

GETTING YOUR COMPANY TO THE FRONT OF THE PACK:

**Harnessing the Complexities of
Sustainability Through Teamwork**



Sustainability is a Team Sport

Consumer demand for sustainable and green products has made it imperative for companies to have a sustainability agenda. In addition, there is mounting pressure from shareholders, customers and employees to commit to sustainability goals. As a result, companies of all shapes and sizes are creating sustainability programs and measurable commitments.

Thus, leadership in sustainability is becoming a competitive advantage as an organization commits to science-based goals and targets to respond to shareholder, regulatory and customer demands. Crossing the finish line means a company has established itself as a leader in the sustainability space and is starting to reap the benefits of that competitive advantage.

However, reaching the finish line in this sustainability race requires a lot of prep work, good mentoring, the right tools and strategy, and most importantly – teamwork.

If sustainability gets delegated to a siloed department with separate goals, it will continue to fall short of delivering the team to the finish line.

The ways in which sustainability professionals find success when facing the tough challenges inherent in their roles seem very much like the approach Tour de France cycling teams employ. Similar to these cycling teams, successful sustainability professionals harness the various strengths of their team members throughout the race, allowing the team to navigate the complexities of their particular route.

We interviewed eleven sustainability professionals in a variety of industries and at varying levels of sophistication when it comes to sustainability strategy, goal setting, and execution.

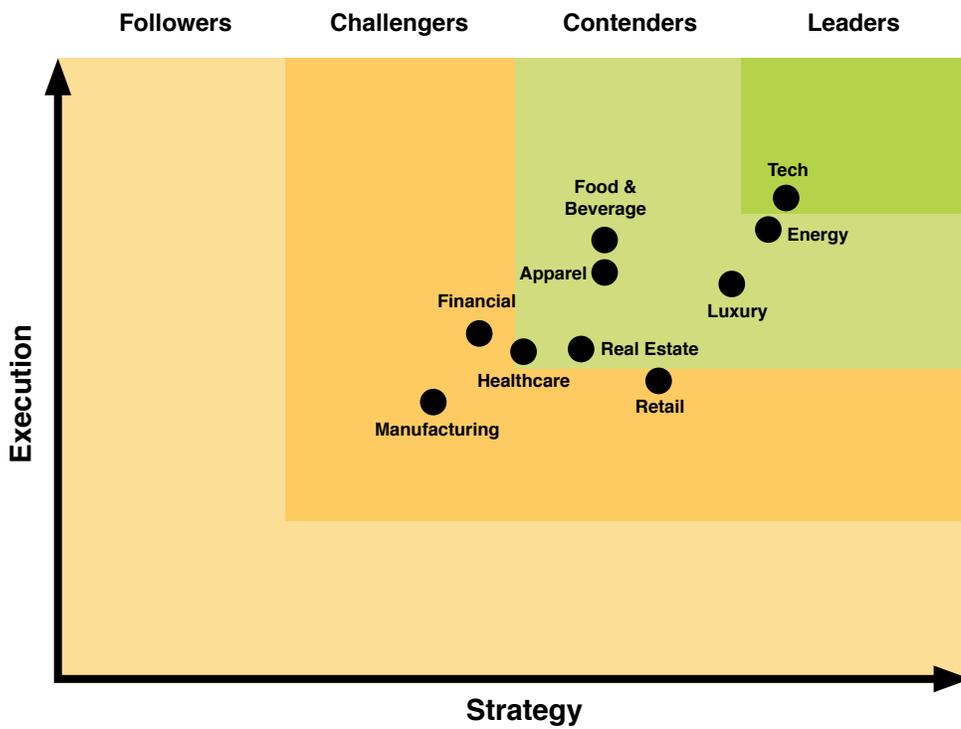
Some are from “eco-native” companies, who have sustainability built into their DNA, while others work for companies trying to integrate sustainability into existing strategy. Some are change-agents in the wider markets, others are “followers” still trying to get all internal parties on board. This white paper explores insights from these professionals to provide guidelines for others on the journey – to help them make it to the finish line. Through the lens of the Tour de France, other companies can better understand what a sustainability “race” looks like at different steps along the way and what veteran sustainability professionals recommend for supporting their teammates at each phase of the race.

At the end of each phase in our paper, we’ve provided you with a checklist to compare your own progress, so you can best equip your team to complete that phase and move on.

The sustainability team that knows what strategy to employ at each phase of the race will have the most success. Likewise, a company's progress can be tracked by two metrics – its strategy for sustainability and the execution of it. The preliminary criteria for each are as follows:

- Strategy: vision, targets, energy and technology, engagement
- Execution: communication, investments, marketing/education/outreach

The chart below presents a leaderboard of how different industries are charting success using these two metrics. This leaderboard was created by synthesizing qualitative and quantitative metrics of sectors on the sustainability journey.



Navigation Research Leaderboard Grid, 2018

Stage 1:

The Mass Start

Status quo isn't going to cut it; time to enter the race

The present business environment puts pressure on almost all companies in one way or another, forcing them to the starting line. At the starting line, they can see leaders ahead of them on their sustainability journeys, and see that they have a long road to travel to join them. They may start by using the *départ fictif*, or a rolling start without actually racing. This usually looks like the strategy of “doing less harm.” Or, if they’re a little better prepared when they begin, a company might employ the *départ réel*, or the real start, which looks more like “doing more good.” Either approach can make the start of the race an equally exciting (and intimidating) time.

As the executive director of a heating and cooling manufacturer puts it, “It is exciting to see – companies of all sizes are now focused on environmental, social, and governance issues because, number one, these are hot issues, expectations are rising, and the sustainability team is the catalyst within the company to arrive at the right position and best practices for ESG issues. Number two, the right stakeholders are getting involved, meaning a larger group, beyond financial analysts, are now asking deeper questions beyond economic impacts of operations.”

Most companies at the start of this stage realize that business-as-usual is no longer good enough. This message can come across many ways. Many times it’s a CEO mandate, often stemming from a need for efficiency/savings or from personal beliefs, that initiates the move to a purpose-driven company paradigm. Even though everyone knows the finish line is the ultimate goal, the road and the roadblocks to it are not always clear. As one professional said, they “wanted a corporate-wide sustainability breakthrough goal. Breakthrough for us means you don’t necessarily know how you want to get there. You want to move the culture and move the needle, but you don’t know how you’re going to get there” (Doug Tamboer, Consumers Energy). The pressure to perform well comes from many sides: from the inside (from the C-suite all the way down to employees), and from the outside (consumers, customers and shareholders).

“We recognize investors want to see commitments to sustainability, too” (David Eichberg, Global Initiatives Lead, HP, Inc.). If the demand for sustainability is from a major customer, it becomes a completely different ballgame. A large customer’s goals and targets can impact your strategy, too, where both the supplier and customer share a common vision to achieve sustainability goals together. A senior sustainability executive from a major international retailer describes this approach: “Our approach to global responsibility, it’s a shared value. [Our company] has refined three aspirational sustainability goals to guide the company

on critical shared value priorities for the next decade.” Changing regulations and pressure from investors also require a company to commit to sustainability. When talking about global B2B companies, Emilio Tenuta from Ecolab mentioned that he senses a lot of change coming in the near future for industry. “Sustainability is evolving. In part because of an increased focus by ESG investors on climate-related risks that are impacting a company’s financial disclosure. Today, those are some of the factors changing how people think about sustainability.”

This is the stage where a sustainability professional needs the most help in terms of mentorship and tools. The Tour cannot be attempted in isolation. At its core, it is a team event you perform for the group and for the team captain. Before you jump into the challenges that lie ahead, start building your

teammates and identify their strengths. It’s important to remember that new mentors may and will make appearances during different stages of the race. Your teammates may come in many forms: from internal departments like procurement, products, marketing, and communications to external consultants that can help define your purpose, uncover critical insights for your success and ultimately create a market advantage. Like every successful team, there needs to be a strong leader. A C-suite sustainability champion driving the team and keeping people focused on the final yellow jersey will enable a successful race. Also, key riders of your team can include NGOs, trade associations, scientists and sustainability communicators. Some of the tools that will help you succeed are research and data that will help you build the business case for sustainability, software and reporting structures.

Stage 1 Checklist

Are you in this phase of your journey? Here’s what you need to be doing and thinking:

- Have a clear goal or sustainability agenda.
- For companies without a clear vision, seek help from a third-party. Partnerships with NGOs and Organizations are helpful too.

“You can’t do sustainability to people, you do it with them. I don’t think we appreciated that at first, how collaborative it has to be. We had to change from a consulting mode to a partnership mode.” (Rob Zimmerman, Kohler)
- Assess the opportunities and risks for your business and the audiences/stakeholders that really influence your business.

“It’s about assessing a company’s risks, understanding their stakeholders, and identifying their opportunities. The opportunities are really to change the perception of the stakeholders around water, energy and climate risks in their operations. It’s about identifying what is relevant and unique in terms of their business strategy. Once you know that, it becomes a matter of execution and to drive local management plans that’ll mitigate those operational and supply chain risks. That puts them in a position to grow sustainably.” (Emilio Tenuta, Ecolab)
- Understand the strengths of each of your team members in preparation for race strategy.
- Use research and data tools at your disposal to build the business case for sustainability.

Stage 2:

The Big Hills

Facing Challenges

The nature of the Tour is that the cyclists face some pretty serious challenges and are required to navigate many big hills and mountainous regions along the way. Similarly, a sustainability professional rarely has smooth sailing in his or her path forward. These challenges, or “mountains,” come in many forms during the sustainability race, but we have narrowed them down to three broad categories.

Mountain 1

The first mountain that a sustainability professional faces is **connecting sustainability with the company’s values, purpose, and larger business strategy/goals**. As our interviewees explain, this includes:

- **Understanding the strategic benefits**

“In some cases, not even saying sustainability, it is about getting the end result in business terms. So, when you frame emissions as a hit to a P&L, there is a completely new perspective.” (Senior sustainability executive from a major international retailer)

- **Thinking about how the company defines sustainability**

“There is a problem with sustainability in that it’s all about less bad, not more good. But business strategy and consumer marketing language is all about more good, not less bad. The challenge for sustainability teams is bridging that divide when they present their initiatives.” (Kevin Rabinovitch, Mars)

- **Creating a business-relevant vision**

“Being right isn’t enough. It’s about understanding how your company makes decisions and sets strategy and getting yourself to the table and having something of value that allows you to be part of the discussion.” (Rob Zimmerman, Kohler)

Professionals need to bear in mind that not everyone within the company or the organization is going to think the same way. And some of the people who think differently might carry immense power to say yay or nay to the initiatives. Success in this challenge equips them for the next one.

Mountain 2

The next mountain to cross is that of **internal buy-in, both C-suite and interdepartmental**. It is difficult to make everyone understand the value sustainability brings to the brand while also “doing the right thing.” This ties back to messaging: how to connect with people in a way that secures their buy-in. As one of our interviewed professionals said, “It is about showing benefits to both customers and investors” (David Eichberg, HP, Inc.).

Data alone is not enough to get the C-suite on board with sustainability. What sells the most is the business value that sustainability brings to the company and the brand. This predicament is illustrated well by Doug Tamboer of Consumers Energy: “We couldn’t teach to the test. We didn’t want to make changes within the company strictly based on what our third-party sustainability analytics corporate governance advisors said. We really were looking for business value. On some things we had to sell folks that we weren’t just doing this because the third-party sustainability analytics corporate governance advisors said so. We had to sell the business value behind these changes, so that was critical, especially if it’s going to cost some of these departments some additional money.”

Mountain 3

Once you have the go-ahead, the most challenging mountain to consider is that of **setting goals and planning the strategy for executing these goals**.

When setting sustainability goals, one should not fall into the trap of thinking only in terms of energy, or water, or emissions goals. There’s a broad sustainability continuum.

Sustainability professionals have to see the big picture and, in some ways, must try to envision what mountains lie ahead. Regulations and expectations are constantly changing, so they must stay flexible and forward-thinking. The tools a company needs will be dictated in large part by how they’ve defined their goals and strategy. Once they’ve been defined, progress must be tracked. Though this is often challenging, it makes the next phase much smoother to navigate.

According to “The 3% Solution: Driving Profits Through Carbon Reduction,” other mountains companies may face are capital constraints, low management priority given to sustainability, lack of technical expertise, and difficulty communicating key messages. It is important to establish internal buy-in and companywide priority to sustainability early on. Work on connecting sustainability to the company’s core vision. Upon overcoming these barriers, a company can then increase external buy-in and reach out to experts in technical areas.

Setting Science-Based Targets

Stage 2 Checklist

Are you in this phase of your journey? Here's what you need to be doing and thinking:

- Understand how sustainability can fit into the overall mission and business strategy of your company or organization and define what sustainability means for your company.
- Secure buy-in from internal stakeholders; this is critical for the success of any sustainability program. Help them understand the business value of incorporating sustainability.

“First, you have to have a champion for sustainability in the executive suite. If it's not fully supported by the executive, it's going to wither.” (Martin Wolf, Seventh Generation)
- Set clear sustainability goals. The box below regarding “Science-Based Targets” can help define your focus by providing different tools and measures that a company can use during this phase. With the goals in view, lay out your strategy to achieve these, and clearly lay out how you plan to track your company's progress.

Science-Based Targets

Dating back to the mid-1990s, businesses developed emissions goals with arbitrary reduction numbers, intending to one-up a competitor or tag to a year with marketable slogans like “15% by 2015.” So why are science-based targets (SBTs) suddenly resonating as executives deliberate long-term objectives? Well, it looks like it's more about the “based” than it is about the “science.” It's not that science is uninteresting to corporations, it just isn't the only impetus for speed and adoption of the SBT approach to target setting. On topics of environmental protection, businesses often make a public case for certainty or a level playing field. Internal specialists tasked with emissions now have a tool that provides both of these even without a domestic compliance and regulatory framework in place to address GHGs. Many corporate anecdotes suggest that revising the terminology is also key to promoting the SBT concept, and although different terms are used (context-based, evidence-based, responsibility-based, even value-based targets), they appear to achieve the same outcome.

“Based” targets are winning out in a marketplace of climate goal concepts that is sometimes confusing; it's about time there is one dominant framework. There's carbon neutral, climate neutrality, net-zero, net-positive, and even drawdown. Some have fallen out of favor because they require too much explanation while others signal new frontiers. “Based” targets are here to stay, and their current traction is similar to previous standards and certifications, such as the Forest Stewardship Council and the Marine Stewardship Council. The way it plays out, industry leaders or first movers set a target based on the sector's emissions budget and others follow suit, either exceeding the leader, or chasing that level of ambition. There are now 339 multinational companies committed to setting a target that follows the pathway to 2°. More of those companies are from the US than from any other nation in the world.

Efficiency and Renewable Energy Investment

Investments in renewable energy, carbon offsets, and supply chain strategy have been the primary levers for addressing corporate sustainability. Intelligent building technologies are tools for improving site sustainability within facilities and across portfolios.

Supply Chain Impact Assessment and Program Development

Investors recognize that the supply chain is exposed to many climate risks, including physical risks such as changes to weather patterns and sea levels, and those linked to the transition to a low-carbon economy, such as policy and reputational risks. Major brands take this to heart and are responding by developing roadmaps to reduce emissions and risk management procedures to prepare for a changing climate.

Circular Economy Pathway

The circular economy describes a practicable and scalable landscape of opportunities employing business models that are by design regenerative and as waste-free as possible. Strategies at the heart of the circular economy include reducing the input of virgin materials, employing more efficiency in the use of existing assets, and reducing the output of waste.

Stage 3:

Time Trials and Intermediate Sprint

Revisiting strategy after a company has begun executing on goals/targets

Once a strategy is created, it's time for the relentless execution of that strategy. Now is not the time to slow down or get tired! Companies starting from scratch will have to revisit their sustainability goals and strategy often or sometimes even change the course of action to stay on track. New needs and questions surface within the core group working on this strategy:

- **How to connect with stakeholders on a new level**

*"It's not that business leaders don't believe it, they may not see how it's relevant. I finally understood it's the same problem as a salesperson tries to solve every day – how to get a decision-maker to see the value in what you're offering."
(Rob Zimmerman, Kohler)*

- **The need for going outside their own walls**

"We relied on intermediate producers to talk with us, so we made some mistakes having not gone further back in our supply chain."
(Martin Wolf, Seventh Generation)

- **The need for collaboration**

There are quite a few convening organizations and NGOs that bring companies together to collaborate for the betterment of the planet. Industry and sector leaders are realizing the power of unity towards a common goal will help them achieve it. This is especially true in the efforts to "green" or make sustainable their supply chains. With so many vendors in common, working together provides significant industry influence. Major companies want and search for collaborators. Think of Walmart and their Project Gigaton: without the support and collaboration from their suppliers, Walmart would not be able to realize its vision.

Stage 3 Checklist

Are you in this phase of your journey? Here's what you need to be doing and thinking:

- Revisit and re-evaluate your sustainability strategy. Based on this evaluation, if needed, rethink your goals.
- Look for collaborations with companies and organizations working toward the same mission.

Stage 4:

Getting the Peloton in Order

Sustainability moves to a whole new scale in the company

The peloton is the main group or pack of riders in a road bicycle race. Riders in a group save energy and prevent fatigue by riding close to one another. Similarly, once sustainability is firmly rooted in the company culture it has the potential to move to a whole new level. Sustainability becomes the guiding star and the order of the day by which different departments align themselves. It defines the entire lifecycle of a product from its inception to the end of life. The effects are visible in various areas, such as:

Product design: Sustainability is integrated into product design and is guiding product innovation.

“The way you do more good is creating better products . . . growing the value of your brand because you’re seen as cutting-edge, technically competent, intuitive about customer needs, and sensitive to what’s really going on in the world . . . It forces you to be more innovative in new ways. It has got almost unlimited upside.” (Rob Zimmerman, Kohler)

Branding your strategy: Many stakeholder groups, including employees, customers, and even suppliers, respond well to a sustainability strategy that is well-branded and has a great slogan. These strategies are more appealing and memorable (think “Grow the Business, Not the Carbon” at Coke, “Scale for Good” at McDonald’s, “Sustainable in a Generation” at Mars, or “Project Gigaton” at Walmart).

Get creative about how you can brand and market your sustainability strategy for maximum buy-in and excitement.

Culture change at the company: Internal buy-in was the starting point, but this is positive change in the company’s DNA. It’s good for recruitment and retention as it means the company really stands for something. And it’s hard to do.

“We understand the technical aspects of sustainability, but it’s important for us to have an executive champion. Culture is the hard stuff, changing hearts and minds . . . we underestimated how difficult culture change was going to be.” (Rob Zimmerman, Kohler)

“Another thing we have always enjoyed is the fact that young people want to work for us. When we get a job opening, we’ll get 500 to 2000 applicants sometimes, and we get to pick absolutely the very best. Recruitment and retention is a huge value upside of these kind of commitments.” (Rick Ridgeway, Patagonia)

Supply chain programs: Supply chain efficiency is low-hanging fruit. A well-managed and run supply chain can result in immediate and visible financial gains. For example, by reducing the carbon intensity in your supply chain, you’ll end up using less energy and “save money. If you manage your supply chain that way then you’re also managing the risk potential

with all these issues that are just landmines if you don't pay attention to them."
(Rick Ridgeway, Patagonia)

Supply chains can also be equally tricky to manage, as it is hard to get the suppliers to walk the walk with you.

"Some of these [initiatives] were pretty challenging, like with supply chain. We had never even thought about how we were going to move the needle with our supply chain because that's usually something for a much more mature program where you walk the walk internally yourself and then you ask your suppliers to walk the walk."
(Doug Tamboer, Consumers Energy)

Circular economy: Circular economy has emerged as a powerful concept, generating greater attention from large corporations, industries and governments. The production and consumption of resources needs to be balanced with the carrying capacity of the Earth.

More importantly, circular approaches are becoming a strategic imperative and key differentiator, leading to lower costs of production, new business opportunities and higher value-add. It describes a practical and scalable landscape of opportunities employing business models that are by design regenerative and as waste-free as possible. The central pillars of circular economy strategies include the following:

- Recovery and reuse
- Lifetime extension
- Sharing and service models
- Circular design
- Digital platforms

As you explore circular solutions, look to the EU for guidance: Extended Producer Responsibility in some EU markets is leading to more circular economy activity and action. The circular economy is becoming real, and the EU is leading the charge.

Stage 4 Checklist

Are you in this phase of your journey? Here's what you need to be doing and thinking:

Re-evaluate your progress towards sustainability and compare to where you were at the starting line. Do you find sustainability guiding your...?

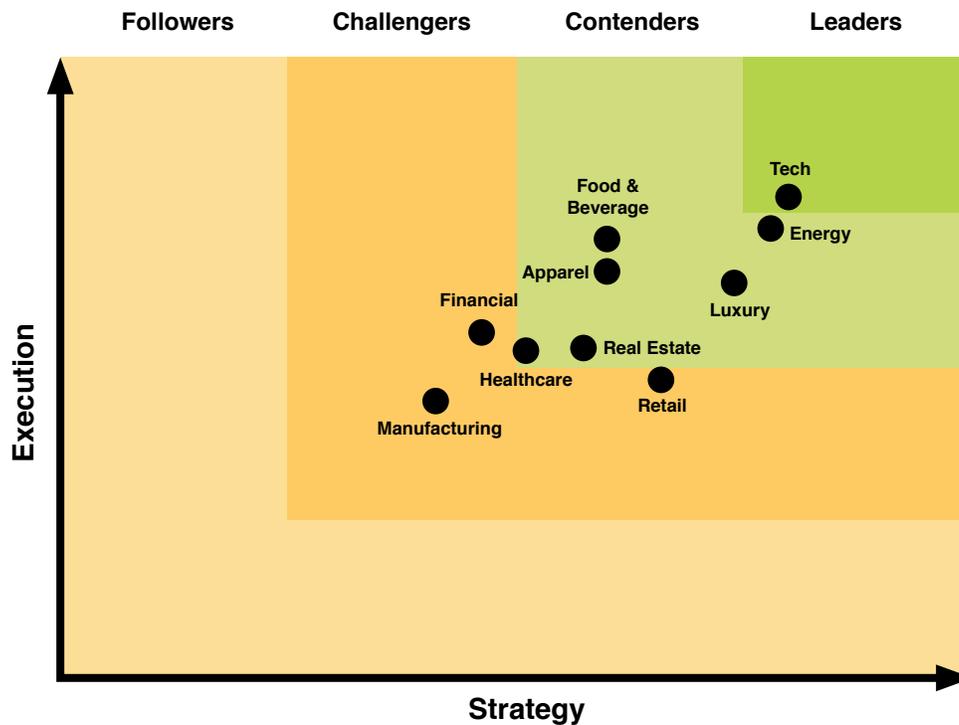
- Product design
- Production process
- Daily operation
- Supply chain efficiency
- Consideration of recovery and reuse
- Brand strategy

Stage 5: Nearing the Finish Line

Your company experiences a shift in “business as usual” and sees results

Now that you as a team are far along in the race, it is time to take a look at the leaderboard. The initial strategy and vision and the execution of these strategies are what will gain you a place on the leaderboard. There may be only one winner, but it takes the effort of an entire team to get that person there. This is where a sustainability playing field differs. A win in this race is a win for everyone, and a loss is a loss for everyone.

What propels these winners is a well-planned strategy and thorough execution. An exploration of various companies has helped us place their sectors on the leaderboard. Below is the graphic representation of what we’ve seen as being a typical level of sustainability progress in these industries, as evidenced by our synthesis of qualitative research and quantitative metrics. It gives a view of where various industry sectors are on their sustainability journey.



Navigant Research Leaderboard Grid, 2018

Close to the finish line, as a company approaches leader status, one can see the benefits of sustainability.

The goal is no longer to present a case for sustainability but to reinforce the business value that sustainability has brought.

Sustainability comes with many rewards. It can provide increased trust through greater transparency, or through recruitment and higher levels of employee retention, and increased consumer loyalty. Not to mention the operational efficiency and immediate financial savings gained through it all. Rick Ridgeway explains that, “as the company gets bigger and older, it’s kind of the opposite of what usually happens with companies where they leave some of their founding roots; we’re getting deeper all the

time. We’re getting more and more radical, and at the same time, we’re getting more and more successful as a business. It’s interesting to watch the business value of these things.”

Communication becomes an absolute necessity in this stage both internally and externally. Effective communication is essential for showing the results to internal employee participants and to inform and educate concerned customers. It is also a good practice to inform business decisions. “We report progress on these KPIs publicly on an annual basis and more frequently internally to inform better management decisions,” says Paige Goff from Domtar. After all, the Tour de France is not a one-time event but an annual race with new challenges.

Stage 5 Checklist

Are you in this phase of your journey? Here’s what you need to be doing and thinking:

- Evaluate your organization’s sustainability progress against your goals and your competitors.
- Have ongoing communication with both internal and external stakeholders.
- Advocate for change; this can be in your supply chain, in your industry, or through government policy.

“What we started to realize was that it was really important not just to design these products and be successful . . . but to actively promote change and become advocates.”
(Martin Wolf, Seventh Generation)



Conclusion

To recap, these are the very first steps companies should do to get ready for their Tour towards a sustainable future:

Assess how sustainability goals and commitments can align and even strengthen your organization's mission and business strategy.

Determine how sustainability investments and commitments can improve your bottom line and deliver competitive advantage with near-term action.

Develop a short-, mid-, and long-term strategy to meet goals and embed sustainability in your organization's day-to-day processes and procedures.

Articulate a communication plan to showcase your organization's sustainability strategy and program execution to your employees, shareholders, customers and the public.

Methodology

We interviewed eleven sustainability professionals from various sectors. This report attempts to synthesize this small-scale qualitative study to understand the ways in which companies on a sustainability continuum have progressed towards sustainability. Through future work with a larger audience, we'll continue to dig more deeply into the topics explored here.

ABOUT SHELTON GROUP

Shelton Group is the nation's leading marketing communications firm focused exclusively on sustainability. The company polls Americans on an ongoing basis to understand the drivers and obstacles to adopting more sustainable or energy-efficient products and behaviors and uses those insights to help some of the nation's leading brands define and leverage their sustainability stories to gain a market advantage. Shelton's clients include CertainTeed, Cotton LEADS, Environmental Defense Fund and Kohler. For more information visit: <https://sheltongrp.com> or contact Scot Case directly at scase@sheltongrp.com.

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