

# Q5 on Sustainability Transformation

---

Our 'Point of View'



# The Great Sustainability Disruption



- Awareness of the sustainability challenge we are facing has never been greater. Social, environmental and legislative pressures are increasing at an accelerating rate and **businesses are now experiencing an unprecedented level of consumer, employee and investor activism.**
- Although we have seen some progress from businesses over the last 18 months, we are **not yet seeing the response needed.** We are not acting with a sense of urgency, and we are not investing with sufficient magnitude (given the annual \$1 trillion financial gap in investment needed to build the infrastructure for a more sustainable world).
- Business leaders need to develop a **deep understanding of the impacts of sustainability issues** on society, the environment, regulation and the world of business and determine how to frame these for their organisation.
- Sustainability will be the **biggest cause of disruption** we have faced for decades and organisations will either adapt and survive or be replaced. It is estimated that only **1/3 of current organisations will survive** the 'great sustainability disruption'.
- Those businesses that **invest now** in understanding the impact of sustainability, what level of disruption this will cause and what opportunities it will present, those that make the shift to a culture of sustainability, that build deeper stakeholder engagement, that see and enable sustainability as an innovation strategy and overall **see their business as a force for good** are those that are most likely to survive and indeed thrive.

*Pressure on businesses to rethink how they operate is coming from all angles...*



**“What we do in the few years will profoundly impact the next few thousand”**

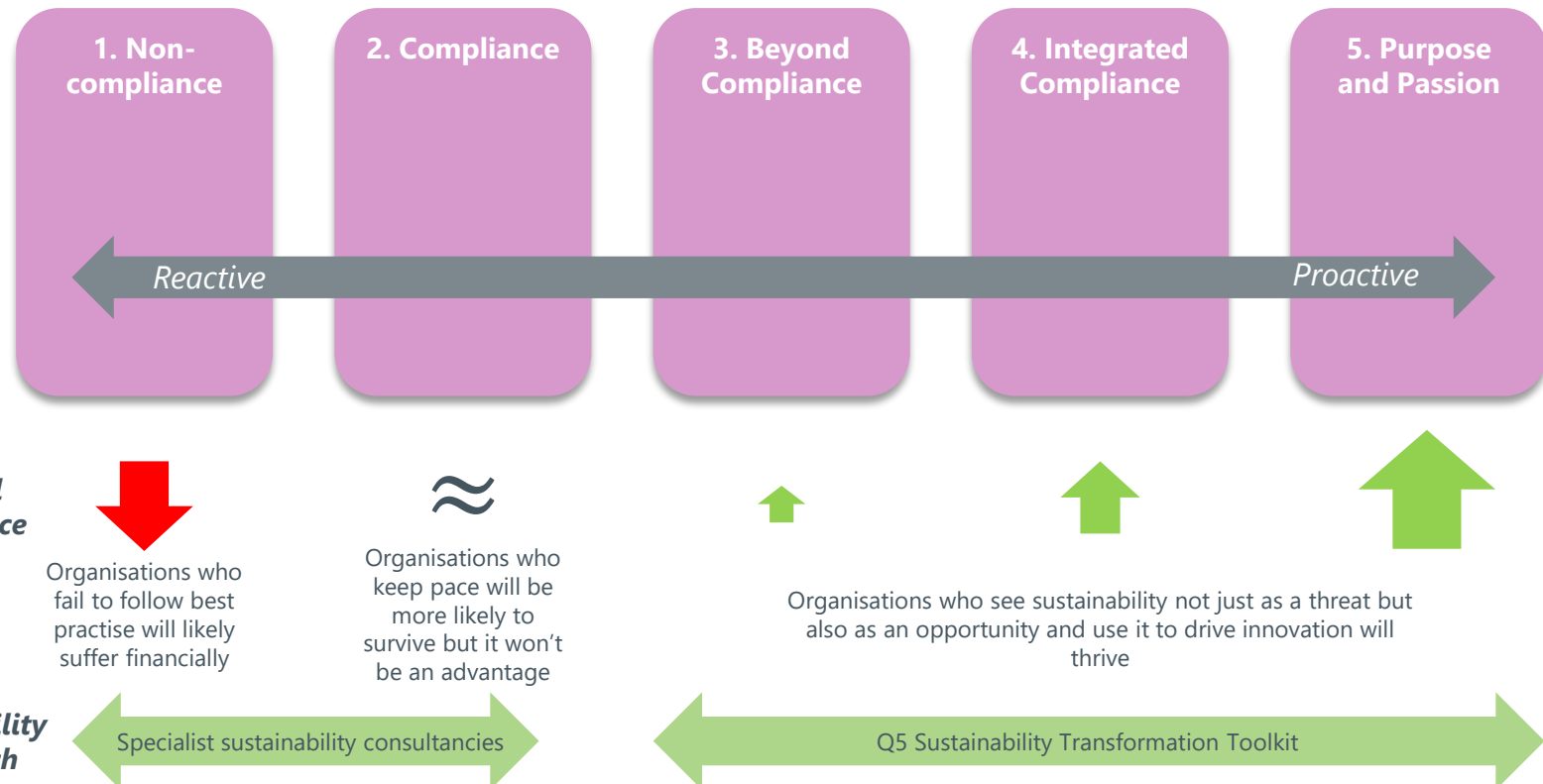
Sir David Attenborough  
(Jan 2019)

# From compliance to advantage



Organisations can respond to pressures of the sustainability disruption reactively, or proactively...

- The current focus for many organisations, driven by pending legislation combined with increased investor, consumer and employee activism, is to **move from non-compliance to compliance** - identifying risks, disclosing their impact and setting meaningful, science based targets that will mitigate these.
- However, to achieve these net zero targets will require going further and **integrating sustainability** in everything they do and ultimately into the **purpose of an organisation**.
- The 'winners' that survive the next 10 years will need to treat sustainability as a threat **AND** an opportunity – by **using it to go further than compliance and to drive innovation**. As we race towards best practice, just doing what the rest of your industry is doing won't differentiate or provide advantage. Businesses that thrive in this will be those that revolutionise, not just tweak their business models.



# Sustainability Transformation vs 'Greening BAU'



- We are a leading global organisational change and transformation consultancy and are increasingly working with clients to help them **progress their sustainability transformation beyond reporting and targets**.
- We are facing into 'The Great Sustainability Disruption' and over the next 10 years will see **unparalleled disruption and change** across every sector and region as companies are forced to address their impact on planet and people as well as profit.
- To tackle the climate and biodiversity challenge we are facing, as well as sustain profitable performance in the upcoming years will require organisations to **go beyond compliance** and see **sustainability as an opportunity - to reinvent their businesses** and to ultimately **embed a sustainability mindset** at the heart of their organisation, their purpose and their passion.
- This is where Q5 can help – we are experts in people-centred change & transformation, **we know what it takes to really make change stick**.



*"The winners of tomorrow will be the companies and leaders that can successfully **integrate sustainability into their strategy, culture and structure**; into the **very way in which they do business** and engage with society at large" (LBS 2020)*

# The Five Stages of Sustainability Transformation



The latest research widely acknowledges that businesses need to go beyond compliance and reporting, and truly transform themselves into sustainable organisations. WWF, Our Plant and the investor community have highlighted **5 steps in this journey**, however to date many organisations have focused on the first 2 steps. At Q5, we believe we have the **tools and expertise to continue with this journey through steps 3 – 5**, to truly embed a sustainability strategy & mindset in your organisation.



## 1. UNDERSTAND YOUR RISK

Businesses need to **understand where they are vulnerable** and have a **system to account for all risks** which include:

- *Physical*
- *Reputational*
- *Legislative*
- *Transitional*

Frameworks such as TCFD and TNFD enable a **robust assessment of risk** and whilst are currently voluntary will **shortly become mandatory** in several countries.



## 2. DECLARE AND CREATE A PLAN TO REDUCE YOUR IMPACT

Responsible companies must openly acknowledge their impact and declare mitigating actions they are taking to address these impacts.

**Prioritising action around ESG materiality** will be crucial for long term performance.

ESG disclosures are currently voluntary but reported on increasingly (93% of US largest companies disclose on ESG in annual reports).

The consolidation of standards for ESG reporting is **accelerating the adoption of mandatory reporting**. Frameworks like SASB and GRI are gaining considerable traction.



## 3. ENGAGE ALL STAKEHOLDERS

Responsible businesses **actively identify and engage ALL stakeholders** in their decision making, including the environment as a stakeholder.

Sustainable businesses **focus on long-term shareholder value**, and resist the demands of short-term stakeholders, they avoid short-changing weak stakeholders.

True sustainability transformation requires engagement, collaboration and advocacy for change from leaders at all levels, and the **adoption of a sustainability mindset**. This mindset understands ESG trade-offs and integrates all stakeholder perspectives into all decision making.



## 4. CO-CREATE OPPORTUNITIES

Research on sustainability and financial performance shows businesses who adopt a strategy of compliance or simply keep pace with best practice will not drive advantage and as a result their sustainability **efforts will be a net cost vs benefit**.

The scale of change needed is huge. Companies that **adopt sustainability as an innovation strategy** will be the successful ones. Their focus will be on creating the **right culture, collaborating** on opportunities across the entire organisation and **creating true value** through sustainability – and engaging their wider ecosystem along the way.



## 5. ALIGN AND EMBED

To fully integrate a successful sustainability strategy, leaders need to consider **all levers of organisational effectiveness** and how these are optimally aligned to **embed and reinforce** a sustainability strategy and mindset in the organisation.

This means alignment of all organisational practices, from **talent, culture & people capabilities**, through to **processes, decision making, measurements, rewards and governance**.

Healthy, sustainable organisations are those that pay attention to **holistic, whole-system transformation**.

# Our work with clients on Sustainability Transformation



Built over 12 years of advising clients on their transformation and change journeys, we have a range of tools to help organisations beyond steps 1 & 2, to truly transform into a sustainable organisation.

## Sustainability Leadership

- Skills/capabilities and mindset shift for sustainability leadership
- Purpose-led organisations
- Coaching/development support

## Sustainability Strategy

- Building a clear, ambitious and authentic strategy to transform the organisation
- Underpinned by defined goals, commitments and tracking

- Team/project based 'sustainability sprints' as an innovation engine for transformation
- Co-creation as a tool for engagement and transformation
- Collaborate to identify new ways of working to achieve your sustainability goals

## Sustainability Sprints

## Sustainability Culture & Mindset

- Understanding & awareness
- Transparency
- Psychological safety
- Innovation
- Longer-term thinking
- Incentives

## Organisation Scan

- Sustainability transformation readiness
- As-is assessment of all levers of organisational effectiveness to establish areas aligned/blocking the integration of your sustainability strategy and identify priorities for attention
- ESG materiality assessment

- Multiple stakeholder perspectives for deeper/richer engagement
- Stakeholder due diligence – risks and opportunities
- Community Engagement

## Stakeholder Mapping & Engagement

## Organisation Design & Structural Alignment

- Structural and process review and alignment to embed your sustainability strategy into the roles & responsibilities, measurement and core processes and governance of the organisation

- Creating a compelling change narrative – your sustainability story
- Leading through change
- Dealing with resistance
- Change personas

## Change Management & Change Leadership

- Sustainability transformation will for many require an 'ecosystem' vs organisation approach delivered through partnerships and ecosystems across sectors and supply chains.

## Alliances & Partnerships



# Please get in touch if you would like to learn more!



**Angela Fox**

Principal Consultant -  
Sustainability

*angela.fox@q5partners.com*



**Dr Claire Hamlin**

Partner -  
Sustainability

*claire.hamlin@q5partners.com*



**Fin Murphy**

Senior Consultant -  
Sustainability

*finlay.murphy@q5partners.com*

## LONDON OFFICE

Thorney House  
34 Smith Square  
London SW1P 3HL  
+44 (0)207 340 0660

## NEW YORK OFFICE

261 Madison Ave  
Floor 9  
New York, NY 10016  
+1 (646) 569 9198

## SYDNEY OFFICE

Level 6, 69 Reservoir St  
Surry Hills  
NSW 2010  
+61 (0)2 8310 5354