



Managing Future Change

Ingraining Sustainability into the Corporate Culture

By Matt Dickinson and Josephine Smit

Sustainability has a key role to play in equipping firms for a changing marketplace as well as a changing world. It enhances your reputation with investors, clients and prospective employees and delivers competitive advantage. A 2007 report by Goldman Sachs concluded that companies leading the way in implementing environmental, social and governance policies were outperforming the general stock market by 25%.

The businesses that are getting the most from sustainability are, however, doing more than simply ticking the right boxes; they have embedded sustainability into their business strategy, processes and culture.

This article, from **Matt Dickinson** and **Josephine Smit** of BRE, offers some advice on how to achieve this.

Today's organisations are subject to a range of external drivers, from legislation to market dynamics, and those drivers are rapidly evolving under global sustainability, economic and political pressures. To that end, sustainability can be key to managing future change, particularly in the following areas:

- **Legislation and standards** – Governments are introducing increasingly stringent and wide-ranging legislation and standards covering sustainability issues eg, stringent new building regulations which will be tightened every three years
- **Stakeholders, customers and public perception** – Everyone is increasingly conscious of environmental issues. At the very least, businesses are expected not to harm the environment, and those that do may find themselves paying a heavy price. A vast resource of information is now available to guide investors and consumers towards the most sustainable businesses (eg, the Next Generation corporate benchmarking for house builders, Dow Jones Sustainability Index (DJSI), the Sunday Times Green List, Carbon Reduction Commitment league tables and BRE Global's International Sustainability Alliance). Many of these schemes now include benchmarks to help investors, clients and other stakeholders cut through the greenwash.
- **Risk management** – We are living and working in an increasingly uncertain world, and businesses need to prepare themselves for a range of risks and uncertainties.

BUT HOW DOES SUSTAINABILITY DIRECTLY BENEFIT BUSINESS?

1. Limit utility, resource and waste costs

It makes both financial and environmental sense to minimise utility, resource and waste costs. Utility and resource prices have become increasingly volatile, while waste costs are climbing steadily. The standard rate of landfill tax increased by £8 per tonne in April 2010, and is planned to rise by the same amount in April 2011.

2. Improve resilience as energy pricing becomes more volatile and supply less secure

We have long taken cheap and secure energy for granted, but reports are now cautioning that the situation could change dramatically within a decade or less. Energy regulator Ofgem has warned of increasing power shortages owing to future pressures on supply, while the 2010 report of the UK Industry Taskforce on Peak Oil and Energy



COMMUNITY COMMENT

Niel Golightly, Vice President, Downstream Communications, Shell

Sustainability delivers the most value when companies see it as a pathway to new business opportunities, rather than simply a matter of compliance. Shell, for example, is developing a portfolio of products designed to help customers use energy more efficiently and emit less CO₂. I am personally convinced that corporations make the most meaningful and lasting contributions to sustainability challenges when they leverage their commercial strengths – namely value creation, market competitiveness, scale, technical expertise and innovative business models.

Security (whose members include Richard Branson) issued a stark warning. The report says: "We must plan for a world in which oil prices are likely to be both higher and more volatile and where oil price shocks have the potential to destabilise economic, political and social activity". The new Feed-in Tariffs offer a highly attractive investment opportunity for investing in renewable electricity, providing investment returns of 5% to 8%. This opportunity is now easily accessible from the corporate property owner to the domestic homeowner.

3. Maximise staff productivity

Research into a major 'green' office development in Melbourne, Australia found staff productivity improved by nearly 11 per cent in the new accommodation, generating a cost benefit of more than \$2 million. It was therefore calculated that the environmental features incorporated into the scheme, called CH₂, would pay for themselves in seven years.

A further study published in late 2009 by the University of San Diego's Burnham-Moores Center for Real Estate said that almost 50 per cent of occupants of green buildings participating in the study found their workers took fewer sick-days than average, with absenteeism being reduced by almost three days.

Not everything you implement will work, but real learning comes from the negatives as well as the positives

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Claudine Blamey, Head of Sustainability, SEGRO plc

Sustainability saves us costs in the sense that we are able to use energy, water and waste in a very efficient way. Also, having a good reputation for managing sustainability helps us continue to attract customers, talent and investors.

Remember that leadership is the most important aspect of embedding sustainability into your organisation's day to day business. Your leaders need to enable their employees to develop ideas and to innovate. They need to be clear and consistent in their messages.

4. Improve efficiency of working practices

Sustainable refurbishment of office space can produce more efficient workspaces and provide a catalyst for improved working practices. For example, Hampshire County Council occupied an inefficient 1960s building but chose to refurbish it rather than rebuild, because the former option offered best financial and environmental value. The £40 million refurbishment of the building in Winchester has resulted in a 60-70% cut in carbon emissions and energy use and a £200,000 annual saving in running costs. The council has 75% more staff occupying the refurbished accommodation, as it combined the maximisation of workspace in the building with the introduction of flexible working practices.

5. Transform your offer to market and enhance perception of your business

Leading companies are transforming their businesses through their sustainability strategies. For example, the construction, regeneration and support services company, Willmott Dixon, has ingrained sustainability in its business, setting demanding targets for itself in areas such as energy and waste



COMMUNITY COMMENT

John Frankiewicz, CEO, Willmott Dixon Capital Works

As a family business (headed by group chief executive Rick Willmott) we are taking a long-term approach and doing this because it is the right thing to do. Sustainability has given us a key differentiator as clients look to us to help deliver on their low carbon aspirations. Our own targets are backed by training, engagement with staff, culture change and more to make us an environmentally conscious and responsible business.

and developing its offer to provide an integrated approach covering a building's entire life. Its actions have earned the company sixth place in the 2010 Sunday Times Green list of UK businesses and a number of sustainability awards.

SO HOW CAN MY BUSINESS GET THE MOST OUT OF THIS?

Most companies now have the sustainability basics in place. They are:

- Environmental targets for carbon, waste and water
- Reduction in carbon per employee or carbon neutrality
- Sending no waste to landfill
- A sustainable sourcing policy

For many, however, this has simply become the starting point for transformational change.



COMMUNITY COMMENT

Ken Thornber, Councillor, Hampshire County Council

Remodelling Ashburton Court has not only turned a liability into an asset, produced an innovative flagship building for the city and improved the Winchester skyline, but also represents a platform for cultural change in the use of our buildings and for improved modern ways of working.

Embedding sustainability really starts with internal consultation, as efforts are unlikely to succeed unless there is buy-in from both top management and junior staff. At the top, a board level sustainability body with real power is necessary to provide a strong impetus for change.

There needs to be a clear vision, strategy and implementation plan, all dedicated to threading sustainability through every aspect of the business and every level. A clear branding for the strategy, using simple language and bold visuals, will have more impact than a vision badged simply as 'our sustainability plan'.

Leadership is the most important aspect of embedding sustainability into your organisation

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COMMUNITY COMMENT

Ian McCubbin, SVP, Strategy, Logistics & External Supply



COMMUNITY COMMENT

Richard Pamenter, Head of Engineering

We asked two of our members at GlaxoSmithKline a number of questions in relation to this article. This is what they said:

Economic and population growth will place huge challenges on future availability of resources as well as their effects on water availability and climate change. However, we should not underestimate our ability as a global society to innovate to address these challenges both technologically and in terms of policy and regulation. Business needs to be at the heart of both these types of innovation and understand that it generates savings in energy and material costs that flow through to the bottom line.

How does Sustainability directly benefit GSK?

This article connects very well to our company. From the top of the organisation, we are committed to significant improvement in our environmental sustainability performance and we are making progress. We see direct benefits in the form of:

- Employee motivation - environmental sustainability is a topic that all can contribute to and that really makes

a difference to the culture and sense of purpose in an organisation

- Financial benefits - we have seen significant energy reductions, yield and productivity improvements resulting in product cost reduction which, in turn, supports business growth
- Numerous other benefits accrue, including reputational ones, particularly with some customer groups where environmental sustainability is increasingly a qualifying requirement

What are your key pieces of advice to business leaders to get the most out of the sustainability drive?

- Consider where the real opportunity lies in sustainability for your business rather than treat it simply treat it as a compliance or corporate responsibility issue
- Take it very seriously, understand the key drivers, and then create appropriate metrics. The saying "what gets measured gets done" is usually true
- Leadership is critical, ideally from the top as it will help significant strides to be taken - it must be seen as an important priority for the company. It needs to gain parity with other objectives and, of course, the behaviours must match the rhetoric when conflict of priority arises.
- Learn from others. We have made quite important advances by understanding what others have done and then doing it in a way that suits us and our culture.

The delivery of performance improvement and change relies on effective measurement and targets. Commitments to reduce carbon emissions and energy use by, say, 10% in a year have to be supported by rigorous and demonstrable measurement to ensure they are meaningful.

As well as the corporate sustainability indices referred to above, there are a number of new sustainability measurement tools to help assess and benchmark performance down to, for example, an individual building level. These are important to be able to prioritise action to improve performance. Examples include:

- **Energy Performance Certificates and Display Energy Certificates** – to assess the energy and carbon performance of properties;
- **BREEAM In-Use** – a new scheme to help building managers reduce the running costs and improve the environmental performance of existing buildings. It consists of a standard, an easy-to-use assessment

methodology and a third party certification process that provides a clear and credible route map to improving sustainability.

- **The International Sustainability Alliance (ISA)** – ISA is working with BRE Global to create the world's largest environmental property database. ISA recently released its preliminary benchmarking results, produced using data supplied by ISA members who include real estate owners, occupiers, developers and funders. Environmental Key Performance Indicators (KPIs) have been developed to quantify the impact of buildings in terms of energy, emissions, waste and water.

Environmental targets should be embedded into 'business as usual' through incorporation into contractual documents, specifications and training of staff and partners.

Increasingly, landlords and tenants will be required to co-operate with often simple actions to achieve mutually beneficial sustainability and business objectives. For example:



- Environmental performance data should be consistently collected and shared between key members of the supply chain and, ideally, joint targets and sharing of benefits should be put in place;
- Reviewing and setting appropriate space temperatures and operating times. Best practice suggests that offices should not be heated above 19 deg C or cooled below 24 deg C. Whether you agree these temperatures provide a comfortable environment, the principle of pushing at these boundaries should be encouraged. The rule of thumb being that between 8 and 10% of heating/cooling energy use can be saved by modifying the room set point by 1 deg C. The owner of a multi-tenanted building in London took the decision to change the time at which it turned on chiller plant from 5am to 7am. This straightforward action resulted in £15,000 annual energy savings and no reported loss of comfort;
- Ensuring cleaning and maintenance staff are aligned with the sustainability strategy, eg, programming cleaning times to minimise use of lighting, heating and air conditioning, combined with awareness training of these staff.

Collaboration is essential, both within organisations and through the supply chain. Sustainability does not end at the office door or factory gate; it also extends to business partners. Marks & Spencer, a leader in CSR, has recognised this in the 'Fair Partner' commitments in its Plan A strategy. Indeed, many of those organisations at the top of the Sunday Times Green Companies list understand the importance of their influence on the supply chain:

- Setting out a clear vision to suppliers and encouraging or incentivising innovation and;
- Providing more sustainable products and services to customers to help them meet their own sustainability objectives

BRE has worked with a number of partners, including Marks & Spencer and the Olympic Delivery Authority, on procurement innovations to incentivise supply chain



COMMUNITY COMMENT

Jon Bentley, Energy and Environment Partner, IBM Global Business Services

TIPS FROM IBM

There is no one recipe for a successful sustainability initiative as the context for each business is quite different. For one company, engaging suppliers in joint solutions to reduce packing waste may be key whilst, for another, developing energy efficiency solutions for end customers will be the focus. There are, however, some common themes which provide a good place to start:

- Make sure your sustainability strategy is tightly linked to your business strategy
- Engage and align your customers, your suppliers and your staff in the sustainability programme and ensure that all share in the 'win' from achieving sustainability objectives
- Develop a broad portfolio of sustainability objectives and allow staff to express creativity in finding ways to meet these objectives
- Set high targets and allow time for these to be met so the targets become the motivation for creativity, innovation and perspiration but their nearness and scale doesn't petrify the organisation
- Define the sustainability agenda from the top but allow the execution to be developed and managed bottom up so sustainability is an integral part of the business agenda
- Communicate the sustainability agenda in ways which connect and make sense to all constituency stakeholders
- Measure, manage and motivate behavioural change to ensure that all sustainability initiatives are genuine and have consistent underlying objectives and behaviours
- Align your company with aspirational peers so that you can collaborate, share knowledge and gain strength through association



COMMUNITY COMMENT

Niall Trafford, Chief Operating Officer, BRE

Sustainability gives all types and sizes of businesses the opportunity to be leaders and not just followers - to differentiate their businesses for real achievement. While your ideas should be innovative and challenging, your plan must be accessible to all your colleagues so they can act on it - this is a key component to success. Not everything you implement will work, but real learning comes from the negatives as well as the positives and allows you to keep pushing the improvement boundaries.

partners to improve their environmental performance. Partners have made step changes in sustainable procurement of raw materials, producing both environmental improvements and cost savings for all involved.

HOW CAN I GET THE MOST OUT OF THE SUSTAINABILITY DRIVE? TOP TIPS FOR BUSINESS LEADERS

BRE has a wealth of experience in providing practical guidance to business leaders, and the following is based on tried and tested experience:

- Take a personal interest in sustainability. Make sure you have a good knowledge of the sustainability issues that are relevant to your organisation.
- Recognise sustainability makes sound business sense. It presents an opportunity to reduce business cost and, in some cases, generate new income streams. Marks & Spencer's Plan A, for example, has a budget of £200 million over five years, and the company estimates that savings have already exceeded costs just two years into the programme.
- 'Walk the talk' and believe in sustainability. Staff and other stakeholders need to hear their leaders explain regularly and with conviction what sustainability means to the business and what programmes will implement the strategy.
- Be prepared to adapt to a changing world. A sustainability strategy will need to be revised in the light of new information and progress against constantly reviewed targets.
- Be prepared to take risks and action, even when the path ahead is unclear, but still ensure that the risks are controlled and the action is decisive. Some organisations have initially been reticent about publicising bold targets, out of concerns of raising the expectations of customers and stakeholders. But there are clear benefits to being perceived as a sustainability leader.

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- Open dialogue with new partners and stakeholders. Policy, practice and technologies involving sustainability are still emerging and evolving and nobody has all the answers to the challenges we face. Many innovations and solutions can come from different ways of working with partners, rather than the adoption of new technology.
- Be ready to find different ways to engage with customers and staff. Turning sustainability into simple actions is key to ensuring staff and customer support. Sustainability is a powerful cross business theme that motivates staff involvement in business-related initiatives. It should be a clearly stated value at every stage of the people management process from hiring through to induction, performance appraisal, remuneration and promotion.

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Matt joined BRE in 2001 and is responsible for driving the expansion of its sustainability consultancy service to corporate clients. He offers bespoke guidance to companies such as Toyota Motor Europe, Barclays and EDF Energy, on how to integrate sustainability into realistic corporate policy. Matt has also been working with BRE Global in the development and trial of BREEAM In-Use.



Josephine Smit

Editor, Building4change.com

Josephine joined BRE in 2009 to develop an online news and information resource under the auspices of BRE Trust. The online resource, Building4change.com, was launched in October 2009 and covers all aspects of sustainability in the built environment.

Contact the authors through www.criticaleye.net