A Vision of What Sustainability Means to Your Organization

Having a vision of sustainability means seeing how the corporate world—and your industry and company in particular—works within the larger social and natural world. This is big-picture thinking: How is the world enriched or diminished by your products or services? What are your major impacts on society, and how does your overall business strategy reflect those impacts? How are stakeholders included in your decision making, and how are the costs and benefits of what you do shared among them? How do you take into account the needs of society and of future generations? Leaders of sustainable businesses will be able to answer questions like these.

Many companies find it useful to articulate a sustainability vision or mission, often summarized in a sentence or two. DuPont’s is “creating shareholder and societal value, while reducing our footprint throughout the value chain”; PepsiCo’s is to “continually improve all aspects of the world in which we operate—environmental, social, economic—creating a better tomorrow than today.”

It’s valuable to put your vision down on paper. A brief, well-crafted statement creates clarity and provides employees and stakeholders with a set of broadly stated principles against which our efforts can be measured and that can be used to develop more specific guidelines, including your strategy, goals, and key performance indicators.

But a sustainability vision is more than catchy words. It requires you to see how to incorporate an emphasis on environmental, social, and economic prosperity into every decision made throughout the organization, to think about how it takes hold at the operating level. Having a vision means constantly seeking answers to questions like these: What resources does your business take from the environment? How are those resources replenished? What are the biggest economic and social issues you face? How do you interact with the community?

It may sound as if this is advocating that businesspeople become part-time philosophers. In a way, this is true. We are living in a time of transition. An older vision of business, in which financial performance is seen as the only way to evaluate your actions, is being exposed as inadequate to the demands of an interdependent world.
and, in the long run, self-defeating. A new vision, still in its formative stages, is taking hold, and no consensus has yet emerged on many of the important details. Under these circumstances, upper- and mid-level managers who aspire to leadership roles in business must be part-time philosophers, even visionaries. Along with all their other roles (as strategists, managers, marketers, financiers, psychologists, product designers, and so on), executives today must take the time to think hard about the social, economic, political, environmental, and cultural transformation that business is undergoing and to decide how they and their companies will participate. If they don’t, they will misunderstand or be blindsided by some of the most powerful trends and changes affecting their industry, their business, and their job. As a result, they may lose control of their company or find themselves left behind in new marketplaces, where the terms of competition are quite different than in the past.

The development of your firm’s sustainability vision is a key component of a Sustainability Management System. The following reviews the elements of a Sustainability Management System, to provide a framework for you as you build out your sustainability vision and strategy.

**Key Components of a Sustainability Management System**

Seven key elements form the basis of a sustainability management system. To show how the elements relate to each other, two examples are given that flow, from a single vision, through the system.

**Vision** How you see business, your industry, and your company in terms of the challenges associated with environmental, social, and economic issues. *Example:* “Our vision is to increase shareholder and societal value while decreasing our environmental footprint.”

**Strategy** A plan of action that puts your vision into effect. *Example 1:* Creating new products that will sell well and biodegrade. *Example 2:* Reducing the amount of energy and water used in manufacturing.

**Goals** Specific aspirations or targets related to the strategy. Most useful when designated to be achieved by a certain date. *Example 1:* By the end of the year, develop a new biodegradable plastic with specific characteristics. *Example 2:* Conduct a global assessment of current water and energy use and identify opportunities for efficiencies within eighteen months.

**Procedures and protocols** Procedures that prescribe behavior designed to achieve the goals. Most useful when written down, well understood, and endorsed by affected employees. *Example 1:* Include the development of the new polymer in the annual performance objectives (that is, the incentive plan) of the head of R&D. *Example 2:* Establish procedures that require employees to shut off the lights before leaving work.

**Key performance indicators (KPIs)** Measures or mileage markers that indicate whether procedures are actually working to help the company meet its goals. *Example 1:* Has the new polymer been designed and tested for biodegradability? *Example 2:* Have incentives been created to encourage waste reduction and energy savings at the plant level?
Measurement and reporting  Specific ways to account for or measure performance against the goals. Measurement, *Example* 1: Indicia of biodegradability: for example, new polymer biodegrades when landfilled. Measurement, *Example* 2: Indicia of resource conservation: company is now using 6 percent less energy and 9 percent less water per employee. Internal reporting, *Example* 1: Provide monthly progress report on polymer creation to vice president for corporate strategy and sales. Internal reporting, *Example* 2: Plants provide monthly reports on water and energy usage and related costs, in standard format, to environmental department and office of the CFO. External reporting, Examples 1 and 2: Use Global Reporting Indicators, including the following: 1.1, vision and strategy; 2.9, holder engagement; 3.16, initiatives to improve product design to minimize negative impacts associated with manufacturing, use, and final disposal; 3.19, programs related to environmental performance; EN14, significant environmental impacts of principal products; EN3 and EN4, energy use; EN5, total waste use. (See GRI at www.globalreporting.org for further detail on these indicators.)

Stakeholder engagement  Interaction with stakeholders that influences the decisions and behavior of the company, from vision to measurement and reporting. *Example* 1: Meet with environmentalists, regulators, and end users to ensure that that new plastic will actually be discarded in such a way that it will biodegrade. *Example* 2: Work with the community to understand the impact of plant water usage on surrounding community.

Key Action Steps in Developing a Sustainability Management System

The following is a framework for assessment, design, and implementation of a sustainability management system.

1. Self-assessment
   *Remember:* When doing your due diligence on where your company stands, make sure you look at sources outside the company and at what key stakeholders are saying.
   A. Look at your company’s reports.
      - Are they balanced? (That is, do they contain positive and negative information?)
      - Are they based on data and objective information?
      - Are they comprehensive? (Do they “tell the whole story?”)
      - Do they set forth specific goals, targets, and KPIs?
      - Do they provide measures and assessment of progress?
      - Do they include or incorporate feedback from stakeholders?
   B. Look at how your company operates.
      Does your company
      - Generally comply with laws and regulations and respect the role of regulators?
      - Have positive relations with the communities in which it operates?
      - Extend its analysis of impacts to include its value chain (from suppliers to customers)?
      - Have a good record on labor and human rights issues?
      - Have a positive relationship with employees?
      - Have minimization or optimization programs for environmental, social, or economic impacts?
• Have a good record on environmental protection?
• Consider social and environmental issues before taking major actions and work to minimize adverse impacts and maximize positive ones?

C. Understand the nature of your company's business.
• What are the primary environmental, social, and economic impacts?
• What are their secondary impacts? (In other words, what are the company's side effects?)
• Does the company serve any protected or vulnerable customers, operate in environmentally sensitive areas, or deal directly with any critical social issues?
• What specific industry issues is your company facing?

Consider: Organize the findings in a way that is most useful to you in terms of future actions. As you look at where the company stands, it might be useful to identify the organization's strengths, weaknesses, risks, and opportunities as a way of gaining further insight into the design and implementation of your programs.

2. Strategy
Remember: You can develop a sustainability strategy at any level of the organization, from corporate headquarters to departments to plants and offices. Make sure you understand the organization's business objectives and how your part of the organization supports those. Then see if there is a way to contribute to those objectives by incorporating an approach to environmental, social, or economic issues.
A. Analyze strengths—for example, skill sets, material resources, cultural advantages, and stakeholder connections.
B. Analyze weaknesses—for example, missing skills, resource depletions, cultural blind spots, and poor or nonexistent stakeholder relationships.
C. Review and develop possible strategies based on strengths and weaknesses.
• Grab for low fruit:
  Identify customer needs.
  Differentiate from your competitors.
  Leverage your position.
  Anticipate future trends.
  Start with your current skill set and knowledge base.
• Search for the “sweet spot”:
  Look for overlaps with sustainability considerations.
  Minimize adverse impacts ("be less bad"): identify processes that create waste; look for arena of stakeholder conflict; compare your impacts with those of other companies or of the industry.
  Optimize positive impacts ("be more good"): push or build from minimization efforts; develop new products or service ideas to help; look for new markets "in plain sight."

Consider: Focus on the best three ideas you have and try to create projects by coordinating with other departments that would need to be involved. Make sure you emphasize the “wins” for that department in terms of its existing objectives.

3. Launching your program (goals, procedures, and KPIs)
Remember: Before establishing goals, procedures, and KPIs, look at the GRI guidelines and other reporting frameworks (for example, those of your competitors
and in your industry). Also consider education and training on new goals procedures, and KPIs.

A. Set goals.
- Begin with existing business goals.
- Identify possible environmental, social, and economic goals: Are they reasonable and achievable, clear and understandable, internally consistent and consistent with business goals?

B. Establish procedures.
- Ask, What departments, business units, and facilities must participate to achieve the goals?
- Write simple paragraphs in plain language that describe what needs to happen in order to reach the goals. Use these to identify needed procedures.
- Identify existing procedures into which new procedures can be embedded, or write new procedures that contain the required language.

C. Develop KPIs.
- Identify and clearly define all key terms used to describe goals.
- Identify ways to measure progress toward each goal (consider leading and lagging indicators).
- Strive to define all KPIs in terms of a number.
- For non-numerical KPIs, look for objective descriptors.

Consider: Make sure that your goals, procedures, and KPIs tie together and form a cohesive framework: goals should suggest procedures, which should suggest KPIs, which measure progress toward achieving the goals.

4. Organization and resources

Remember: Organize your effort in a way that works best for your company or department. Benchmark your competitors or look at how other successful initiatives have been organized within your company.

A. Review your options.
- Assemble a task force to initiate, coordinate?
- Find or appoint one or more sustainability champions to drive?
- Establish a sustainability department?
- Create a virtual sustainability department?
- “Piggy-back” on existing department(s) (for example, environmental or community relations)?

Consider: You will need two additional resources—funding and technical. Minimization programs (for example, water and energy conservation) can produce immediate savings, which can be used to support other programs with more long-term payback. Think about leveraging existing technical expertise when you choose what programs to develop.

5. Stakeholder engagement

Remember: Stakeholder engagement is the key to finding and staying on the sustainable path. Even if you could do everything “right” without it, engaging your stakeholders is an indispensable element of “doing business in an interdependent world.”

A. Understand your current level of engagement with stakeholders (listed here from best to worst).
   - Does your company
   - Engage in ongoing partnership?
• Engage in project-specific partnership?
• Engage in open, two-way dialogue?
• Listen actively?
• Listen passively?
• Refuse to listen (you talk, they listen)?
• React?
• Ignore?
• Antagonize?

B. Understand your current attitude and approach to stakeholder engagement. Is it
• Systematic engagement or ad hoc?
• Proactive or reactive?
• Long-term or short-term in its perspective?
• Trusting or suspicious?

C. Map your stakeholders.
• Conduct a target analysis: Who are our stakeholders?
• Create an impact chart: What issues and activities affect our stakeholders?
• Create a priority table: How can our stakeholders affect us? Who is most important, and why?

D. Understand what you want from engagement.
• Develop and implement simple engagement strategy if you are looking for a mutually beneficial relationship without trying to influence a specific outcome.
• Develop advanced engagement strategy if you have a specific objective and want to gain support or minimize opposition.

E. Make sure you know whom you are dealing with.
• Are your stakeholders company focused, policy focused, issue focused, or a combination?
• How much are they focused on you? (In other words, are they knocking only on your door or on others’ too?)

F. Choose the level of engagement.
• Do your homework and due diligence on stakeholders.
• Understand the likelihood of success, failure, and middle grounds.
• Develop a solid exit strategy.
• Be prepared for the unexpected.
• Be prepared for the long haul.
• Set expectations internally and externally, then manage them.

G. Develop radar.
• Establish networks: identify reliable sources of information on trends and issues that may affect your business in the future, and systematically work those networks.
• Get online: find and scan the best websites, blogs, and other sources of information on the Web. Consider whether and how to participate in Web-based information forums.

Consider: Think about the three most recent unpleasant surprises that came from outside the company or department. Ask, How did we miss this? What can we do to make sure we are not surprised in that way again?
6. Measurement and reporting

*Remember:* Reporting is the tail that wags the dog for many companies; they start with the need to report, then develop programs in order to have something to report, then try to justify what they are doing in terms of the business case. This is backwards.

A. Start with the business case.
   - Make sure you have a strong business need or rationale for what you are measuring and how you are reporting or planning to report it.

B. Consider any need that might seem outside the business case for reporting.
   - Give thought to your political or relationship reasons for reporting on certain issues, which ought to be considered part of the business case. The important point is to recognize why you are reporting, to whom, and for what purpose.

C. Consider the Global Reporting Initiative.
   - Divide the indicators into three categories: strong, moderate, weak business need.
   - Look at all the indicators again and figure out whether you have the data, can easily obtain the data, or haven’t a clue how to obtain them. Cross-reference data availability with the business case to determine how to proceed.

D. Take an incremental approach.
   - Start with the indicators for which there are a strong business (or stakeholder) case and available data. Once those systems are complete, consider other indicators for which there is a strong business case but no available data. Add more information each year until you are reporting on the full range of indicators that pertain to your business.

E. Consider seeking stakeholder input.
   - Following steps (A) through (D) will give you the makings of a reporting strategy. Next consider your stakeholders and what they might say about your overall reporting plans.
   - Consider how and where you might be flexible in responding to stakeholder requests for additional or different information.
   - Anticipate their specific requests and how you will respond. Work toward getting stakeholder involved in helping you determine the content and focus of your report.
   - Make sure you have a workable reporting plan before you make a public commitment.
   - As needed, continue internal reporting (for example, for management purposes) that is not reported publicly, provided this does not contradict your public report.

F. Engage in industry-specific planning.
   - Make sure that you look for industry-specific reporting guidance and issues and for helpful technical protocols regarding ways to measure and report specific sustainability issues.

G. Access the costs and risks of reporting.
   - Look carefully at the costs of reporting before you make a commitment: many companies underestimate the difficulty of obtaining and reporting information with sufficient precision for public reporting.
   - Look at the hidden risks. Are you willing to publish bad news and unflattering information? If not, reconsider whether you want to report at all. Also consider whether you will verify the information in your report and how you will do so.
Consider: Your ultimate goal should be integrated reporting—one unified report that doesn’t distinguish financial and non-financial information but rather contains all information that would be relevant to a prudent investor.

7. **Culture**

*Remember:* Sustainability flourishes in companies with certain characteristics. A company’s culture is usually set at the top, but sustainability projects are often initiated by middle managers who create a supportive culture within their own departments. You can, too, by moving forward in four areas:

A. **Develop a vision.** Do you have a vision of what sustainability means to your company or department? Start with the following questions:
   - How do your company’s goods and services or its processes overlap with the interests of society?
   - How is the world enhanced or diminished by your company or department’s activities?
   - What are your company or department’s major positive and negative impacts?
   - How does your company interact with today’s stakeholders and think about its responsibility to future generations?
   - Then ask how you would have liked to answer those questions. Your aspirations may be the start of formulating your company or department’s vision.

B. **Gain self-awareness.** As they say in politics, “Don’t believe your own good press.” Answer the following questions:
   - Does the company see itself clearly?
   - What is the company’s capacity for honest self-awareness?
   - Is everyone afraid of the regulators or the lawyers?

C. **Establish and promote leadership.** Behind almost every example and case study we have cited is a strong leader. Companies that support and nurture their leaders and future leaders are far more likely to progress than are those that do not.
   - Is there strong leadership for sustainability, as evidenced by a clear message that is expressed in simple terms, disseminated throughout the organization, and hammered home repeatedly?

D. **Engage in long-term thinking.** Sustainable companies find ways to think and act in their long-term interests, despite enormous pressure to act only in the short-term interest of their investors.
   - Does the company think about the long term, or is the emphasis always on the next quarter?

*Consider:* “You must be the change you want to see in the world” (Mahatma Gandhi).