Governing for Performance: How the Best Companies Create and Capture Sustainable Value

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Managing corporate reputation in today's volatile geo-political business environment is akin to assessing terror threats. You don't know who's targeting you, let alone when, how, where, or even why. All you know is that you need to be prepared. Today, even the smallest of missteps or momentary lapses in judgement can make headlines and lead to loss of corporate value in a moment's notice. The ability to anticipate and foresee challenges before they become material business issues is a competitive advantage for attaining business continuity, resiliency and performance.

Stakeholders ranging from NGOs, government, and consumers are increasingly placing more and more policy-price-and-perception pressures on business. In our fast-paced, data-driven, make no mistakes, winner takes all mindset of an economy, the corporate context (*i.e.,* who, what, how, when, and why) is being scrutinized and shaped by big dollar institutional investors as well as individuals with a smartphone and an agenda.

At stake is not just the CEO's public image and job, but also that of the Board, the capitalization and market share of the company, and the reputation and image of the brand. Investors have historically rewarded those companies that consistently deliver earnings and growth. In that model, bigger has typically related to better. But as some of the world's biggest (and once most respected) companies have grown bigger, the genetic code that made them great deteriorated. It's as if their core DNA, once defined by innovation, integrity, and sustainability – was infected by greed, corruption, and negligence.

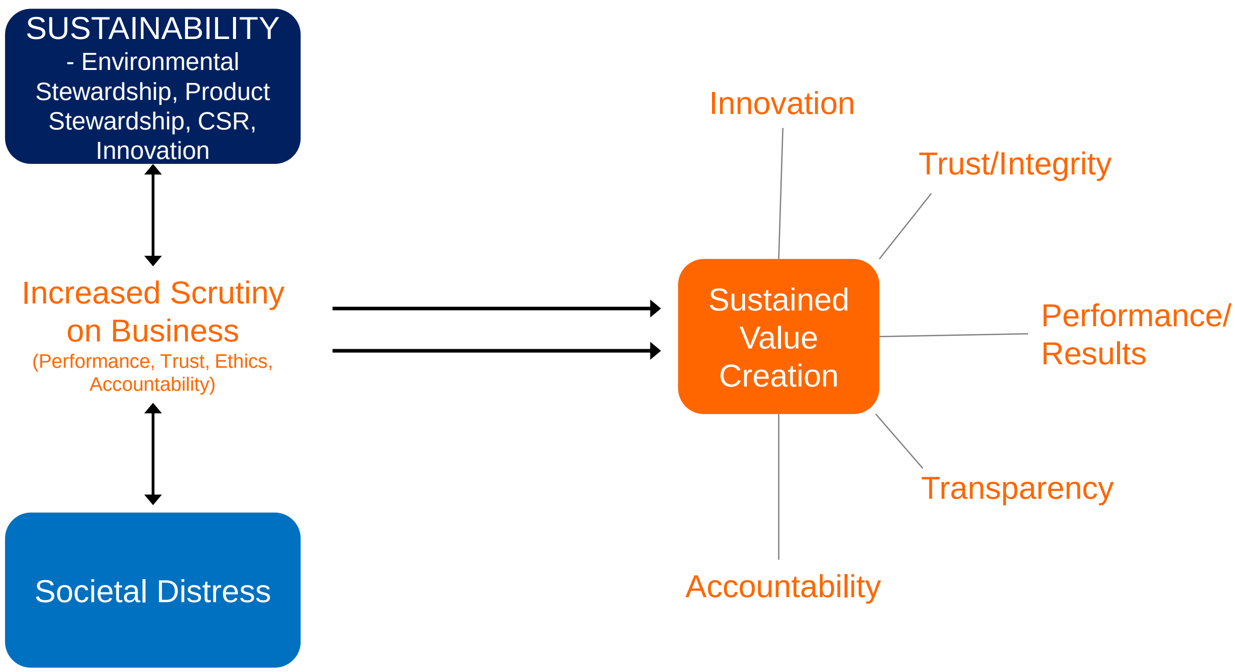
Volkswagen, Lehman Brothers, and Enron – many companies have tangled with this new reality; some survive, some don't. Managing risk and reputation requires more than a steady hand at the wheel and a compass. Today, management needs to know if their ship is prepared for the next hundred meters of choppy seas and the next hundred miles no matter what the weather brings.

Most companies fail to embrace the full value of risk-based, innovation-inspired, sustainability mindset. The deficiency common among multinational (as well as mid-market and smaller businesses) is how best to structure and integrate the sustainability framework within the organization for achieving results.

It is not enough to say the world is changing, it is. Creating shareholder value requires business to interpret and influence the "push-pull" cycle of creating sustainable value for all stakeholders (as depicted in Exhibit 1). To remain profitable, respected, relevant, and trusted, businesses have always had to be responsive to the dynamics of the market and their customers. As the potential for reward is greater than ever in a global marketplace, so too is the risk of failure.

Today, market-shaping shifts are converging and placing greater demands on business. In some ways business is under scrutiny as increased accountability, transparency, reporting, and disclosures are called upon by consumers and regulatory agencies. At stake is the reputation of the business in its pursuit of value creation for shareholders, stakeholders, and society.

Push-Pull in Business Value Creation



Graphic Created by Mark Coleman & Denny Minano, CMM

Exhibit 1

Business-critical market-shaping shifts include: product stewardship, environmental concerns, managing innovation, managing enterprise risk, addressing sustainability, managing supply chains, engaging stakeholders, and addressing corporate culture and talent for long-term growth and profitability.

In an effort to identify, understand, prioritize, and address these market-shaping shifts, in recent years major corporations have created and introduced executive-level positions such as Chief Ethics Officer, Compliance Officer, Risk Officer, and Chief Sustainability Officer (CSO). For some corporations, the individuals with these titles have held responsibilities for identifying material risks, interfacing with innovation and new product development, managing global compliance programs, and supporting the development and realization of sustainability goals across the enterprise. But for most, sustainability has become, for many other corporate functions, a silo unto itself, driven by external reporting.

Further clouding the effective governance of sustainability is how best to reconcile existing functions and programs ranging from environment health and safety (EHS), corporate social responsibility, product stewardship, ethics, compliance, and enterprise risk. Getting the nomenclature and alignment right is not trivial.

For a select cadre of companies, sustainability has been deliberately designed into the fabric of their DNA. Established brands including Interface, Patagonia, Tom's of Maine, Green Mountain Coffee, and Timberland represent businesses whose founders' had an innate drive to embed sustainable value into their brand identity, products and services, and business culture.

For these companies, managing profit or loss through the lens of sustainable innovation and value creation is intuitive. These firms understand that business sustainability is complex, dynamic, and requires multifaceted integration and teamwork. Companies whose genetic makeup (see Exhibit 2) embodies sustainability, risk management, innovation and integrity are typically more responsive and resilient to market changes and prove to be better performers in management of resources, corporate reputation, and financial results.

So what are the genetic building blocks of corporate accountability, risk management and value creation? And how can these building blocks of performance become engrained into corporate culture?

While the answers to these questions can be simplistic, the reality is that for each company, putting a plan into action is unique, dependent upon numerous variables entrenched in how the enterprise is governed, structured, managed, and led.

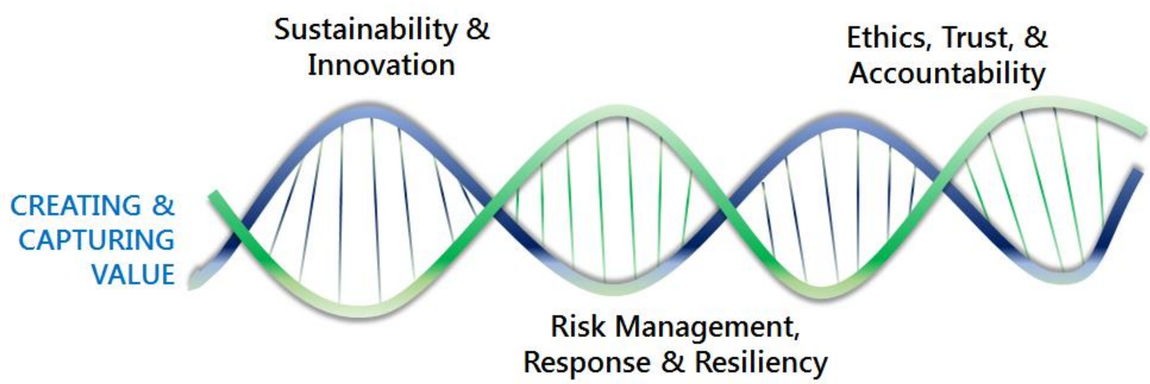


Exhibit 2, Graphic by Mark Coleman, CMM

But an important aspect of getting the right elements aligned and integrated lies in the ability for individuals and the enterprise to be agile, open-minded, tolerant, patient, and willing to act. Small and large businesses are bureaucratic. They didn't start that way, and did not intend to evolve that way, but as opportunities for growth emerged, so too did new layers of processes, controls, and compliance. For some organizations, the evolution from an innovation to an administrative culture gutted the very spirit of enterprise that made the business successful in the first place. When that core and purpose is gone the mission for creating and capturing value is marginalized.

Building Trust: The Proactive vs. Reactive Engagement Model

Not every company is led by a visionary and principled founder, like Yvon Chouinard of Patagonia, whose employees idolize and are fully committed to. Most companies work very hard on pragmatic employee engagement efforts such as workplace safety, quality, and productivity just to remain in compliance and competitive. Further, most companies move to proactively engage their stakeholders so that they remain current of evolving consumer preferences, needs, and behaviors.

Corporations that are proactively spearheading risk management are internalizing stakeholder input through more fluid, collaborative, and partner-based engagement approaches. Their goal, to remain vigilant, agile, and ready to respond.

Some changes impact business with greater force and speed than others. In an increasingly connected world businesses now operate with a new set of market and operating realities. The speed and accessibility of data, information, communications, and all types of media are provoking and stoking a new generation of ‘citizen scientists’ and activist shareholders. According to a recent studies[i] and reviews[ii] by The Conference Board, EY, and others, approximately half of the shareholder proposals submitted in the 2014 proxy season sought more information on environmental and social issues.

As businesses have become more transparent, they have also opened themselves up to more analysis, scrutiny, and vetting. While businesses would like to see objective, independent, and fact-and-science based reviews of their performance, the reality is that ‘citizen scientists’ and activist shareholders have become more organized, knowledgeable, and leveraged as they use more-and-more sophisticated resources and techniques to influence businesses.

External pressure from consumers, citizens, and shareholders is nothing new. What is new is how quickly consumers and activists can mobilize resources and have far-reaching influence (positively and negatively) on the reputation of the business. Armed with information and data, external forces can swiftly spin the power of story to evoke emotion and draw attention. Organized, focused, and strategic in their personalized pursuit of change, external forces now influence businesses enterprise wide: board oversight, management, and operations.

To address his new business reality, the best companies are proactively evolving their corporate boards and governance structures to be more attuned to risk, better balanced in critical expertise and in the diversity of its composition, and more agile in structure. For example, to have a better understanding the market and how quickly consumer preferences are changing, some corporate boards have begun to include members that represent their customer base. Others have embraced pragmatic risk management approaches that draw on every board members expertise and background, so that they can better evaluate business risks and opportunities through a more holistic and “systems-oriented” framework of business critical assessment factors including: economic, environmental, energy, consumer, societal, innovation, and compliance.

Getting the Foundation Right

Corporate trust, reputation, and financial performance are grounded in a foundation of innovation, ethics, compliance, and operational excellence. As such, corporate cultures that value sustainable outcomes are better prepared to achieve compliance, reduce environmental impacts, and work toward continuous learning and improvement through self-effacing reviews of corporate policies, practices, business operations, and employee engagement.

As shown in Exhibit 3, the social context and contract of business has been evolving for nearly four decades. Today, the world's biggest companies are pursuing sustainability as a deliberate business strategy. For many, sustainability is an enigma, with little interconnectivity to financial performance, innovation, or market growth. For those willing to evolve their governance and organizational frameworks, sustainability is a deliberate strategy that can, if right-sized with the business strategy and corporate culture, and pragmatically pursued through implementation and discipline, can yield significant and quantifiable impacts.

Companies are now going beyond compliance and working hard on eco-economic operational improvements including integrating leaner production practices into their manufacturing operations to drive water, energy, and waste reductions. The best companies are also taking efforts a step further by innovating new products that consume fewer resources and produce less waste throughout their life cycle.

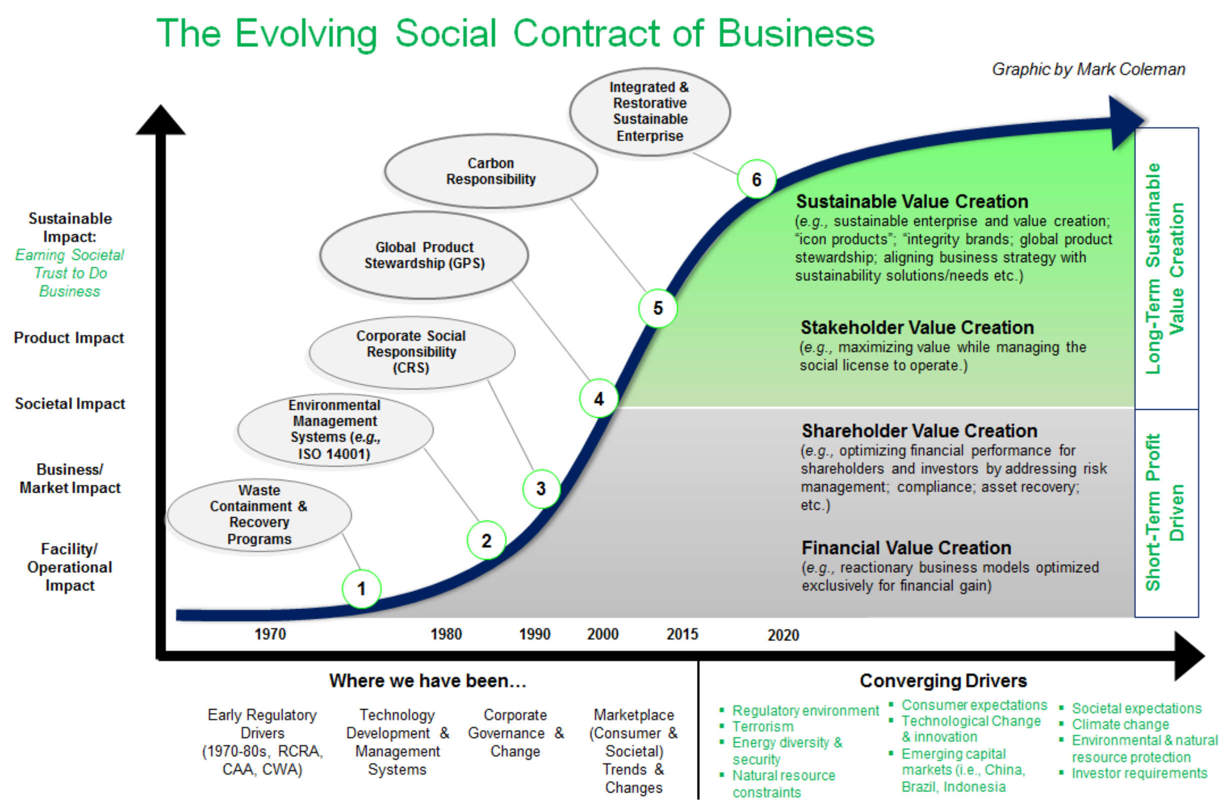


Exhibit 3

To this end, we've found that the best companies have integrated sustainability to not only guide the policies and practices of the organization, but to also reinforce corporate EHS cultures that embrace safety and environmental accountability at the enterprise and at all employee levels. The best companies also integrate sustainability to drive product innovation and a means to differentiate themselves in global economy where demands for resources are increasing, as are the needs for reducing negative impacts. In short, business is better suited to manage risk and achieve strategic objectives when sustainability, safety, and environmental responsibility are part of everyone's job. Having the right sustainability framework, strategy, and implementation plan is essential to success. Further, ensuring commitment from senior management and cross-functional leadership is a critical requirement to ensure a right-sized sustainability strategy be valued, adopted, and supported enterprise wide.

Achieving Sustainable Value Creation

Today, most global corporations have some aspect of sustainability. To stay relevant, respected, and reputable – they've had to. Corporate sustainability has been working toward a common language. Driven by third party financial rating agencies and organizations including the Sustainability Accounting Standards Board (SASB), Global Reporting Initiative (GRI), and the Carbon Disclosure Project (CDP), corporate sustainability reporting has become more consistent, transparent, and comparable.

Just as no two companies are exactly the same, neither should their sustainability strategies be. While globally recognized and voluntary sustainability rating organizations and frameworks (see Exhibit 4) are typically touted for their market-facing public disclosure on specific sustainability indices, they do not always represent the best proxy for true corporate sustainability performance.

Exhibit 4, Market-Based Sustainability Standards, Frameworks, Rating Agencies

Market-Based Approaches	Specific Reporting Standards/Frameworks
Sustainable Investing & Ratings	• Dow Jones Sustainability Indices (DJSI) • RobecoSAM
Voluntary Reporting Standards and Frameworks	• Accountability AA1000 • Carbon Disclosure Project (CDP) • Global Reporting Initiative (GRI) • International Integrated Reporting Council (IIRC) • International Standards Organization (ISO) 26000 • Sustainability Accounting Standards Board (SASB)
Trade Associations	• Responsible Care (American Chemistry Council)

As more global companies follow the guidelines and frameworks of SASB, GRI, and CDP than ever before, one has to ask, do these frameworks designed to foster greater transparency to investors, regulators, shareholders, and the public provide the full picture? The short answer is no, of course not. These frameworks were not intended to be all–inclusive analytical summaries of the planet's vitality.

CMM believes that external sustainability reporting should serve a very specific, deliberate, and strategic purpose. The common denominator for many reporting frameworks such as GRI-G4, SASB, and IIRC is the assessment of materiality aspects. Ernst and Young (EY) reports[1] that sustainability frameworks are converging on materiality.

Materiality is not a ubiquitous term for all companies or sectors. It is specific to each sector, and more importantly to each business. Thus, materiality assessments need to be conducted in parallel with the development of a corporate sustainability strategy. In addition, as stock prices, innovation, and markets are dynamic, so too is business strategy.

Thus the sustainability context and materiality aspects of a business should be revisited by the organization periodically to ensure resources are optimized and that the sustainability effort truly remains right-sized and in-check with the values, perceptions, behaviors, demands, and needs of the marketplace. Therefore, a sustainability vision should be fluid enough to absorb fluctuations in business strategy, keeping in mind that the best companies visualize and value business and sustainability strategy as *one in the same*.

The Evolving Social Contract of Business

Even the world's largest and best brands and companies can get caught up in the reporting cycle and rigor of meeting the requirements of voluntary sustainability reporting initiatives, and often at the expense of having a robust sustainability strategy to guide their business and actions in place. When companies move too quickly under the pressure of markets and competitive forces to simply "get something out" on sustainability, they typically fail in "getting it right."

Getting it right is not only about having the market respond favorably to corporate initiatives, it's also about right-sizing your sustainability actions with your business strategy, risk exposure, innovation pipeline, stakeholder landscape, community context, employee and workforce goals. Sustainability strategy should be aspirational and pragmatic. It should provide a vision for the business' future in the context of change and a global economy, but also establish boundaries for attaining goals. The sustainability strategy should acknowledge and integrate competitive and market intelligence, but also not be so restrictive that it limits employees' ability to be enterprising. Sustainability strategy needs to allow room to grow, innovate, and lead.

Those companies that rely on the public relations value of sustainability reporting in the absence of an internal performance driven strategy, eventually struggle in strategic direction, innovation, and cultural identity. Left unaddressed, market-facing promises that are unsupported by an internal resolve result in lackluster business performance, missed opportunities in the business cycle, and a disengaged employee and customer base.

But as the National Association for Environmental Management (NAEM) 2016 *"Planning for a Sustainable Future"* industry insight report points out, external reporting is one of the high priority strategic goals for many companies in 2016. Other aspects of sustainability strategy that are of equal or greater importance according to NAEM's detailed interviews of 20 corporate EHS and sustainability leaders include: supplier engagement, climate change risk management, and regulatory compliance in the supply chain.

Companies that have, or are working to anchor a sustainability vision and mission with strategic goals and a plan for action are focused on assessing and understanding systems levels issues

[1] Source: EY, Trends in Sustainability Reporting Presentation. https://www.sustainabilityprofessionals.org/sites/default/files/Breakout%208%20Hagler_Influences%20and%20Trends%20in%20Sustainability%20Reporting%20and%20Assurance.pdf

that have material impact on the company. For example, sustainability strategy can, when tailored to the business, integrate broad goals with pragmatic operational objectives. An example would be having a corporate-wide strategy to reduce the global greenhouse gas footprint by an specific percentage and date, with specific targets for improving energy efficiency and energy management with specific implementation measures at the business and facility level. But issues material to the company do not end there.

As suggested by the 2016 NAEM report and CMM's own business intelligence, sustainability strategy for many companies is working on systems-level issues that cut across product development and stewardship (*i.e.,* life-cycle product impact on sustainability and global market access tied to product disclosure), the supply-chain (*i.e.,* collaborating with suppliers to optimize their sustainability performance), the regulatory-community-stakeholder interface (*i.e.,* engaging external stakeholders on issues important to them, and to stay current on regulatory changes and ensure compliance), in addition to other issues that are material to companies depending upon their product portfolio, legacy concerns, business sector, and so on (*i.e.,* shareholder resolutions, labor relations). Regulators, customers, shareholders, suppliers, and others are impacted (and impacting) how corporate sustainability is evolving in different ways.

As these parties have converged on global (and local) systems-level issues like air/water pollution, climate change and natural resource scarcity, they have also looked for more integrated solutions from business. In the next 3-to-5 years CMM believes there will be tremendous business opportunity for companies to enact strategies that support systems-level sustainability goals while driving operational performance, development of innovative solutions, launch of new products, and smart, effective collaboration with stakeholders. Having a sense of the big picture is no longer enough. To remain competitive and respected, companies now need to evolve their sustainability vision and strategy so that it delivers an impact on systems-level issues in a way that is right-sized to the company strategy, footprint, and capacity to deliver innovation and achieve business results.

In the winter of 2012 the MIT Sloan School of Management, in collaboration with The Boston Consulting Group, released a detained report[2], "*Sustainability Nears a Tipping Point.*" The report summarized findings from a well-documented and global study of what corporate executives' were saying at that time about sustainability and innovation. The 2012 study captured insights from more than 3,000 executives spanning more than 100 countries.

The study revealed that 70% of executive respondents indicated they had put sustainability front-and-center of their management agenda, which was a substantial increase from prior year assessments. In the four years since the 2012 MIT Sloan report there have been dozens of studies, reports, and evaluations of corporate and business sustainability. While each report takes a different approach and assesses a different context of business sustainability, the overarching observations are similar and can be characterized as "aggressive, moderate, or fleeting" efforts as shown in Exhibit 5.

[2] Source, USEPA Sustainable Manufacturing Archive and MIT Sloan School of Management, http://archive.epa.gov/sustainablemanufacturing/web/pdf/mit-smr-bcg-sustainability-nears-a-tipping-point-winter-2012.pdf

Exhibit 5. Aggressive, Moderate, Fleeting Corporate Sustainability Efforts

Aggressive	Moderate	Fleeting
• Market-Leading among Peers • Holistic view of the business, its global context, and market-shaping forces • *Fully committed and sincere* Senior Management • Sustainability is recognized within the governance structure and documents of the company • Well defined Sustainability Vision and Strategy • Alignment with culture of the business • Acknowledgement and evaluation of risk and specific plans addressing materiality issues • Enterprise-wide integration of sustainability as a “right-sized” element of business / job performance • Intra-and-entrepreneurial enterprise development tied to innovation and product stewardship • Stakeholder and Shareholder Engagement • Actively engaged employees (sustainability integrated with job function and performance) • Well defined and documented key performance indicators, metrics, for “right-sized” performance management and accurate, defendable reporting. Right-sized sustainability initiatives map to goals, metrics, outcomes, and impacts which are aligned with the key materiality aspects of the business. • Sustainability extends throughout the entire business value-chain to realize KPI’s and business objectives	• Market-Balanced among Peers • View of the business shaped primarily by competitive forces, keeping par with others • *Evolving engagement* among Senior Management • Defined Sustainability Vision and Strategy • Somewhat aligned with culture of the business, but not enterprise-wide • Acknowledgement and evaluation of risk, but may lack adequate plans for addressing materiality issues • Integration is a limiting factor due to lack of full senior-level commitment and alignment with the business culture • Intra-and-entrepreneurial enterprise development is limited, only a select few in R&D or product development “get it” • Stakeholder and Shareholder Management • Some, but limited, employee engagement (typically see employee “green teams” or groups emerge) • Sustainability metrics exist, but are not fully in-line with how business functions and units evaluate performance.	• Market-Following of Peers • View of the business shaped exclusively by external affairs and PR • *Non-engaged* Senior Management • Poorly defined Sustainability Vision and Strategy (or lacking altogether) • Report-driven Process for defining Sustainability “requirements” versus Sustainability strategy and opportunity • Limited or zero alignment with the business culture • Innovation, R&D, product development and marketing has limited or no focus on sustainability • Reactionary with regard to shareholder and stakeholder concerns • Employees unaware of sustainability goals or objectives, let alone a strategy • While public reporting occurs on sustainability metrics, the data may not be fully representative of the material risks or aspects of the business, or fully defendable.

Highly successful companies have embraced corporate sustainability, integrating it into the very fabric of their being. Companies including Interface, Patagonia, Nike, and Iberdrola have positioned their organizations, products, and brands to “compete on sustainability.” These companies view business and sustainability strategy as synonymous with one another, and use innovation as the market-facing approach to continually improve upon their foundation of sustainable operations.

Other notable strong performers and market leaders in sustainability including Lockheed Martin, BASF, Google, FMC, Sabic, P&G, and Motorola have begun and matured the integration of sustainability throughout their business enterprise and their respective value chains. While no company is 100% perfect, each have developed and honed specific fundamentals or “critical elements” essential to their ongoing success.

A Scorecard Has Emerged

Each year organizations including Newsweek[3], Forbes Magazine, Corporate Knights[4], Sustainable Brands[5], and others evaluate, rank, score and report out on the world's most trusted, admired, respected, and sustainable companies. Their rankings typically evaluate specific screens and key performance indicators[6] (KPIs) including aspects such as energy, carbon, water, and waste productivity, diversity of the leadership team, employee turnover, innovation capacity, safety performance, pension fund status, CEO to average worker pay, among others. Such rankings are public and shape consumer perception to a point. But the rankings also have biases in the data and information they evaluate, as well as their methodology.

Other rankings, surveys' and reports (*Exhibit 6*) on corporate business and sustainability performance have been completed in recent years by Accenture, Boston Consulting Group, Massachusetts Institute of Technology (MIT) Sloan School of Management, Deloitte, National Association for Environmental Management (NAEM), Pricewaterhouse Coopers (PwC), Ernst and Young (EY), and a diversity of social investment funds, rating agencies, universities, and other accounting, financial service, and stakeholder organizations.

Exhibit 6. Corporate Sustainability Research Survey's and Reports

Report
• **2016 – Planning for a Sustainable Future: The Ideas that Will Shape EHS & Sustainability Management in the Year to Come by NAEM[7]**
• **2015 – The United Nations Global Compact-Accenture CEO Study, Special Edition: A Call to Climate Action, November 2015[8]**
• **2015 – MIT Sloan, Boston Consulting Group, United Nations Global Compact Report,** • **Joining Forces: Collaboration and Leadership for Sustainability, Collaboration and Leadership for Sustainability[9]**
• **2014 – Trends in Sustainability Reporting by EY, presented at the ISSP Conference, Denver[10]**
• **2014 – The Value of Sustainability Reporting by EY with Boston College Center for Citizenship[11]**
• **2014 – Chief Sustainability Officers: Who Are They and What Do They Do?, A working paper by Harvard Business School and Miller Consultants[12]**
• **2013 – Six Growing Trends in Corporate Sustainability by EY with the GreenBiz Group[13]**
• **2013 – CFOs and Sustainability: Shaping their roles in an evolving environment by Deloitte Sustainability, Global Enterprise Risk Services[14]**

[3] Newsweek coverage of 2015 Global 100 Most Sustainable Businesses, http://www.newsweek.com/green-2015/top-green-companies-world-2015
[4] 2015 Corporate Knights Global 100 Most Sustainable Businesses, http://www.corporateknights.com/reports/global-100/2015-global-100-results/
[5] Sustainable Brands, "World's 'Most Admired' Companies Also Are Sustainability Stars," http://www.sustainablebrands.com/news_and_views/leadership/mike_hower/world%E2%80%99s_most_admired%E2%80%99_companies_also_are_sustainability_stars
[6] For example, Corporate Knights used 12 KPI's in their 2015 analysis of the Global 100 Sustainable Businesses, see, http://www.corporateknights.com/reports/2014-global-100/key-performance-indicators-13903955/
[7] Source: NAEM, http://www.naem.org/?page=survey_2016_trends
[8] Source: UN Global Compact, https://www.unglobalcompact.org/docs/issues_doc/Environment/climate/UN-Global-Compact-Accenture-CEO-Study-A-Call-to-Climate-Action-Full.pdf
[9] Source: MIT Sloan, http://sloanreview.mit.edu/projects/joining-forces/
[10] Source: Sustainability Professionals, https://www.sustainabilityprofessionals.org/sites/default/files/Breakout%208%20Hagler_Influences%20and%20Trends%20in%20Sustainability%20Reporting%20and%20Assurance.pdf
[11] Source: EY, http://www.ey.com/Publication/vwLUAssets/EY_-_Value_of_sustainability_reporting/$FILE/EY-Value-of-Sustainability-Reporting.pdf
[12] Source, HBS, http://www.hbs.edu/faculty/Publication%20Files/15-011_a2c09edc-e16e-4e86-8f87-5ada6f91d4cb.pdf
[13] Source: EY, http://www.ey.com/Publication/vwLUAssets/Six_growing_trends_in_corporate_sustainability_2013/$FILE/Six_growing_trends_in_corporate_sustainability_2013.pdf
[14] Source, Deloitte, https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Risk/dttl-risk-Deloitte-CFOs_and_Sustainability-2014.pdf

The Challenge of Sustainability – Creating Business Value

To have purpose and impact, corporate sustainability requires a deliberate and defined strategy and a disciplined and iterative process. It is not an exclusive outcome. Much like health and safety, quality, or product development, sustainability can be defined as discrete tasks to be audited or as a corporate ideal and vision to be strived for. Organizations that gain the most from their sustainability initiatives do so by integrating it at all levels of the organization. They create a culture which works to engage, empower, and enact solutions that make sense for the business and as developed through a lens of sustainability the envelopes the entire organization including its internal and external relationships.

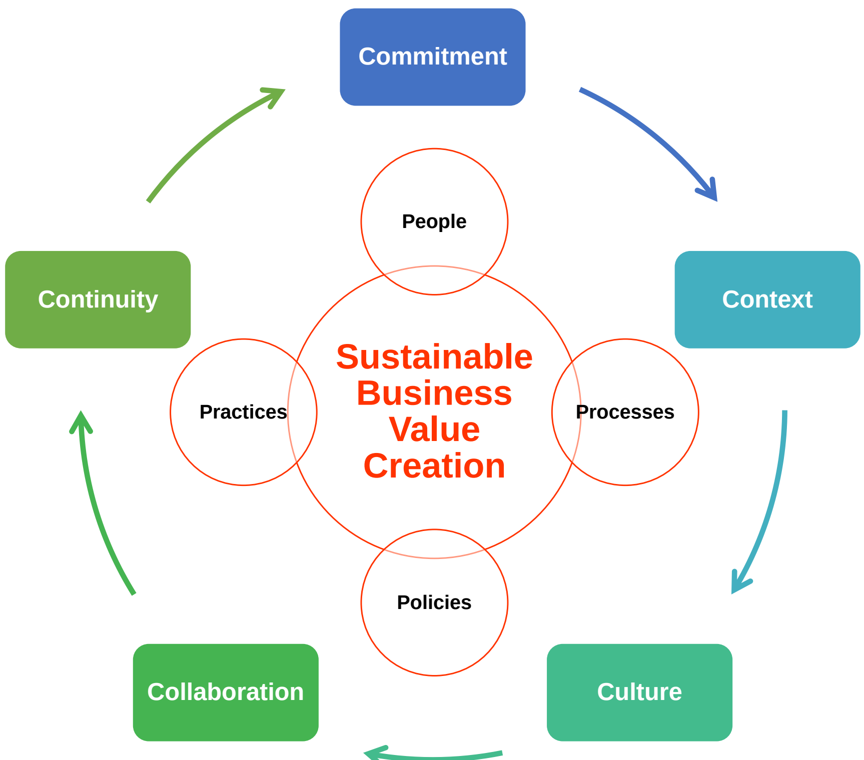
In our experience, the key elements presented in *Exhibit 7* and defined below are essential for a sustainability vision, mission, and strategy, including:

- **Commitment** – Business leadership has to commit themselves, their team, and the entire organization to a deliberate process to derive a sustainability vision, mission, and strategy they believe in.
    - Senior management sets the tone, direction, vision, and aspirations of the company. As such, the sustainability vision and mission should be established in partnership with management. Further, management's attention to sustainability, directly and indirectly, has direct impact on whether sustainability will truly become a business strategy, or viewed as a corporate buzz word.
- **Context** – A sustainability strategy without context and culture is an empty promise. To ensure sustainability is "right-sized" to the business, it's essential to understand the context by which the business operates. That means having internal (and external) dialog on business risks and assessing the key materiality aspects of the company. In doing so, a context of the business is derived, which enables the sustainability strategy to begin to take form.
- **Culture** – For any organization to have success, their culture needs to engage and align with their business strategy, values, ethics, and commitment. The sustainability vision, mission, and strategy will need to align with the existing culture, and also reinforce the culture that management seeks to achieve.
- **Collaboration** – Sustainability vision is put into action when people take ownership and are accountable. People define policies, establish practices, enact processes, and yield results.
    - **People-Policies-Practices-Processes-Results** – these represent the pragmatic tools by which sustainability becomes much more than a word, a phrase, a quarterly line item, or annual report. For sustainability vision to take shape, and for a strategy to take precedent and endure leading to business results, a great deal of collaboration is necessary. While sustainability is typically sponsored by a respected and senior leader of the company, coordination and collaboration will be required from a multidisciplinary and cross-functional team of committed employees to achieve business results.

- It is critical to unite representatives from all facets of the enterprise: IT, human resources, research and development (R&D), procurement, marketing and sales, executive leadership, manufacture and operations, finance and accounting, legal and risk, environment health and safety (EHS), real-estate, the business units, product stewardship, and other areas.

- **Continuity –** While it takes a significant collaborative effort to yield business performance impacts, it is also essential to have a highly regarded senior level business leader championing sustainability and providing daily continuity and reinforcement for the vision, mission, and strategy. Although this is in a sense the CEO's job, this function is also important to recognize within the title and stature of an individual or organization.
    - For example, many prominent companies[15] have active CSO's such as Alcoa, AT&T, Coca-Cola, Dow, DuPont, Georgia Pacific, Owens Corning, Mohawk Industries, PG&E, EMC, Verizon, UPS, General Mills, and several other large industrials.

Exhibit 7. Key-Elements of the Sustainability Vision, Mission and Strategy Process



Graphic Created by CMM

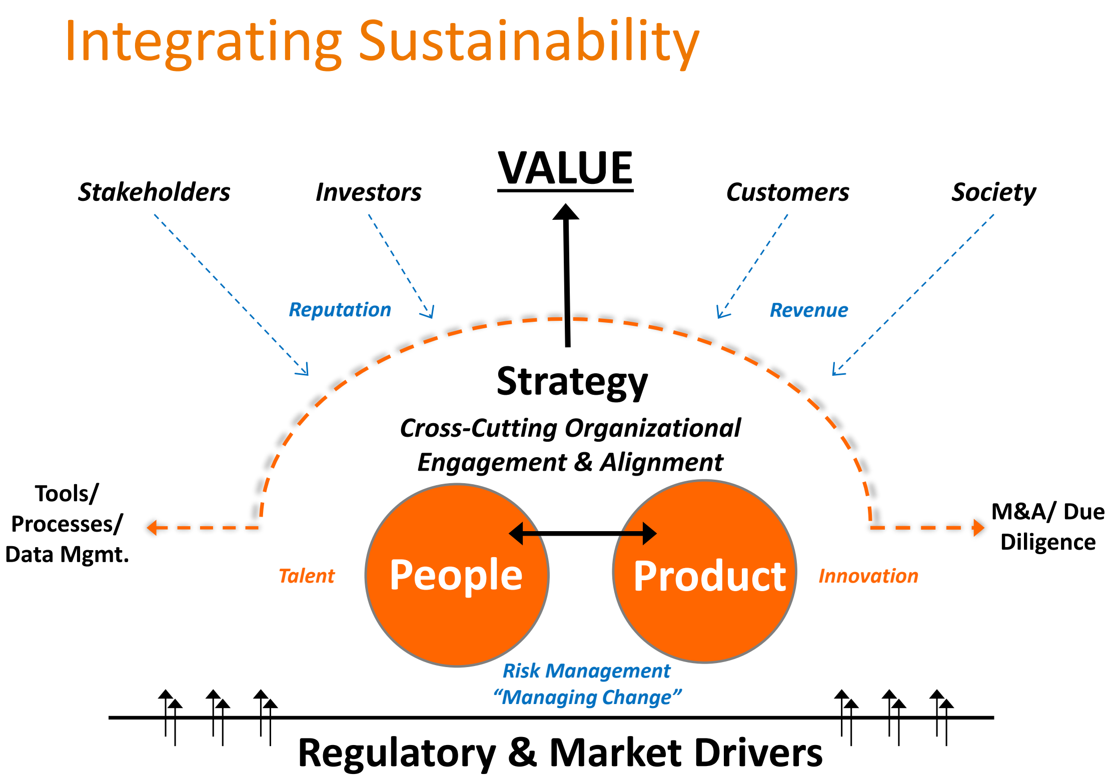
[15] Source: Weinreb Group. September 2011. CSO Back Story: How Chief Sustainability Officers Reached the C-Suite. http://weinrebgroup.com/wp-content/uploads/2011/09/CSO-Back-Story-by-Weinreb-Group.pdf

Creating Your Custom Blueprint

So what does success look like? How can the right corporate governance and organizational framework be developed? And how can you align your strategy, resources, talent, and to optimize the value of integrated risk management and sustainability for your company?

By using it as a lens to assess internal needs and be aware of external influences, sustainability embraces change and risk management processes. As shown in *Exhibit 8* "cross cutting organizational alignment and engagement" are critical to the success of global product stewardship organizations. This graphic was validated by numerous global companies, each reflecting upon the external influences that impact their strategy and how they work internally to provide a value to the business.

Exhibit 8. Assessing & Mitigating Business Risk through the Sustainability Lens



Graphic by CMM

The lens of sustainability provides a more all-inclusive approach to risk management that can result in tangible business performance impacts including revenue generation, operational efficiency, and avoided costs. Further, when fully integrated as an enterprise strategy, sustainability can enable strategic competitive advantage that yields benefits that far exceed the investment and resources required to transform the culture of an organization. There are risks and challenges to sustainability, most of which can be overcome through education, awareness, and priority setting.

ABOUT THE AUTHORS

Convergence Mitigation Management (CMM) is a high-value business intelligence, strategy, and management consultancy providing custom advisory services to business, government, applied research, and non-governmental organizations. Learn more at www.cmm-insights.com.

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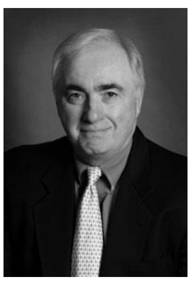
Mark Coleman is the President of Convergence, Mitigation, Management (CMM) LLC, which provides custom business intelligence and advisory services for business, government, applied research, not-for-profit, and non-governmental organizations. Mr. Coleman has advised hundreds of organizations in the areas of sustainability, risk, innovation, operational effectiveness, and business strategy. Mark is a recognized voice, business advisor and consultant on the convergence of sustainability, environmental stewardship, energy, technology, and innovation. As the author of recent book release, *Time to Trust: Mobilizing Humanity for a Sustainable Future* and previous book - *The Sustainability Generation: The Politics of Change and Why Personal Accountability is Essential NOW!* , Mark is advising businesses and inspiring audiences with his expertise, wit and wisdom. Mr. Coleman holds a Master of Science in Environmental Management and Policy from Rensselaer Polytechnic Institute and two Bachelor of Arts in Environmental Studies and Geography from Binghamton University. Mr. Coleman resides in the Finger Lakes region of New York with his wife Aileen and two sons, Owen and Neal.

Dennis Minano, Managing Director, CMM

Dennis R. Minano is a former senior automotive executive and current consultant in environmental, energy, governance, and transportation infrastructure strategies. He serves as a board member, trustee, executive leader and senior advisor to companies, non-profit organizations, economic development organizations and health care institutions. This follows a career at General Motors, where he served as Vice president of Public Policy, Chief Environmental Officer and Vice President of Communications. At GM, he implemented cutting edge environmental and energy policies for its products and plants. He was responsible for GM's Public Policy Center, a consolidation of Environmental and Energy, Government Relations, Diversity, Corporate affairs, and the office of the Chief Economist. Earlier in his career, in GM's Office of the General Counsel, he managed high-risk legal matters that impacted product decisions. Mr. Minano holds a Juris Doctor degree and is a member of various Federal courts, including the U.S. Supreme Court, and was an adjunct Professor of Environmental Law at the University of Detroit Law School.



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[i] Source: The Conference Board, http://www.conference-board.org/retrievefile.cfm?filename=TCB_DNV6N16_Soc_Environ_Issue1.pdf&type=subsite
[ii] Source: EY, http://www.ey.com/Publication/vwLUAssets/ey-proxy-season-review/$FILE/ey-proxy-season-review.pdf