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ORGANISING FOR SUSTAINABILITY

A guide for Heads of Sustainability

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Q5

Sustainability is all about **balance** – **balancing an organisation's financial performance alongside its social and environmental performance** to create value for all stakeholders. At Q5 we are passionate about Organisational Health – supporting our clients to tackle immediate problems and drive long term performance improvements, and **having this balance is a critical component of a healthy organisation.**

Sustainability is both a huge opportunity, with Mark Carney describing environmental sustainability and net zero "the greatest commercial opportunity of our time", as well as a huge risk with the World Economic Forum's 2022 Global Risk Report listing environmental or social risks as 7 of the 10 biggest risks facing the world¹. As a result, we are increasingly being asked by clients how sustainability will affect their organisational health and how to galvanise around it – **how to internally set up for sustainability success.** 87% of organisations report that they will be more committed to sustainability in 2022 than 2021², and consequently we are seeing senior level sustainability roles becoming common place.

Being a 'Head of Sustainability' or 'Chief Sustainability Officer' is now a highly prominent and business-critical position, and many are asking themselves similar questions around how to set up their teams. These questions include...

1

Which area of the business should be accountable for a Sustainability team?

2

What skills do my team and I need?

3

How should we work with the business?

4

How should I structure my team?

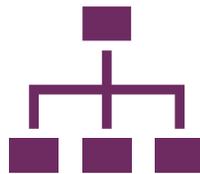
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Where should I start to drive real change across the business?

Here are some thoughts on each of these questions in turn, drawing on key insights from our recent work and conversations with Heads of Sustainability.

1. Which area of the business should be accountable for a Sustainability team?

Looking across a range of organisations, there is **no consistent home for a sustainability function**, a finding which is supported by Greenbiz research³. From Corporate Affairs, Legal and Operations to Finance, Procurement and Transformation, organisations are taking different approaches driven by **what the most important Environmental, Social and Governance (ESG) issues are for them**. A construction company we worked with has Sustainability reporting into Transformation given the significant, enterprise-wide change needed with this agenda, while at a food and clothing retailer sustainability reports into General Council due to the expertise and passion held by that role. There is no single answer to this question – but careful consideration should be given to **where the greatest challenges and opportunities are**, what is most **material to the organisation's ESG performance** and where will drive the most **effective, organisation-wide change**.



One commonality however is that **sustainability leads are being elevated within the business**, with almost 70% of organisations now having the Head of Sustainability or equivalent reporting into the CEO or CEO minus 1⁴.

Although a senior level role is important for driving sustainability action, **buy-in is needed from the whole leadership team** to accelerate sustainability action throughout the business. It is critical therefore, that the leadership team is sufficiently **educated and engaged** on the most material ESG issues for the business and the business case for sustainability.

³Greenbiz, 2022. *State of the Profession 2022*. [online] Available at: <<https://www.greenbiz.com/report/state-profession-2022-report>> [Accessed 1 June 2022].

⁴Greenbiz, 2022. *State of the Profession 2022*. [online] Available at: <<https://www.greenbiz.com/report/state-profession-2022-report>> [Accessed 1 June 2022].

2. What skills do my team and I need?

Technical sustainability knowledge is undoubtedly an important skillset for any sustainability team, however it is crucial to recognise that it **only makes up part of the puzzle**. For example, the Head of Sustainability for a large restaurant chain shared that subject matter expertise was used less than 10% of the time. In fact, most of their role was spent **connecting the dots between sustainability and the broader business strategy**, and effectively **engaging and influencing stakeholders**.

Through conversations with Sustainability Heads across our sectors we have summarised what we believe to be the critical capabilities needed for a sustainability team to thrive:



Stakeholder Management & Building Relationships – to influence leaders across the organisation on why a balanced approach - considering people, profit and planet - is important and to articulate the short, medium and long-term benefits it will bring.



Value Creation and Commercial Understanding – to understand the strategic ambition, how the business operates and what makes it tick so that sustainability is integrated with long term business performance. Sustainability needs to be articulated in terms of how it will create value for the organisation (using the 'people, planet and profit' definition of value) to ensure business buy-in.



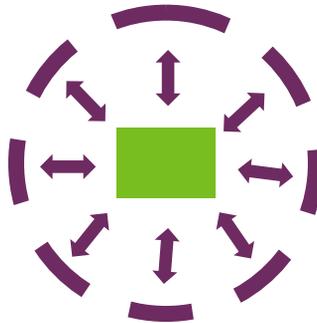
Change Management – to effectively engage employees and customers on the sustainability journey, clearly articulating why it is important, what is changing and what it means for them as individuals and as a wider business.



Sustainability Expertise – to provide deep subject matter expertise and educate the business on the most material topics, whether that be circular economy, water management or human rights. Sustainability-related measuring, tracking and reporting expertise are also needed. This expertise may not all come from your team, but through an ecosystem of experts from across the business and your wider network which can be drawn on when needed.

3. How should we work with the business?

Critical for driving action throughout the organisation is to have every business unit and function **accountable for driving change in their respective areas**. The relationship and collaboration between the central team and each part of the business is therefore a key enabler for progress. A large global bank we worked with ran sprints with each business line and support functions to establish **how they needed to work together** moving forward, what **support was needed from the central team** and how best to **empower the business to drive action**. Discussions were held around ways of working, collaboration mechanisms, handoffs in work, where capability was needed most and whether this should be built internally, bought in or 'borrowed'.



To truly become a sustainable organisation, delivering financial performance alongside reduced or even net positive social and environmental performance, sustainability needs to **be a way of operating not just a business discipline, a stand-alone function or individual projects**. It should be embedded in every part of the organisation from the vision and purpose to processes and systems. A central team is still needed (e.g. for cross-business sustainability expertise, overall strategy & targets and reporting) but the emphasis should be on **business teams owning the sustainability agenda, initiatives and execution**, enabled by the highly-effective, engaged and expert central team.

4. How should I structure my team? (1)

As with any structural design, the answer depends on a number of factors. These include the **current state of sustainability in the organisation**, the expected **investment available** and the **level of ambition** from business leaders. The size and remit of a central sustainability team is a question we come across in our organisation design work and the answer lies on a **continuum from low maturity to high maturity**.

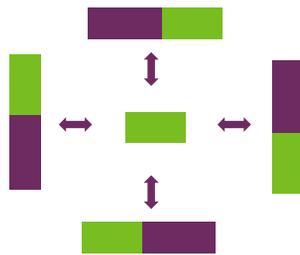
If businesses start with a low sustainability maturity, a common solution is to **pool all sustainability initiatives into a centrally driven ‘hub’**. For example, a large UK construction company recognised that given their low maturity they initially needed to combine effort, expertise and resources into a larger central team. This would bring together their siloed initiatives into a **dedicated, coordinated function** to drive progress, **elevating the profile** of their efforts within the business and bringing visibility to the topic. By doing this, they were able to start building momentum and engaging employees more consistently on what sustainability meant for them as a business.



Despite giving an initial boost to efforts, a large central team often means responsibility for the sustainability agenda is kept limited to one team, restricting the extent to which change can be effected throughout the wider business if key decision-makers sit in other areas of the business. Business teams – whether in Procurement, Sales, Marketing or Operations - **need to be at the forefront of the sustainability agenda**, using their intimate knowledge of the business to drive change. We are seeing business units and functions **building capability and capacity** in sustainability as they mature and become more comfortable with the agenda, **taking on more accountability** as they go, whilst the central sustainability team retains accountability for the overall sustainability strategy, understanding business-wide ESG issues, developing commitments (e.g. net zero, nature positive or human rights pledges) and tracking progress. For example at a large UK restaurant chain it was identified that 90% of the environmental footprint was from food sourcing so each food category manager was given accountability and KPIs around emissions reductions in their area.

4. How should I structure my team? (2)

As an organisation matures further and levels of sustainability expertise across the business improve, the **need for a large central sustainability capacity diminishes**. Embedded sustainability champions in each area of the business can now be **empowered to drive collaboration and innovation** in their respective areas, helping to **cultivate a mindset and culture** that balances and grows financial, social and environmental performance.



A constant evolution...

Being “sustainable” does not have a natural end point. By its very definition, all organisations will need to continually evolve to ensure they are fit for purpose in the future. Leading organisations will continue to improve their social impact and reduce their negative environmental impact and ultimately **become a positive force for the world we live in**. Given the fast-moving nature of the topic, organisations must **constantly adapt and evolve** to the latest thinking, the latest standards and regulations, and the latest expectations of businesses as a force for good. This will require a constant evolution of mindset, culture and behaviours, with leaders encouraging **agile, forward-thinking and collaborative ways of working** across all parts of the business. An organisation’s culture needs to be hungry to learn, to continually push themselves forward and innovate in a psychologically safe and empowering way.

5. Where should I start to drive real change across the business?

Before embarking on enterprise-wide change, we recommend undertaking a **sustainability maturity assessment** and working with leadership to **engage, educate and align them around what this means for the organisation.**



Sustainability Maturity Assessment: A comprehensive assessment of the current sustainability maturity of the organisation should be completed. Many organisations will have made progress across different ESG factors, but often in siloed, disparate initiatives across the business. Having a clear view of **areas of strengths, weaknesses and opportunities** across the levers available for sustainability change (shown in our Sustainability Transformation Wheel below) will be crucial in understanding how your organisation can make substantial progress. Included in this should be an assessment of the **leadership team’s maturity and understanding of what sustainability means for their own organisation.**

Q5’s Sustainability Transformation Wheel



If you would like more information about how to organise for sustainability or how to improve your organisational health, please get in touch



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