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| Corporate Acts Real Sustainable Business Value  **Maximizing the business value of sustainable development.**  *by* [*CHUCK RIEPENHOFF AND MICHAEL RADCLIFFE*](http://www.greenatworkmag.com/magazine/corp_acts/01sepoct.html#a01) |

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| |  |  |  | | --- | --- | --- | | **T**he overall value proposition for sustainable development that has been repeatedly established promises a variety of benefits such as maintaining the social license to operate, building brand value, enhancing company reputation, building trust among stakeholders and creating new revenue opportunities. Yet merely embracing the concept of sustainable development will not deliver its full value potential. |  |  |   Realizing the value offered by sustainable development requires a comprehensive approach. Social, environmental and economic issues cut across organizational boundaries and often interact in complex ways. Isolated programs or incremental improvements—“eco-efficiency,” public relations campaigns, corporate philanthropy or publishing reports—cannot address sustainability and build business value.  Experience demonstrates that a strategy for implementing sustainable development is a central ingredient in realizing its full potential for creating business value. But that strategy is more than a schedule for accomplishing predetermined tasks. Rather, it is a guide for continuous improvement in a new way of doing business.  **Key Elements of an Implementation Strategy** Because every company is unique, there should never be a “cookie cutter” approach; however, there are similarities in the way in which many leading companies are achieving results. We call them “key elements” of success:   • Explicit commitment to sustainable development;  • Engagement of company stakeholders in the transformation;  • Straightforward performance management tools;  • Incentive systems tied to key performance drivers; and  • Closing the information loop for continuous improvement.  **Explicit Commitment** A company must develop an explicit statement about sustainable development because, as the term has become a catch phrase, it can mean many things to many people. This statement should clearly identify what it means to the company and establish what the company hopes to achieve by identifying its strategic objectives for sustainable development.  An explicit commitment serves several important purposes. First, it communicates recognition of the need to step out from the “business as usual” culture. This creates a sense of urgency for change and begins to mobilize internal constituents. This, in turn, establishes the basis of commitment for organizational consensus and generates an agenda for future dialogues. Finally, it helps set performance expectations among company stakeholders.  **Engagement of Stakeholders** Succeeding at sustainable development requires setting a priority on building broad commitment and consensus among company stakeholders. A company-specific business case is central to convincing internal stakeholders—business executives, managers and employees—that sustainable development is the right thing to do. This business case must act like the Rosetta Stone, translating the language of strategic objectives into business terms and proper actions. This business Rosetta Stone needs to do the following:  • Discuss the prime reasons for a “sustainable development” strategy (value proposition).  • Create a shared understanding of the operational factors that create value from sustainable development (value drivers).   • Identify actions needed to create that value and contribute to overall business success.  However, building this Rosetta Stone only sets the stage for engaging the company’s internal stakeholders in continuous improvement dialogues, which should emphasize the need for operational units to develop their own specific implementation strategies. Subsequently, they should be used to assure that operational strategies are aligned with the company’s overall objectives. Internal stakeholder dialogues should also be tightly linked to the budgeting processes. Operations see budgets as a vital part of their “day-to-day” reality. Strategic plans, on the other hand, are often seen as “objectives” that are not tied into this reality. Using this dialogue process, companies empower operations to create value, align actions with strategic objectives and link aspirations to operational realities.   Using sustainable development to create business value also involves outside parties. Many companies expand their dialogues to include external stakeholders—investors, customers, suppliers, community representatives or NGOs. The objective is to assess the relevance of internal programs, identify emerging concerns, manage performance expectations and create the process of transparency that builds trust among all parties.  **Performance Management** There are two basic guidelines for creating a sustainable development performance measurement system:  • Identify the “value drivers” to emphasize the link between sustainable development and business performance. Leading performers identify the operational factors that have the greatest influence on the creation of value—the true value drivers.   • Develop metrics that are straightforward, easy to use and relevant to strategic objectives. Straightforward performance metrics avoid technical complexity and the potential backlash against what looks like the latest management gimmick. Focusing on simplicity of use means modifying existing performance measures rather than creating new sets of additional metrics. Additionally, each proposed metric should be closely evaluated for its relevance and ability to provide information needed to shape daily actions, evaluate progress and provide meaningful information to internal and external stakeholders.  **Paying for Performance** Successful strategies for sustainable development nearly always involve increasing everyone’s ownership stake in the program. There are various ways to do this, but paying for performance seems to be an almost universal feature of successful programs.   Tying pay to sustainable development performance at organizational levels creates a true incentive for innovation and accepting the change to the “business as usual” culture. However, these incentives must be carefully formulated so that expectations, goals and stretch goals can be achieved. This means that employees must understand what change is expected and how they are expected to affect that change. In short, incentives without empowerment are meaningless.  **Closing the Loop** Using sustainable development to create long-lasting business value requires continual improvement and communication with stakeholders. Closing the loop on the implementation process means preparing both internal and external reports.  Companies need to create reports for internal stakeholders that honestly portray progress toward strategic objectives. Using this information, companies can determine whether their underlying assumptions about the sustainable development value proposition remain applicable, whether implementation efforts have succeeded or new efforts for change are needed and additional improvement is required.  Reporting to external stakeholders, including the public at large, is equally important. Public reports form the basis for many of the promised benefits of sustainable development—retaining the “social license to operate,” creating trust, enhancing brand value, protecting the company’s reputation and attracting investors.   Preparing an external report doesn’t need to be a daunting task: honestly state that the company has embarked on the journey toward sustainable development, state overall objectives and goals and promise to progressively report on performance. Still, such promises cannot be made lightly. The company needs to decide what information can be reliably presented in an initial report and what promised information can be included as the reporting process develops. Companies should seek stakeholder feedback to ensure that targeted audiences are receiving and understand the messages being sent.   When all is said and done, successfully implementing sustainable development means fundamentally reshaping company values to achieve higher business value. Achieving this objective requires a new set of relationships between corporate departments, business units, employees and other company stakeholders. It requires broad strategies that empower managers to focus on implementation actions that create value. It also requires getting front line employees involved with the quest for sustainable development and communicating with stakeholders.  Most importantly, the process for implementing sustainable development needs to focus on creating a set of firm and shared beliefs on how to continually improve performance so that sustainable development creates lasting business value.  Chuck Riepenhoff, KMPG partner, leads the company’s Sustainability Advisory Services practice in the U.S. and is the U.S. member of KPMG’s Global Sustainability Network Executive Committee.  Michael Radcliffe is a senior manager in KPMG’s Sustainability Advisory Services practice, author of Using the Balanced Scorecard to Develop Metrics for Sustainable Development and co-author of KPMG’s Beyond the Numbers: How Leading Organizations are Linking Value with Values to Gain Competitive Advantage. |