

# THE BUSINESS OF SUSTAINABILITY

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Although sustainability — also known as corporate social responsibility, corporate citizenship, the triple bottom line, sustainable development, etc. — has been around for decades, it is only recently that its potential to impact organisational performance and success is being truly appreciated, particularly with regards to its ability to affect the Human Resources function.

The continuing shortage of talent in the Australian labour market is resulting in growing emphasis on the challenges surrounding employee attraction, retention and engagement. Organisations recognise that sustainability policies and practices increasingly represent a powerful tool with which they can confront these challenges. A strong employer brand and positive general public perceptions in terms of social, ethical and environmental responsibility can positively influence employees' views of an employer and candidates' views of a potential employer.

In order to address some of these issues and as part of our commitment and dedication to leading the way in the provision of information and services relevant to organisations today, Towers Perrin-ISR, in partnership with GerrardBown, recently hosted a seminar dedicated to The Business of Sustainability.

## SUSTAINABILITY - A LOCAL PERSPECTIVE

As a prelude to the seminar Towers Perrin-ISR and GerrardBown distributed a brief survey to gauge where Australian organisations stand on the topic of sustainability and to help inform the session. Thirty-four companies responded to the survey. The key findings are outlined below:

- Only 4% believe that sustainability strategies and actions are part of everything the company does and are constantly being assessed; 53% reported that sustainability strategies are starting to be developed & implemented and 9% said their company placed no emphasis on sustainability at all.
- The most common sustainable business practices that organisations undertake or have in place are: Recycling (90%), Ethical Policies (83%), Waste Reduction Strategies (72%) and Contributions to the Community (70%).
- The least common sustainable business practices that organisations undertake or have in place are: Sustainable Sourcing (25%), Sustainable Transportation (28%), Green Energy (36%) and Toxicity eg. disposal of heavy metals, batteries, chemicals etc. (36%).
- Only 37% assess employee perceptions of their organisation's performance in the area of sustainability.
- 80% believe that sustainable business practices have an impact on employee perceptions of the organisation.
- 83% agreed or tended to agree that sustainable business practices can impact their organisation's financial success.
- 86% agreed or tended to agree that sustainable business practices should provide their organisation with a competitive advantage.
- 37% currently report on sustainability in isolation from annual and other reporting; however, 27% do not report on sustainability at all.

A selection of the issues that are considered the top three sustainability challenges for organisations over the next twelve months include:

- Articulating the business case for sustainability internally.
- Improve education, especially of the sales force so that they can advise customers about the value add of sustainability practices.
- Greenhouse gas emission reduction.
- Reducing air travel.
- Engaging staff more actively in sustainability practices.
- Implementing some 'quick wins' such as staff volunteering.

As can be seen, the benefits of adopting sustainable business practices are felt to be significant by the vast majority of the Australian companies that completed the survey. However, a large proportion of organisations have only just set out on their sustainability journey and foresee a number of challenges in the future.

## SUSTAINABILITY - A GLOBAL PERSPECTIVE

As well as conducting a tailored survey prior to the seminar, Towers Perrin-ISR explored its wealth of data for information about the perceptions of sustainability performance of Australian organisations in comparison to businesses in eight other countries (Brazil, China, Germany, Japan, Malaysia, Singapore, the United Kingdom and the United States). The results focused on sustainability in terms of social responsibility, environmental responsibility, ethical standards and perceptions of regard by the public. As Figures 1 - 4 show, the results vary widely depending upon which element of sustainability is examined. The results are also strongly influenced by cultural influences, such as South American countries tendency to be more favourable and Japanese employees less so.

Some of the more general conclusions included:

- Australian organisations rank in the top three for best performance in social responsibility and ethical standards, however, they fall into the bottom half on both environmental responsibility and perceptions of regard by the public.
- Brazilian organisations consistently rate in the top three in terms of perception of sustainability performance; they are the highest achievers in both social and environmental responsibility.
- United Kingdom companies regularly place in the bottom three except for their performance around ethical standards, on which they rate highest out of all the nations.
- Despite some notable declines (i.e. Singapore's 12% drop in Fig 3), there is a worldwide trend for improvement in sustainability performance in the ethical standards, social responsibility and regard by the public.
- There has been a general downturn in global perceptions of environmental responsibility since 2005. Australian results recently released by Towers Perrin-ISR show that this decline continues in 2007.

Fig 1

### Perceptions of Environmental Responsibility

"In my opinion, this company is environmentally responsible."

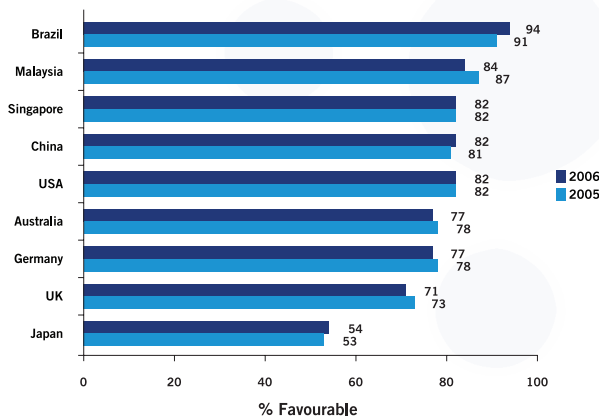


Fig 2

### Perceptions of Social Responsibility

"In my opinion, this company is socially responsible in the community."

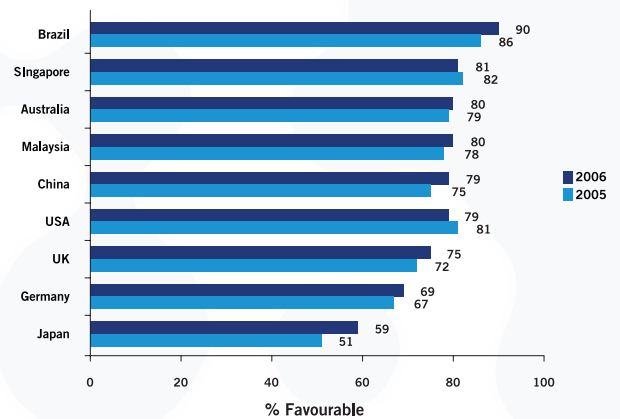


Fig 3

### Perceptions of Ethical Standards

"In my experience, all employees are held to the same standards of ethical behaviour."

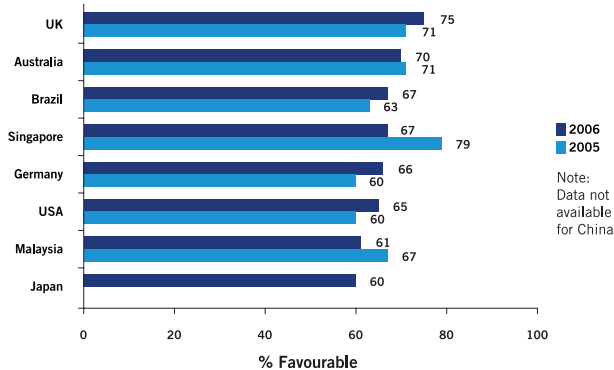
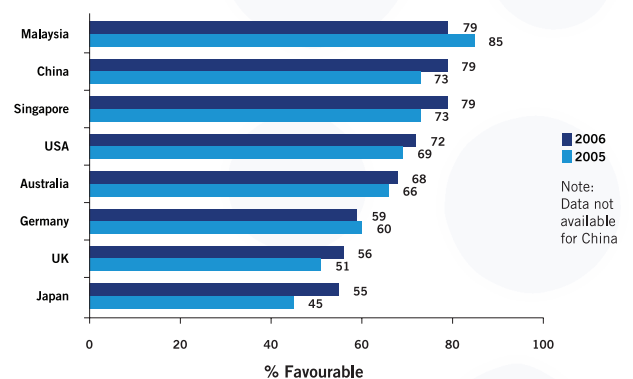


Fig 4

### Perceptions of Regard by the Public

"This company is highly regarded by the general public."



## THE SUSTAINABILITY JOURNEY

Armed with the above insights into the status of sustainability in Australian organisations and in organisations around the world, seminar attendees then received GerrardBown's thoughts and suggestions about how to set out on, and encourage an organisation's commitment to the sustainability journey.

Organisations undertake the sustainability journey for many reasons. An effective sustainability strategy should lead to real business benefits. These benefits range from operational efficiency, improved supply chain management, enhanced risk management, more competitive market positioning, community acceptance / licence to operate, innovation and learning, access to resources & capital (both human and financial), and access to new markets.

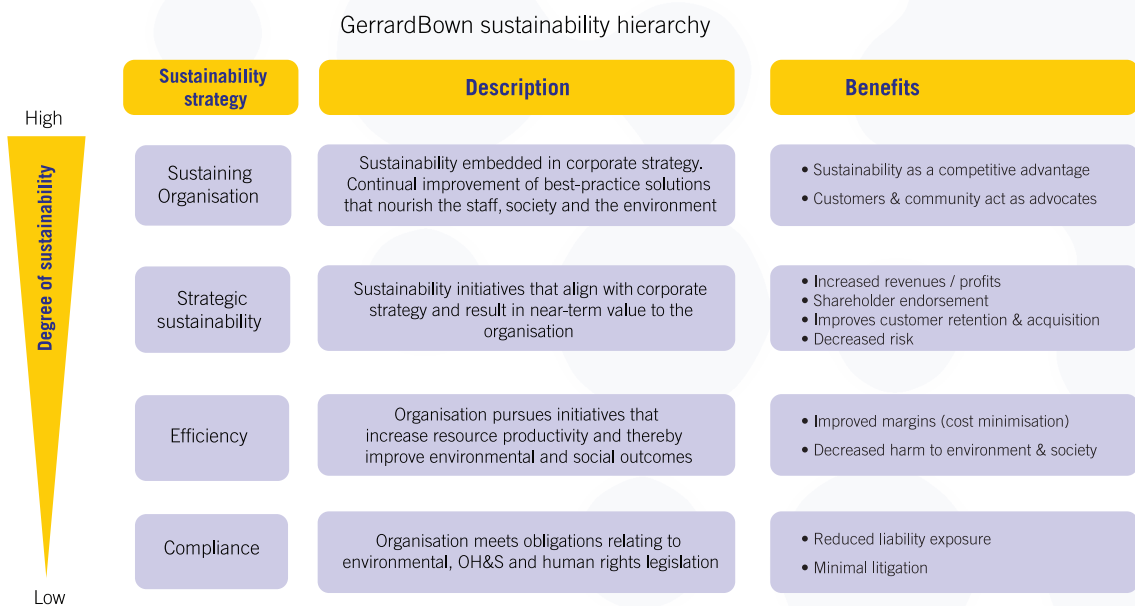
There are numerous examples of products, services and materials already having an impact, including renewable and green energy, socially responsible investment, niche superannuation funds, organic supermarket chains, hybrid vehicles, low VOC paints, sustainable carpet and textile manufacturing, sustainable architecture and construction - to name just a few. It is clear that (in the words of Michael Porter), "CSR has emerged as an inescapable priority for business leaders in every country".

## SO WHAT ARE THE KEY STEPS INVOLVED IN DEVELOPING A SUSTAINABILITY STRATEGY?

The first step in the journey is for organisations to decide to what degree they want to adopt sustainability. The organisation has four distinct options. It can merely comply with legislation, it can pursue increases in efficiency, it can use sustainability strategically (especially to capture new business opportunities) or it can embed sustainability as the key pillar of its corporate strategy. The trade-off for the organisation is between effort and reward. The higher up in the sustainability hierarchy it drives, the greater the effort needed to create real lasting organisational change, but conversely the greater the potential reward. The figure below depicts the sustainability hierarchy and the associated benefits for each step in the hierarchy.

Fig 5

### Organisations must decide what degree of sustainability they want to adopt



In the second step, organisations need to think through what specific initiatives they would like to undertake in terms of sustainability. There is a plethora of sustainability alternatives available to organisations. To ensure an integrated approach, organisations need to think across their value chain (in terms of what sustainability initiatives they could undertake for their sourcing, internal operations, products / services and product recovery). In addition, organisations need to consider sustainability initiatives across a range of impact areas, such as their energy use (and emissions), water conservation, resources and waste (including toxicity), land use (and its effect on biodiversity) and the organisation's impact on communities (both internal and external to the organisation).

The next step is to ensure the success of a sustainability strategy. To this end, a number of critical enablers need to be in place. These include:

- Committed governance and leadership. This could include endorsement of the strategy by CEO and Chairman, responsibility for sustainability at executive and/or board level, actions of senior management to reinforce the importance of sustainability.
- Robust reporting, tracking and communications. This might involve the establishment of sustainability key performance indicators, regular reporting, tracking and evaluation, feedback into current initiatives, external reporting and communication of sustainability initiatives and performance.
- Cultural readiness and staff preparedness. For example, the introduction of behavioural change initiatives, staff training on sustainability and the organisation's sustainability goals, incentives and remuneration tied to performance against sustainability objectives.
- Sustainability-focused innovation. For instance, is there sufficient R&D resources focused on development of sustainable solutions? How much business development effort is being dedicated to assessing the opportunities afforded by economic, social and environmental trends (such as carbon trading)?

Finally, to create lasting positive change all the above must of course be reflected in a comprehensive and well-structured implementation plan and implemented effectively and efficiently (see Fig. 6).

**Fig 6**

## GerrardBown recommends a four-stage approach to developing and implementing a sustainability strategy



### A GOOD EXAMPLE - AVIVA

Tim Cobb, General Manager - Marketing & Public Relations at Aviva, rounded out The Business of Sustainability seminar with his fascinating insights into Aviva's approach to sustainability. As the Manager responsible for Aviva's social responsibility programs, Tim is ideally placed to discuss why Aviva considers social responsibility important, how Aviva is building stakeholder support for sustainable practices (from staff and customers to the community) and how Aviva approaches the matter of engaging staff around this topic. Tim also talked in some detail about the ways in which Aviva is developing new products and services and adapting existing products and services, to cater to the growing sustainability needs of both customers and the company itself. An example of this is Aviva's United Kingdom "Pay As You Drive"™ Insurance, whereby customers' car insurance costs are dependent on when, where and how far they drive.

### NEXT STEPS

Sustainability is rapidly becoming an influential factor in the everyday decision-making of individuals and organisations - sustainability concerns have the ability to affect decisions from product choices by consumers to choice of employer by potential candidates. Towers Perrin-ISR and GerrardBown recognise this and are taking steps to ensure clients are best prepared and equipped to address the sustainability challenges and needs of all their stakeholders.



If you would like further information about how to measure and/or monitor the impact of sustainability on your organisation (particularly your employees) please contact Towers Perrin-ISR on:

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If you would like further information about how to establish and successfully implement a sustainability strategy please contact GerrardBown on:

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