustainability tend to have short reporting lines between the sustainability team and the board. This facilitates more frequent reporting and engagement at senior levels.



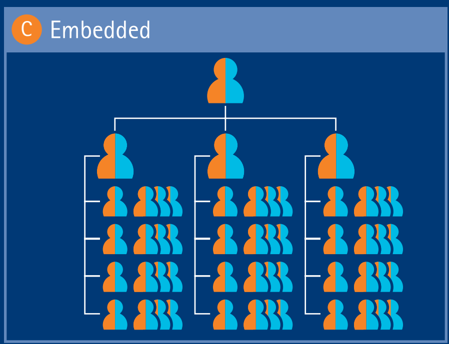
The Standalone Model

In this structure, sustainability is a separate and high profile team that has direct reporting lines to the chief executive officer. A central team sets strategy, monitors progress against the business's objectives and manages implementation projects across the company. The team sets standards, policies and procedures that can be rolled out across the business – this also facilitates performance measurement. This is a highly structured formal system that is typically found in organizations seeking to drive revenue and innovation.



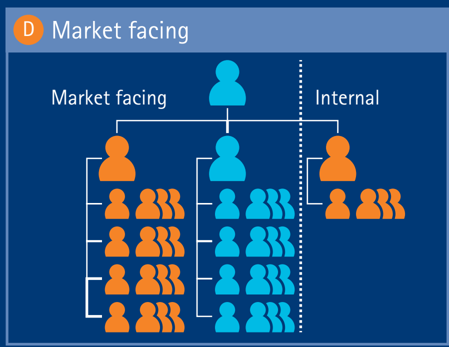
The Distributed Model

This is a devolved model where each business unit has a sustainability 'team' that acts with autonomy. It is more common in organizations with lots of different product categories or distinctive business units as it allows for tailored activities and strategies based on particular needs and challenges. For reporting purposes, there is generally a dotted line to a 'micro' sustainability team centrally – perhaps just one or two people– with close adherence to standards and targets set centrally in order to co-ordinate activities and performance management. There may be difficulties around knowledge sharing and agreeing common priorities, systems and objectives.



The Embedded Model

In this case, sustainability is part of everyone's job description, and there is no central hub at business or corporate level. Every decision maker is therefore required to build sustainability into every consideration and the whole organization is united around a common goal. With coherent frameworks and a strong culture, it is possible to make long-term choices that do not conform to typical investment decisions. However, this structure calls for clear objectives that will set out how sustainability fits with other imperatives, as well as clear and agreed standards. Without these objectives and standards, there is a danger that sustainability will become marginalized and that sustainability efforts across the business will be poorly coordinated.



The Market Facing Model

Here, sustainability is driven by products and services. The responsibility divides between 'market facing' sustainability, which is focused on developing innovative approaches to sustainable challenges, and internal sustainability focused on compliance. Typically, sustainability reports in hierarchical lines that run up to the board, which allows the company to judge potential investments in a sustainable portfolio alongside other products and sizable investments that are also in development. The model is unique in its ability to completely transform an entire product portfolio into something more sustainable, but sustainability in other parts of the business may have to take a back seat.

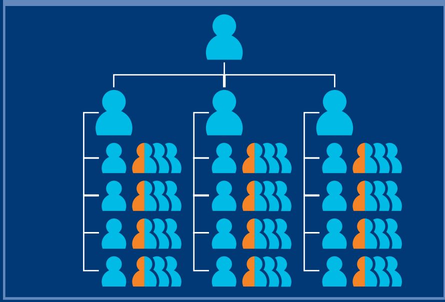
Delivery models

Central sustainability teams vary in size, though not necessarily in proportion to the size of the organization. At consumer goods companies, for example, a team of around 20 people is typical, whereas five to 10 team members is more typical in other sectors.

Those employees may not all be staff with backgrounds in environmental or corporate social responsibility work – an increasing trend is to build sustainability teams that recruit people from across the business and who therefore have a thorough understanding of its challenges and strategies. This may make it easier to get support and buy-in at senior levels for key sustainability policies and projects.

Central sustainability teams tend to work with the rest of the business in two ways in order to deliver and embed sustainability.

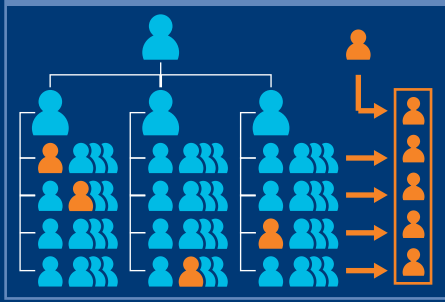
Champions



Champions Delivery

This requires the business to nominate staff members in each unit or function who act as champions, taking on responsibility for sustainability in addition to their existing day jobs. These champions put forward ideas for innovation and apply for support and funding for sustainability initiatives. They continue to report into their existing business units and one risk is that they lack the seniority to have a significant impact on investment and strategy decisions.

Teaming



Team Delivery

In this model, project teams support central sustainability committees comprised of employees from across the business on specific sustainability issues. The combination of sustainability and business knowledge can deliver innovative solutions to complex sustainability issues and the model can be scaled across the business rapidly. But this solution may not produce lasting change, since employees beyond the sustainability team continue to feel the issue is not a core responsibility for them and will be dealt with by others.

The journey towards the sustainable organization

If organizations are really serious about integrating sustainability into the way they do business, it's crucial that it becomes an intrinsic part of the operating culture.

As Figure 2 suggests that adopting the standalone model is the easiest way to begin the journey, and provides a building block for the future. However it will not deliver the greatest transformational power.

The task of a centralized sustainability team is to help ensure the company's approach to sustainability is joined up across all its functions, departments and units. The central team may not be a permanent fixture, especially in its original form. But initially at least, its role may be to build and reinforce the business case for sustainability across the organization. It can begin to facilitate change and take responsibility for coordinating sustainability activities throughout the business.

That's not to say transformational projects should be the preserve of the core sustainability team. Part of its challenge may be to equip other business functions with the skills and knowledge to drive their own sustainability initiatives – through the provision of reusable tools and frameworks, for example.

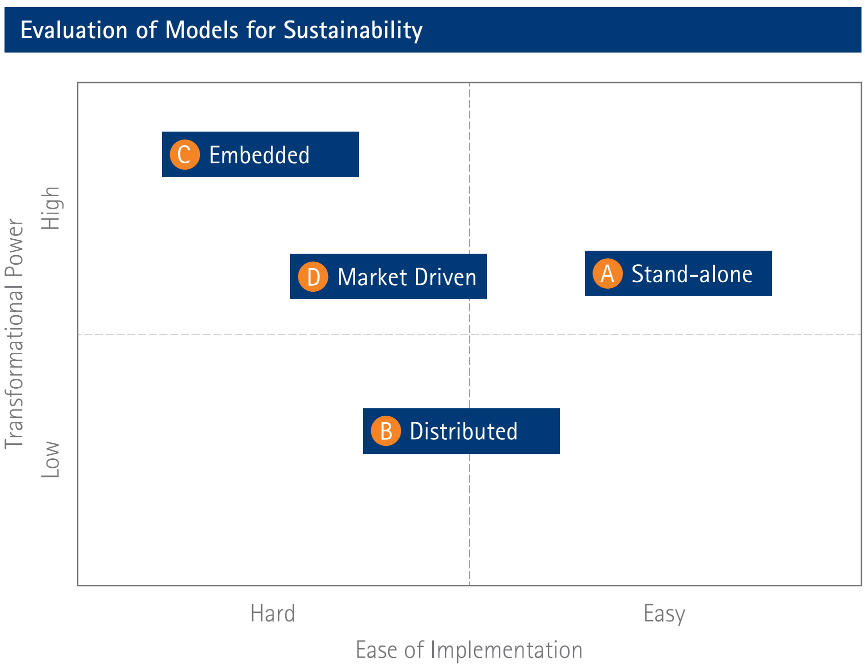
Sustainability champions at every level of the company will also need the authority to drive through the delivery of initiatives. Without time, budget and backing from senior executives, their projects risk being constrained.

As the momentum for sustainability builds, organizations will investigate new ideas and develop new processes for delivering projects and measuring their results. Crucially, there will be lessons to be learned on each occasion and organizations must strive not to rigidly repeat the same ideas in the new operating model.

Over time, the journey towards a company organized for sustainability should see the culture of the business change steadily. At the outset, the inclination will be to consider sustainability only in instances where the outcomes are obvious. The goal is for sustainability to become an automatic part of the day-to-day decision making of all staff. At this stage, the embedded model has become a reality.

Once that goal has been realized, the role of the central sustainability team is likely to change, but it will nonetheless remain an integral part of the organization. Its focus will shift towards strategic management and oversight, while continuing to provide specialist expertise and to respond to new challenges.

Figure 2: Four models for sustainability



Key Observations

- The stand-alone model structure is straightforward, and provides a strong platform to drive change.
- The distributed model is good in responding to local issues, but can present governance challenges and be unwieldy when driving organizational change.
- The market driven model 'lets the market decide' with transformation led by customer choice.
- The embedded model challenges each decision-maker to build in sustainability values in every act they perform and unites individuals around a common goal.

Mapping your progress

In practice, organizations are at very different stages of organizing for sustainability. Few businesses have reached their destination and are driving innovation and transformation.

Progress checks should be a regular part of the journey, but the answers to five key questions will give sustainability leaders a good idea of where they are now – and where they still need to aim for:

- Are you currently able to assess the value your sustainability capability creates for the business?
- Does your sustainability capability integrate with your existing strategy and business model while responding to customer requirements?
- Is your sustainability capability highly visible and does it benefit from senior support across the organization?
- Is your sustainability capability a catalyst for cultural change?
- Is sustainability integrated and aligned with the value chain in every unit and geography of the organization? If not, do you know where the unsolved issues still lie?

Only a small minority of organizations will be able to answer yes to all questions. The challenge now is to identify the practical steps of how to move forward.

References

1. Unilever, Our Approach to Sustainability, Retrieved July 2012, http://www.unilever.co.uk/sustainable-living/

2. Wal-Mart, Our Company, Retrieved July 2012, http://www.walmartstores.com/sites/responsibility-report/2012/default.aspx

3. Interview with Fernando Chaddad, Senior Manager, Accenture, July 2012 and Innovation in Well-Being—the Creation of Sustainable Value at Natura, Luciana Hashiba, Retrieved July 2012, http://www.managementexchange.com/story/innovation-in-well-being

4. Interview with Richard Gillies, Director of Plan A, CSR & Sustainable Business, M&S, 20 July 2012 and Marks and Spencer How We Do Business Report 2012, Retrieved July 2012, http://corporate.marksandspencer.com/documents/publications/2010/planacommitments2010

5. If Sustainability Costs You More, You're Doing it Wrong, Richard Crespin, Retrieved August 2012, http://www.forbes.com/sites/csr/2012/08/13/if-sustainability-costs-you-more-youre-doing-it-wrong/

6. Unilever, Our approach to Sustainability, Retrieved July 2012, http://www.unilever.co.uk/sustainable-living/

7. Natura, Report #11, Retrieved July 2012, http://natura.infoinvest.com.br/enu/4036/RelatorioAnual_2011_completo_gri_ingl.pdf

8. Wal-Mart, Our Company, Retrieved July 2012, http://www.walmartstores.com/sites/responsibility-report/2012/default.aspx

9. PUMA's Environmental Profit and Loss Account for the year ended 31 December 2010, http://about.puma.com/wp-content/themes/aboutPUMA_theme/financial-report/pdf/EPL080212final.pdf

10. Innovation in Well-Being—the Creation of Sustainable Value at Natura, Luciana Hashiba, Retrieved July 2012, http://www.managementexchange.com/story/innovation-in-well-being

Authors

Peter Lacy is a managing director leading Accenture's Strategy and Sustainability Practice in Asia Pacific.

Robert McNamara is a managing director leading Accenture's Sustainability Services practice in North America.

Melissa Barrett is a senior manager in Accenture's Sustainability Services practice.

Quentin Drewell is a manager in Accenture's Sustainability Services Practice.

Acknowledgements

We would like to thank:

Abhijit Ahluwalia
Senior Manager
Accenture's Strategy Practice

About Accenture

Accenture is a global management consulting, technology services and outsourcing company, with approximately 275,000 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$28.6 billion for the fiscal year ended Aug. 31, 2013. Its home page is www.accenture.com.

About Accenture Sustainability Services

Accenture Sustainability Services helps organizations achieve substantial improvement in performance and value for their stakeholders. We help clients leverage their assets and capabilities to drive innovation and profitable growth, while striving for a positive economic, environmental and social impact. 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 into sustainability issues based on our ongoing investments in research, including recent studies on consumer expectations and global executive opinion on corporate sustainability and climate change.

To find out more about how Accenture can help you meet your sustainability imperatives and chart a course toward high performance, visit www.accenture.com/sustainability. Please also join our on-going conversation about sustainability, business and policy by following us on Twitter @ActSustainably and on Facebook at www.facebook.com/accenturesustainabilityservices.

This document makes reference to trademarks that may be owned by others. The use of such trademarks herein is not an assertion of ownership of such trademarks by Accenture and is not intended to represent or imply the existence of an association between Accenture and the lawful owners of such trademarks.

Copyright © 2013 Accenture
All rights reserved.

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

13-2832