in context

AN OCCASIONAL BULLETIN FROM CONTEXT: AUTUMN 2011

SUSTAINABILITY STRATEGIES:

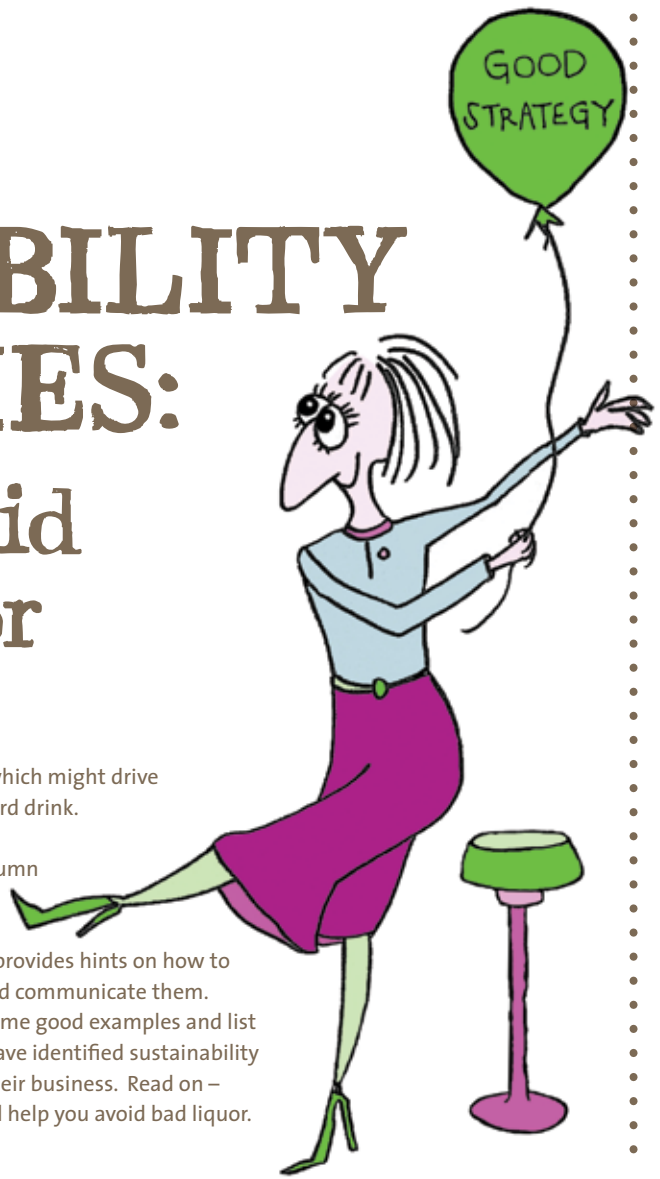
How to avoid bad liquor

STRATEGY HAS RUINED MORE INVESTORS THAN BAD LIQUOR.

While this statement may be true for many corporate strategies, the reverse should apply to good sustainability strategies, which could save many businesses by providing a clear path to long-term success.

Well-crafted sustainability strategies help companies navigate through ever-shifting social and environmental challenges, the very complexity of which might drive managers to hard drink.

InContext's autumn issue examines sustainability strategies, and provides hints on how to devise, write and communicate them. We highlight some good examples and list six CEOs who have identified sustainability as integral to their business. Read on – our analysis will help you avoid bad liquor.



WELCOME

Our occasional bulletins are linked to a continuing conversation on our website where we explore the issues that matter most to our clients as they look to extract maximum value from their corporate sustainability programmes. In keeping with our transatlantic capabilities, our bulletins alternate between UK and US spelling and punctuation. This edition conforms to UK style.

CONTACTS

Sustainability strategy development is one of the corporate sustainability services we have provided to leading multinationals since our founding in 1997. Find out more about what we do on the back page.

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What is a sustainability strategy?

1 ANALYSIS

This must deconstruct the challenge you face and be honest about the problem.

A STRATEGY STARTS WITH AN HONEST ANALYSIS OF THE CHALLENGE. WE LOOK AT WHY YOU NEED ANALYSIS, HOW TO WRITE A STRATEGY ONCE YOU HAVE DIAGNOSED THE PROBLEM, AND HOW A GOOD STRATEGY WILL HELP YOU RUN A BETTER BUSINESS.

STRATEGY IS A FIELD RICH IN FLUFFY NONSENSE. OFTEN, MUCH THAT IS PASSED OFF AS STRATEGY IS A POOR PLAN CLOAKED IN EMPTY BUT PRETENTIOUS PHRASES. WE PROMISE TO KEEP IT SIMPLE.

A strategy contains these essential elements.

1. ANALYSIS 2. POLICY 3. ACTION

You should be able to summarise them in a simple one-pager. Of course, each element will be supported by more detailed background material.

The analysis of the challenge will be especially rigorous, calling for considerable evidence from various sources, including stakeholder views. The broad arc of social and environmental issues – many science-based – will call for well-researched, fact-based evidence to back your analysis.

Furthermore, the analysis will include your strengths and weaknesses in tackling the challenge, with risks clearly identified. Total honesty is called for throughout the process of creating a strategy, otherwise you are wasting your time. You will also have listened carefully to all your stakeholders, including your critics.

Your policy will outline the principles that will define your subsequent actions. It will be consistent with your values and the way you do business – the HOW. More important, the policy should bind you to being rigorous in the face of internal opposition because effective strategies will create discomfort for some in your company, and you will need guiding principles to ensure the necessary actions are taken. Sometimes a little compromise is necessary to bring internal factions along with you, but don't let it kill the strategy.

Your actions will be focused. These are typically actions that will produce certain outcomes, such as finding sustainable resources – in a set period (goals and targets). But because strategy is also about defining things you will NOT do, the actions could include decisions to avoid certain markets or to discontinue products or manufacturing processes.

2 POLICY

This will outline your broad approach on how you intend to deal with the challenge.

3 ACTION

These are the specific steps you intend to take to meet the challenge. The actions will be a direct attack on the problem and be consistent with your stated approach.

What differentiates a strategy from a list of goals is the analysis of the challenge and diagnosis of the problem. Your actions must solve the problem identified by the analysis.

WHY DO YOU NEED A SUSTAINABILITY STRATEGY?

Why indeed? In a perfect world the business strategy would encompass social and environmental issues, avoiding the need for a separate sustainability strategy. This is especially true for sectors with strong sustainability drivers, such as garment and electronics manufacturing (natural resources and human rights) and the extractive industries (environmental degradation).

But the world is far from ideal, and a sustainability strategy, in most cases, helps focus management attention on issues that are easily ignored. Many managers seem to live in the hope that obvious problems will magically disappear. A sustainability strategy puts important business issues firmly on the agenda. More important, an effective strategy will provide the analysis you need to get ahead of inevitable social shifts. Climate change is an example: companies that analyse the issue and examine their strengths and weaknesses will inevitably be ahead of those which choose to believe it's a conspiracy of anti-business interests.

WHY DOES A SUSTAINABILITY STRATEGY HELP YOU RUN A BETTER BUSINESS?

The value of an effective strategy is that its analysis of the issues leads to a diagnosis of the problem. Once diagnosed, action can be taken.

Having a clear plan to be proactive – to deal with the challenges and take advantage of the opportunities – is obviously beneficial. So much of what passes for sustainability management is responding to demands from others. Most companies spend their time following the agendas of others, rather than diagnosing their problems and working out solutions.

A good sustainability strategy provides an approach to navigate difficult territory. By helping you focus, it prevents you from wasting time on needless diversions.

While the practical business value is clear, the reputational value of good strategy should not be underestimated. A well-articulated and broadly communicated strategy sends a loud message to stakeholders and the markets that you take sustainability seriously and have a structured plan of action to make a better business.

How to write a sustainability strategy

GOOD STRATEGY IS BASED ON CLEAR ANALYSIS, CRISPLY WRITTEN.

While strategies are judged on the quality of analysis and the effectiveness of defined actions, a plan is of little use unless it is well communicated. And that calls for a consulting writer who understands the business, the issues, and the audiences. Context consultants perform this role and join the strategy team at the start of the project.

The sequence of formulating a strategy follows its core components – define the problem, formulate policies and approach, decide on effective actions – plus one extra step: messaging.

Messaging involves turning the summary strategy document into one that embodies the values of the corporate brand and generates excitement for all stakeholders inside and outside the company. It is important that this messaging comes at the end of the process and not, as so often happens, at the start.

Formulating strategy is about hard work and smart thinking: researching, listening to stakeholders, analysing, and deciding on actions. Certain parts of the process, such as agreeing goals and targets, involve consultation and consensus building with different business functions. The hardest part is forcing yourself to be honest about your analysis

and its consequences. Because necessary actions can be difficult (for example, discontinuing a product or divesting a division), companies tend to duck the truth in favour of compromise. That is when strategy fails.

But in the end, no matter how good the analysis and how honest the choice of actions, the quality of the strategy implementation will depend on how well it is described. The biggest risk here is to be seduced by the world of strategy-speak. It is a language that bears little relation to your mother tongue. It uses words that no sane person ever speaks and builds cathedrals of confusion and misunderstanding.

If you can't understand a strategy in one quick reading, there is probably something wrong with it. Confused writing is a sure sign of mixed-up thinking.

HOW TO COMMUNICATE YOUR STRATEGY

Everyone in the company needs to understand the broad sweep of the strategy, which parts affect them, and what they need to do. Key external stakeholders – especially those who influence opinion – need to understand that you have a sustainability strategy, what it commits you to, and how it will benefit the business.

A sustainability strategy must be part of the business strategy, and the CEO is the person who has to make this clear in messages to investors and other stakeholders.

Communicating to these two critical audiences demands the same level of planning and rigour that you would apply to any form of corporate communications. There is no space to go into detail here, but the plan would include identifying the audience, establishing the correct channels, and producing the appropriate materials.

If the strategy has been written with the clarity previously discussed, there will be little need to repurpose the document for the different audiences.

Leading strategies

Here we highlight four leading sustainability strategies. A good strategy starts with a rigorous analysis of the challenge, defines the company's policy response (its approach) and lists the key actions it intends to take.

(Full disclosure: InterfaceFLOR and Unilever are clients).

NAME	Interface	Marks & Spencer	Procter & Gamble	Unilever
SECTOR	Commercial floor carpeting	Food and clothing retailer	Consumer products	Food, home and personal care
SUSTAINABILITY STRATEGY NAME	Mission Zero	Plan A	Five sustainability strategies including Products, Operations and Social Responsibility	Sustainable Living Plan
ANALYSIS OF CHALLENGE	Business reliant on fossil fuel inputs and continuous waste generation	Living within the limits of one world	Limits to growth	Decoupling of growth from impact on the planet
POLICY RESPONSE	Achieve zero negative impacts	Become the world's most sustainable major retailer	Leverage P&G's capabilities in consumer understanding, operational scale and innovation	Help everyone enjoy a good quality of life while respecting the planet
ACTIONS	Key 2020 environmental targets include: ■ Zero waste ■ Benign emissions ■ 100% renewable energy ■ All raw materials from recycled or bio-based sources ■ Resource-efficient transportation	180 commitments across seven 'Pillars'. Key environmental targets include: ■ Reduce operational carbon emissions by 35% and make operations carbon neutral by 2012 ■ Zero operational and construction waste to landfill by 2012	Key 2020 environmental targets include: ■ Replace 25% of petroleum-based materials with sustainably sourced renewable materials ■ 70% washing machine loads in cold water ■ 20% packaging reduction per consumer use ■ 30% renewable energy in operations	Over 50 targets across seven 'Pillars' to improve health and well-being of over one billion people, tackle lifecycle environmental impacts, and enhance livelihoods. Key 2020 environmental targets include: ■ Halve the average greenhouse gas impact of all products across the lifecycle on a consumer-use basis ■ Halve the water associated with consumer use of products ■ Halve the waste associated with the disposal of products ■ Source 100% of agricultural products sustainably

Strategic leaders

	Ray Anderson	Paul Bulcke	Jeffrey Immelt	Indra Nooyi	Paul Polman	Andrew Witty
NAME						
COMPANY	Interface	Nestlé	General Electric	PepsiCo	Unilever	GlaxoSmithKline
ROLE	Former Chairman & Founder (d. 2011)	CEO	Chairman & CEO	Chairman & CEO	CEO	CEO
FAST FACTS	In 1994, after founding Interface and leading the company for 21 years, Anderson had an epiphany while reading *The Ecology of Commerce*	Belgium-born Bulcke speaks six languages; he joined Nestlé as a marketing trainee in 1979 and was appointed CEO in April 2008	Immelt became CEO in September 2001, and GE runs in the family: his father was a division manager and his wife was a customer service representative	Nooyi, who was born and educated in India, was named CEO in October 2006 and took on the role of Chairman in May 2007	Before Polman was appointed CEO of Unilever in January 2009, he worked at two of the world's most recognised companies – P&G and Nestlé	Witty became CEO in May 2008, after holding various GSK management roles in Europe, North America, Africa and Asia since 1985
WHAT THEY'VE ACCOMPLISHED	Anderson's Mission Zero – a plan to eliminate Interface's environmental impact – led the company to redesign its practices and uphold a strict sustainability agenda, a novel venture in the petroleum-intensive carpet industry	Assuming the mantle of predecessor and current Nestlé Chairman Peter Brabeck-Letmathe, Bulcke emphasises that Nestlé's Creating Shared Value platform is core to the success of its business as well as its CR agenda	Immelt spearheaded GE's Ecomagination and Healthymagination initiatives, using the R&D powerhouse's innovative muscle to drive change within the company, in its products, among its stakeholders, and for communities around the world	Under Nooyi's leadership, PepsiCo developed Performance with Purpose, ensuring long-term profitable growth ("Performance") is linked to "Purpose" – providing choices to live healthier lives (Human), using technology to reduce natural resource use (Environment), and helping associates succeed (Talent)	In 2010, Polman set out Unilever's Sustainable Living Plan, a strategy to improve global health while working to decouple the company's economic growth from its environmental impact, with specific goals targeted for 2020	GSK's 10 principles outline the company's vision for a responsible future; a lens put in place to help GSK mitigate the effects of a changing industry landscape – and a perspective which is driving change in the global pharma industry business model
WHY WE CARE	Anderson, who died in August 2011, left a legacy at Interface and in the private sector as a whole by proving that good business and environmental sustainability are not mutually exclusive	By prioritising long-term goals over short-term success and identifying CR issues that benefit shareholders and society, Bulcke brings responsibility into Nestlé's daily operations	Ecomagination has made GE quite a bit of cash, but more importantly it has brought the global stakeholders into the conversation, sparking change and attracting new champions	PepsiCo is the second largest food and beverage company in the world; by addressing its environmental, social and health impacts, Nooyi is making a real difference – and a statement	Unilever has remembered the social pillar with its emphasis on health. Its commitment to sourcing 100% of its agriculture raw materials sustainably by 2020 will bring significant change	GSK prioritised expanding access to its patented medicines; in pursuit of that goal, GSK is adopting a range of flexible pricing models that includes cutting prices without undermining profitability

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WHAT WE DO:

Corporate sustainability strategy

We help you analyse your challenges and develop strategies that boost your business.

Reporting

We devise and write sustainability reports. We've worked on over 200.

Sustainability communications

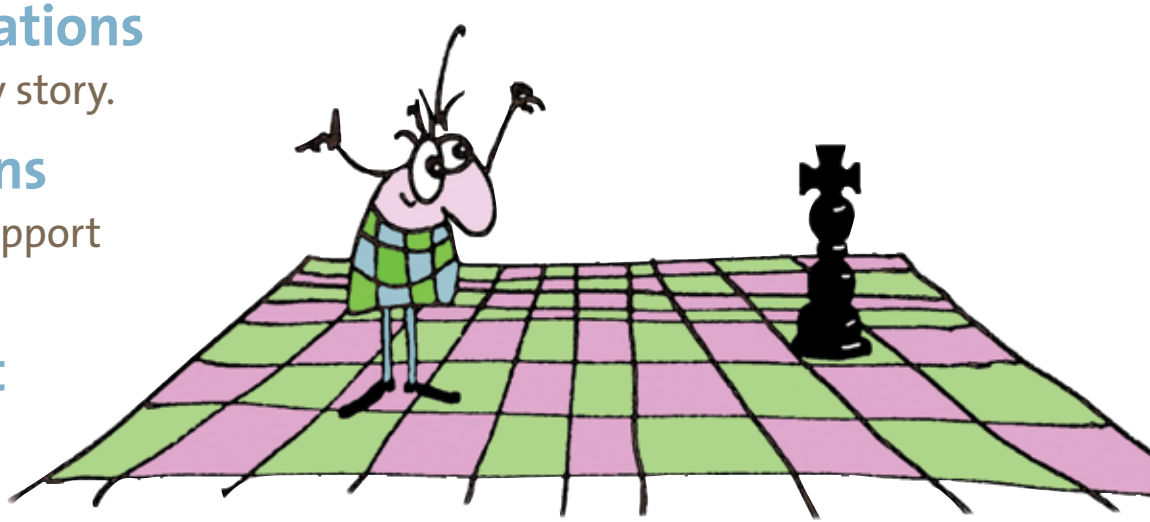
We help you tell your sustainability story.

Employee communications

We motivate your employees to support your sustainability strategy.

Stakeholder engagement

We help you identify and listen to your stakeholders.



KEY CLIENTS:

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USA ■ Bloomberg ■ Caterpillar ■ Cisco ■ Citi ■ The Estée Lauder Companies ■ HP ■ Mars ■ Morgan Stanley ■ Motorola

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