

## BRINGING THE SDGs ON PAR WITH BUSINESS

The 17 Sustainable Development Goals (SDGs) that were formally adopted by all 193 United Nations member states in September 2015 represent a very ambitious set of global aspirations for the next fifteen years. It is now widely understood that these goals and targets can only be achieved if companies around the world adopt sustainable business models and help develop and deliver the necessary technologies and solutions to aid in these efforts.

Through the UN Global Compact, over 1,500 companies participated in the SDG process representing a sizeable and growing segment of committed and forward-looking business leaders across all industries. These businesses realize that a strategic approach to sustainability, or sustainable development, can drive long-term financial value while engaging customers and employees in ways that improve productivity and growth today.

## THE CASE FOR FUNCTIONAL INTEGRATION

In most cases, such forward-looking companies have been building dedicated sustainability teams responsible for managing engagement of critical stakeholders, analyzing sustainability-related risks and trends, and for implementing sustainability-related programmes, policies and projects that have delivered significant value to their organizations and created the foundations for even greater future impact.

It is important to move sustainability from a peripheral, discretionary activity, mostly aimed to manage risks and protect the company's reputation and brands into a significant source of innovation, productivity, market differentiation and growth. Sustainability must be woven in as an important element of the company's strategy, operational processes, and culture and that of all its business and functional subcomponents. In so doing, sustainability will inform the company's product and service offering—for example, how its products are produced, marketed, sold and delivered and to what extent they are reused or recycled.

## THE ROADMAP PROJECT

The Roadmap for Integrated Sustainability aims to support companies in deepening the integration of sustainability-related goals and strategies across the organization by illustrating best practices and highlighting the value they can create for the business across five stages of sustainability integration. Initially, the Roadmap project will deliver a self-assessment tool as well as a collection of brief guidance notes for the Global Compact's website, describing emerging trends, innovations and example case studies from LEAD companies and other Global Compact participants.

It is the ambition of the UN Global Compact that this library of knowledge and best practices gradually will be expanded and improved upon, as LEAD companies jointly explore in more depth the opportunities and strategies for individual priority functions by engaging relevant colleagues and other experts in the field.

## THE APPROACH TO FUNCTIONAL INTEGRATION

The Roadmap applies three lenses to functional integration of sustainability, thus exploring not only the opportunities for each function to adapt its strategies and operational routines to support the sustainability goals of the organization, but also focusing on the distinct strengths, professional "culture" and mindset that exists within a particular business function.

In doing so, the project takes a functional approach, exploring strategies, tools and best practices for integrating sustainability within the core functions of a company. It is built on the understanding that while no two companies are organized in precisely the same way, there are a set of core functions—including, for example, Research & Development, Marketing, Branding and Public Relations—that in many companies are carried out by autonomous departments, teams or individuals.

As such, the Roadmap understands functional integration of sustainability as efforts to synchronize the sustainability priorities and goals of the company with the strategies and operations of relatively autonomous entities with a view to foster coordination, collaboration, synergies and greater innovation.

Rather than an effort to impose compliance with sustainability goals and standards, functional integration is viewed as a process of engaging leaders and colleagues of different functions to explore both the function's unique and important role in

# INTRODUCTION TO FUNCTIONAL INTEGRATION

## ROADMAP FOR INTEGRATED SUSTAINABILITY



achieving company sustainability goals, and also how the insights, tools or new relationships associated with sustainability can uncover opportunities for the function to deliver greater and more strategic value through its traditional responsibilities.

The functional integration process involves the investment of time to explore and appreciate the distinctive strengths of parts of the company that may be less familiar to its sustainability teams. The Guide, Functional Briefs, and Self-Assessment provide an approach to help sustainability teams prioritize the functions to engage and target specific strategies and tactics that have been found to be valuable in other companies. For this reason, the project is based on an understanding that no company is a homogenous whole and that different functions have different levels of influence in companies and varying strengths and capabilities that allow each to play a unique and important role in creating value in the conventional sense and establishing a more sustainable business model.

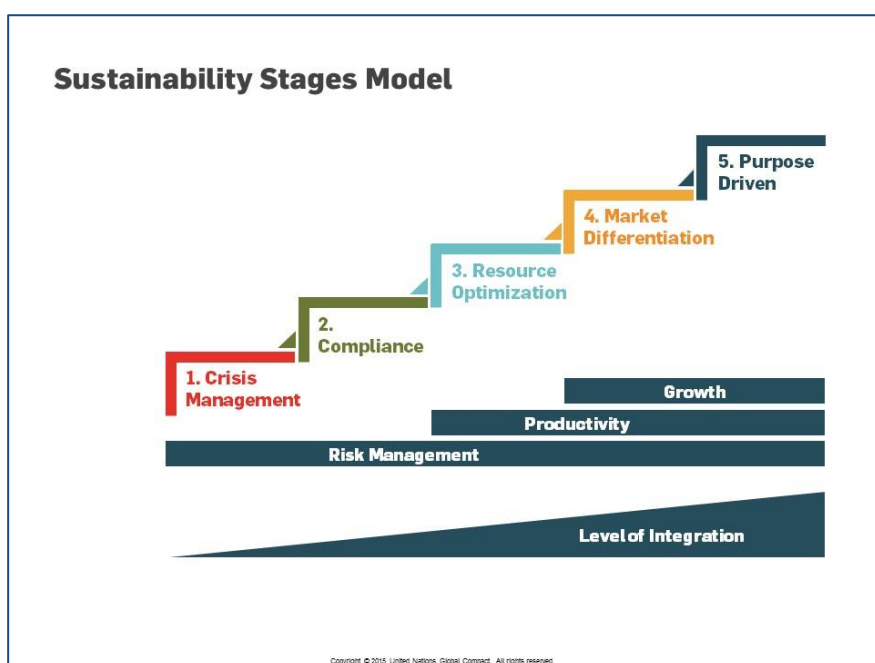
## THE MODEL

Though every company's sustainability journey is unique, many companies evolve through similar stages with similar characteristics, priorities and opportunities to create value.

Underpinning the Roadmap for Integrated Sustainability project, and in particular the Roadmap Self-Assessment tool, is a Sustainability Stages model, which represents a typical journey of sustainability integration in five general stages. Progressing through the stages, the model describes how companies generally move from a mostly reactive approach to sustainability aimed at protecting the brand and reducing risks to a more proactive and strategic approach, where sustainability becomes a source of resource optimization and value creation.

The model implies that companies typically advance upwards—though iteratively—through the stages over time. Many companies have individual businesses, projects, or functions spread across two or more phases but exhibit a “center of gravity” or mean around one stage. Many times leading or lagging examples from the mean can be attributed to individual leaders that are either particularly inspired by or skeptical of sustainability as a business value driver or imperative.

The model can be helpful in analyzing the current stage—and the desired stage—of sustainability integration within the company. Most importantly, in the context of the Roadmap project, the model helps identify corporate functions within the company that are most important to engage as the company advances through the different stages, and what contribution each function can and must make to sustainability integration at each of the five stages.



The model presented here and underpinning the Roadmap Self-Assessment is adapted from the work of Bob Willard appearing in his book, *The New Sustainability Advantage*. The integration into the model of the three financial value drivers—growth, productivity and risk management—is adapted from the UN Global Compact's Value Driver Model.

## STAGE 1 – CRISIS MANAGEMENT

In the first stage, the company's license to operate may periodically or permanently be threatened by legal enforcement actions or public outcry caused by a violation of regulations, laws, international non-binding minimum standards, social norms and stakeholder expectations. In this stage, companies typically have an entirely reactive approach to sustainability, focusing on short-term problem solving, minimizing legal liability and protecting to the extent possible the company's brand

## STAGE 2 – COMPLIANCE

and reputation. The company actively fights against any form of social and environmental legislation and uses exploitative practice to avoid the consequences of non-compliance.

In this stage, the business manages its liabilities by ensuring compliance with the law and all labour, environmental, health and safety regulations. It also manages longer-term risks related to international non-binding standards on, for example, labour, environment, health and safety issues. Initiatives to improve environmental and social performance are managed as costs with little perceived value beyond compliance with objective standards, and investments beyond compliance and small-scale philanthropy are difficult to justify, even if corporate sustainability is given lip-service.

### STAGE 3 – OPTIMIZATION

Moving into the third stage, the company realizes potential gains beyond compliance and risk management. It focuses on reducing costs and increasing productivity, while reducing its negative impact on society, through, for example, waste reduction, energy efficiency, water stewardship, women empowerment and better workplace standards. While significant savings opportunities are often found, even in the short run, these initiatives tend to be marginalized from leadership and strategy and implemented by specialized functions within the company. At this stage, the company also realizes opportunities to improve to reduce uncertainty and strengthen its reputation through social and environmental projects and marketing, and it seizes opportunities to strengthen employee engagement and retention through small-scale but highly visible sustainability projects, including community service projects.

### STAGE 4 – MARKET DIFFERENTIATION

Transitioning from stage 3 to 4, the company's attention to sustainability fundamentally shifts. Instead of cost and risk, sustainability is viewed as investments and opportunities, and the emphasis is now on sustainability-driven innovation, differentiation and growth. Step-change innovation in products and business models begins to take the stage from the continuous improvement-mentality of the previous stages. The company seeks to outperform competitors through more sustainable materials, cleaner products, more inclusive business models and by entering or creating new markets for innovative solutions for sanitation, health, safe food and clean water. It explores partnerships with diverse stakeholders and public policy advocacy as a source of innovation and market creation.

### STAGE 5 – PURPOSE DRIVEN

In this, the highest stage of sustainability integration currently imagined, sustainability issues have become inseparable from the core vision, mission and brand of the company. Stage 5 companies are driven by a values-based commitment to improving the state of the world and the business model is entirely linked to a pertinent social need and the opportunity to address one or more social or environmental challenges. As in stage 4, companies in stage 5 also use sustainability as a source of competitive advantage, market creation and growth, so the difference between the two is mostly linked to motivation. Stage 4 companies integrate sustainability into core strategies with a view to be successful businesses, also in the long run, whereas stage 5 companies consider sustainability an objective in its own right and become successful businesses with a view to deliver social value at even greater scale. While the practical differences in business model may be minimal between stage 4 and stage 5, purpose-driven companies are more likely to spot and seize new opportunities for shared value and less likely to be distracted by short-term gains from unsustainable business practices and products.

### TAKING THE 'STEPS'

The transformations taking place as the company moves through the stages are not trivial and have a lot to offer in understanding the role that different functions can play in advancing sustainability integration.

Most importantly, a fundamental shift takes place from Stage 3 to Stage 4, as the company moves from a risk and productivity mindset of incremental change, or doing "less bad", to a mindset of capitalizing the strengths of the business to create shared value. At this point, the Sustainability function—including specialized environment, health and safety teams—must transform itself to provide strategic leadership, technical expertise and coordination to engage priority functions across the company. To be successful in stage 4 and 5, sustainability must be fully integrated into all key functions, including into R&D, Human Resources, Marketing, Brand, PR, Sales and Customer Service, which all tend to have limited engagement in earlier stages.

Some functions, like Finance, Legal, Government Relations and Public Affairs have important roles to play across all stages. However, the nature of their engagement changes substantially from the earlier, more reactive stages to the point where sustainability is proactively built into value creating strategies and operations for each of those functions.

## INTEGRATING AND GOVERNANCE PROCESSES

It should be noted that in early sustainability stages—before its relevance to innovation and growth is widely understood—informal and well-intentioned barriers can sometimes emerge to insulate the company's core functions from any external "distractions". In these early stages, Sustainability teams can be positioned within a range of other functions (marketing, legal, operations, etc.) and be expected to stay in their supporting role to help reduce risk, interact with new stakeholders, and suggest ways to improve productivity, but they should not meddle in the important affairs of the business. As sustainability matures, its prominence and strategic value increases shifting its earlier defensive role into a proactive coordinator and facilitator of innovation, relationships and growth.

Especially important in making the transition from "Optimization" toward "Market Differentiation", the CEO, Executive Management, Board engagement, and structured cross functional sustainability steering committees can play critical integrating and governance roles. These roles include: communicating a compelling case for change; reinforcing sustainability's overall priority; setting goals; overseeing integration in priority functions; and coordinating functional roles and priorities.

One cannot overstate the importance of the substantive and symbolic role the CEO and other executive leaders play in setting vision, reinforcing sustainability's relative priority and modeling new desired behaviours. Without this leadership, strategic integration and governance processes (whether performed by existing or new structures), it will difficult for sustainability to move from the periphery to reach its potential to help the company respond to and thrive in the broader and quickly shifting competitive landscape of the 21st century.

# THREE LENSES TO INTEGRATION

## ROADMAP FOR INTEGRATED SUSTAINABILITY



To achieve its potential to reduce risk, improve productivity, drive growth, and create shared value, sustainability must be integrated across the business. This is not only to “get everyone in line” but more importantly to stimulate coordination, learning, collaboration, and greater innovation, all leading indicators of healthy, thriving businesses in the 21st century.

While many approaches to organizational integration include the familiar and distinct disciplines of *strategy* and *execution*, growing research and experience in change management—and sustainability in particular—point to the important, less structured and concrete third lens of *culture*. These three “lenses” apply both at the company-wide level and for each subgroup, whether a business unit or function such as R&D, Sales, Marketing, etc.

Shared Value  
Growth  
Productivity  
Risk

## STRATEGIC INTEGRATION

Successful businesses have to make tough choices regarding their domain of activities, priorities for the investment of scarce resources, and overall goals of the organization. This is the world of business strategy. Though sustainability expands the traditional set of issues and stakeholders, it is no different. As with any other major initiative of the company, if left unconnected to the core strategy for creating value, sustainability will continue to struggle to attract attention and the talent and resources to reach its potential to create value. To reach this potential, sustainability must be woven into core business strategy rather than tacked on as a discretionary activity. Similarly, each function has its explicit or implicit strategy to deliver on its responsibilities. This project seeks to help sustainability teams work with functional leaders to integrate sustainability into the function’s purpose, priorities and goals.

### Strategic Integration

Incorporating sustainability into the core strategy of an organization (enterprise, business unit or function). In this context, “strategy” is used to describe the deliberate or emergent choices (*purpose, priorities and goals*) that are made to distinctively position the enterprise, brand or product for “sustainable” (enduring) competitive advantage and value creation. It’s about “Doing the right things”.

## OPERATIONAL INTEGRATION

All strategies require successful implementation to achieve their intended purpose. Sustainability plans are no different. While many companies receive value from the emerging “purpose built” management tools of sustainability (environmental and social management and reporting systems, analytical tools like Life Cycle Analysis, and foot printing), others are seeing additional benefit from integrating sustainability into their existing business processes at the business and functional level (R&D Pipeline processes, ERP systems for overall resource management and operations, HR Management Systems, CRM sales support systems, etc.).

### Operational Integration

Executing and reviewing the performance of sustainability related strategies in the regular routine of an organization. This lens describes the *processes, policies and practices* put in place to improve the execution of strategy or sometimes called operational effectiveness. It’s about “Doing things right”.

Integrating sustainability into the existing operational routine can reinforce the purpose, priorities and goals expressed in strategy as well as the repetition of desired new behaviours creating new norms and habits. This project seeks to help sustainability teams work with functional leaders to integrate sustainability into the function’s processes, policies and practices.

## CULTURAL INTEGRATION

Business guru, Peter Drucker’s famous quote, “Culture eats strategy for breakfast”, is often used to highlight the power of culture to block the execution of well-intentioned and reasoned strategy. In this project, as reflected through the experience of its participants and advisors, culture is viewed as an important and slow changing context in which to ground strategy and execution. Some characteristics of culture can create barriers to change, but once tapped, the distinctive strengths of a business or function’s existing culture and capabilities can also be leveraged as potentially game changing accelerants.

# THREE LENSES TO INTEGRATION

## ROADMAP FOR INTEGRATED SUSTAINABILITY

In its simplest form, this project defines culture as the self-sustaining, often unchallenged patterns of beliefs, values and behaviours of a group—for example, "How things get done around here". While some distinctive characteristics can pervade an entire company often directly related to its founding, other characteristics of the culture of large organizations can change significantly by location, level and function. The roles and cultures of R&D labs, marketing studios, accounting teams and sales forces can be very different as can sales offices in Latin America, Asia and Northern Europe. See the section on Cultural Integration for more information and examples.

As functional examples, Finance and R&D can be similarly grounded in objective data, comprehensive analysis, and performance criteria.

However, R&D is driven by learning, exploration, discovery and interacting with peers in science, marketing and academia. Finance focuses more on consistency, accuracy and compliance with standards interacting with analysts, auditors and capital markets. The educational backgrounds, roles and professional relationships create distinctive attitudes, perspectives and values that can either stand as barriers or offer distinctive strengths to contribute to sustainability. In comparison, functions like HR, marketing and sales are highly relational and driven by more subjective impressions, preferences, motivations of behaviour and clarity of messages to activate desired responses.

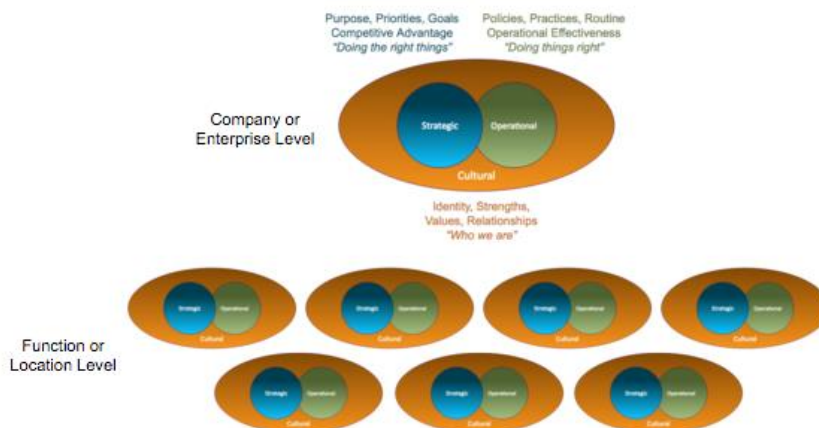
This project seeks to help sustainability teams work with functional leaders to leverage the existing strengths, perspectives, relationships and values of its unique culture to better engage the people of the function to improve collaboration, synergies and innovation.

### Cultural Integration

Leveraging the unique identity, culture, purpose and strengths of an organization to advance sustainability and corporate success. To achieve a business's potential, strategic and operational integration must consider the unique *culture*, *identity* and *strengths* of the organization and their components. Culture can be a significant barrier or powerful amplifier of executing strategy.

## THE THREE LENSES IN THE ENTERPRISE

Coherent strategy and execution require strong alignment across the enterprise with each part playing its specific role utilizing its unique capabilities and strengths. This project focuses on the strategic, operational and cultural integration of the functions, assuming an overall strategy and plan have been created around priority sustainability themes. While few companies follow a strict hierarchical organizational structure, the figure below represents this project's focus on functional strategy, operations and culture.



- *Incorporating sustainability into the core strategy of an organization (enterprise, business or function)*

In this context, "strategy" is used to describe the deliberate or emergent choices (purpose, priorities and goals) that are made to distinctively position the business, brand or product for "sustainable" (enduring) competitive advantage and value creation. It's about "Doing the right things". In advanced stages of sustainability, the role of strategy may expand to greater, universal themes of corporate purpose and its role in society.

*"The essence of strategy is choosing what not to do."*

—Michael Porter



## STRENGTHS, STRATEGIES AND COMPETITIVE ADVANTAGE

Ultimately, business strategy is about creating and defending competitive advantage by utilizing the company's distinct strengths in relation to market forces. It is about choosing priorities and, as importantly, choosing what not to do. It is about positioning an enterprise, business or brand in a unique way—relative to competitors—to create superior value that benefits both the shareholders and other stakeholders. This competitive, innovation-driven economic approach has created massive wealth and raised the quality of life for billions of people.

There are hundreds of logical, proactive frameworks to help business leaders make the tough, strategic choices necessary to improve their competitive positioning and ability to execute. While extreme strategies can be found in textbooks, most organizations utilize a mix of organically emerging reactions to environmental conditions and a proactive approach to anticipating a future reality. Many successful strategies incorporate two common themes: setting priorities and goals for the organization that are in alignment with overall business strategy; and leveraging the organization's distinct strengths.

## THE CHANGING LANDSCAPE OF BUSINESS

Increasingly, companies experience and anticipate significant new trends related to the environment, labour, human rights and ethics that affect the traditional dynamics of competitive strategy. These trends create influential new forces exerted by governments, capital markets, society and natural systems (extreme weather, drought, material shortages, air quality, etc.), which shift the competitive landscape of markets and create potentially unexpected challenges and opportunities for businesses and their internal functions.

These forces are also changing the roles and priorities of functions and sometimes introducing entirely new stakeholders. For example, the emergence of social pressure through sophisticated NGO's or self-organizing reactions from society through social media, boycotts or the "Occupy Movement" have substantially redefined the role and activities of Public Relations. The rising complexity of regulations has significantly impacted Legal and Operations functions, while supply chain leaders are forced to expand into entirely new roles to assure consistent supply despite the impact of these forces on suppliers. Investor relations and marketing teams are wrestling with new expectations around transparency, governance and the purpose of business beyond profit.

## IMPLICATIONS FOR STRATEGY

Rather than as a stand-alone or "tacked on" strategy, leading companies are explicitly weaving these shifting dynamics into core business strategy and planning. The term Organizational Effectiveness describes how function-specific roles, priorities and goals are developed and integrated with business units to support overall business or enterprise strategy. Each function has an explicit or implicit strategy composed of its purpose, priorities and goals. Likewise, functional strategies regarding sustainability should align consciously with the priorities and goals of the company regarding priority sustainability themes taking advantage of their distinct strengths, culture and capabilities.

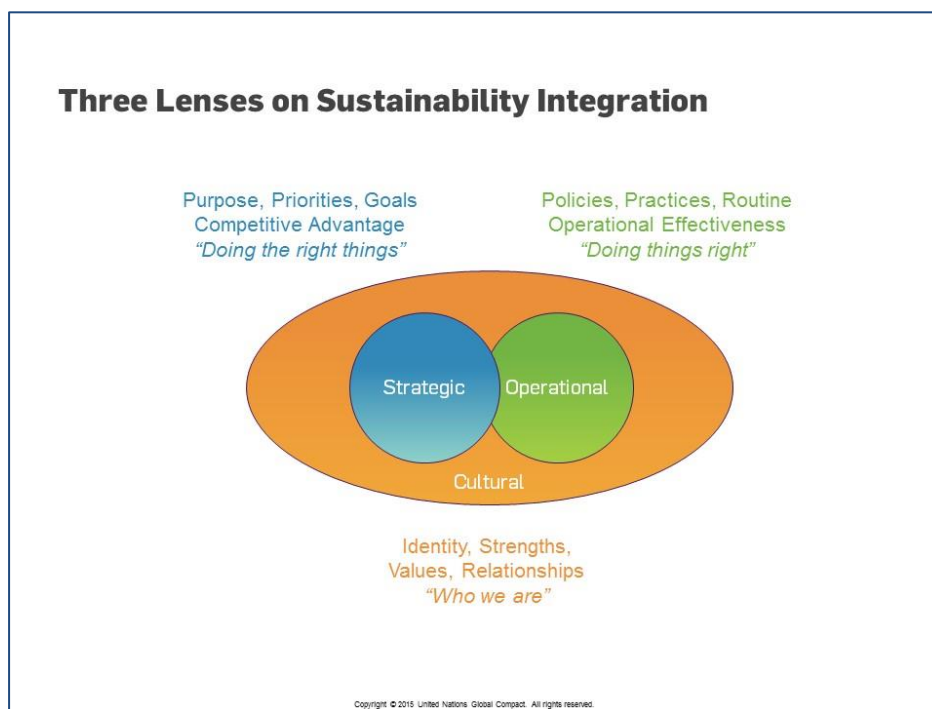
To improve the Strategic Integration of Sustainability in any function, it is important to:

- Understand the priority sustainability themes and goals for the business and the anticipated value sustainability offers in achieving overall business goals.



- Articulate the strategic role the function can play in addressing corporate priority sustainability themes and goals and the potential value it can provide to the business in terms of risk, productivity and growth. Think beyond universal principles of recycling, waste reduction, human dignity and ethics to the value distinctly created by the function in terms of innovation, relationships, measurement and human engagement. (Waste and labor themes remain strategic to Operations and Supply Chain functions.)
- Explore the opportunity of sustainability to add value to the traditional goals and responsibilities of the function considering both direct opportunities and the potential influence sustainability has on new or traditional stakeholders, internally and externally.
- Explore where traditional functional goals or tactics may conflict with priority sustainability themes and goals. Are there creative alternatives to align incentives or external guides to help adapt tactics such as guidelines for responsible marketing?
- Establish priorities and specific short-and long-term functional goals in relation to other functional priorities.

As in establishing and refining traditional functional strategy (purpose, priorities and goals), most of the above opportunities related to sustainability are likely resolved in dialog with senior leadership, the Sustainability function and in relation to other functions.



# OPERATIONAL INTEGRATION

## ROADMAP FOR INTEGRATED SUSTAINABILITY

Executing and reviewing the performance of sustainability related strategies in the regular processes and routine of an organization or function. This lens describes the processes, policies and practices put into place to improve the execution of strategy, sometimes called operational effectiveness. It's about "Doing things right".

*"Execution is a specific set of behaviors and techniques that companies need to master in order to have competitive advantage. It's a discipline of its own."*

— Ram Charan and Larry Bossidy, Execution



## POLICIES, PROCESSES AND ORGANIZATIONAL EFFECTIVENESS

Over the last two decades, countless books, seminars, training programmes and videos have been produced on the subject of business execution or Operational Effectiveness. Its importance has been elevated to equal that of business strategy. Ultimately, both are necessary to create competitive advantage and sustained value creation.

*"Vision without action is a daydream.*

*Action without vision is a nightmare."*

—Japanese proverb

It is only through successful implementation that a good strategy realizes competitive advantage to create superior value. In so doing, execution generates its own momentum, learning and accelerated innovation, multiplying strategic opportunities as it evolves. Implementation does not happen automatically but requires establishing clear priorities (including what not to do) to achieve a purpose, policies, procedures, persistence, repetition, feedback and a commitment to continuous learning and improvement.

Operational Integration is no less important to achieving sustainability related goals and aspirations. In fact, given the emergence of the importance of a range of sustainability themes and how they are already impacting different parts of the organization, it is increasingly difficult to distinguish sustainability execution, itself a sign of natural integration.

Most companies have well-established processes or management systems to improve operational effectiveness and drive continuous improvement. Many companies also have processes tailored specifically to the activities and responsibilities of individual functions like Innovation Pipelines for R&D, CRM systems for Sales functions and ERP systems or other enterprise-wide processes such as LEAN and Six Sigma for overall resource management.

At the same time, the growing number of "purpose-built" tools, processes and management systems are improving the execution and monitoring of sustainability initiatives, such as ISO14000, SA8000, ISO26000, eco foot printing (water, carbon, etc.) and sustainable accounting standards and reporting guidelines like that from GRI.

## IMPLICATIONS FOR OPERATIONS

To improve the Operational Integration of Sustainability in any function, it is important to:

- Consistently communicate a clear description of functional sustainability priorities and goals articulated in the function's strategy. Ideally, link functional priorities to business priority sustainability themes and goals and highlight the distinct and vital role the function plays in achieving these goals.
- Adapt or create metric and feedback systems to measure progress toward company and function-specific sustainability goals.
- Assess and modify existing management systems, operating procedures, job descriptions and policies to align with sustainability goals. Uncover conflicts with sustainability goals in existing management systems and goals.
- Include sustainability goals and indicators in performance management systems and incentives.

### Three Lenses on Sustainability Integration

Purpose, Priorities, Goals  
Competitive Advantage  
*"Doing the right things"*

Policies, Practices, Routine  
Operational Effectiveness  
*"Doing things right"*



Identity, Strengths,  
Values, Relationships  
*"Who we are"*

Leveraging the unique identity, culture, purpose and strengths of an organization to advance sustainability and corporate success. To achieve a business's potential, strategic and operational integration must consider the unique culture, identity and strengths of the organizations and their components. Culture can be a significant barrier or powerful amplifier of executing strategy.

*"Culture eats strategy for breakfast."*

— Peter Drucker



## UNDERSTANDING CULTURE

Though researched for decades, organizational culture has only recently been studied with respect to sustainability. In 2010, the Network for Business Sustainability published their review of the academic body of research at the time. This project adopts their description of organizational culture:

*"Like sustainability, organizational culture is also defined in many different ways. Academic definitions make reference to shared assumptions and values as well as expected behaviours and symbols. An organization's culture guides the decisions of its members by establishing and reinforcing expectations about what is valued and how things should be done. For this reason, culture is often described as 'the way we do things around here.' Over time, an organization builds up its own culture, providing a sense of identity to its members about 'who we are' and 'what we do.' An organization's culture is both reinforced and reshaped through the daily practices of its members."*

A common point of view is that we must "fix" significant problems in our existing culture to achieve a significantly more sustainable society. Unfortunately, this is a long-term process that many argue only emerges as a result of years of repeated new behaviours whether inspired, mandated or "nudged".

There are elements of existing business culture that if changed could accelerate sustainability. There are also tremendous strengths, capabilities and human energy that can be tapped to accelerate the integration of sustainability in our current organizations and therefore expand the potential for business to become a force for good, while retaining or potentially enhancing profitability.

## OPENING DOORS AND CRACKING LOCKS

This project seeks to help sustainability leaders understand the context of other, less familiar functions to uncover opportunities to find the cultural fit or more inviting "Doors" through which to better engage the distinctive strengths of those functions in the sustainability journey. To extend the Door metaphor, this understanding can also uncover unintentionally constructed "Locks" that have created cultural or intuitive barriers to the function's engagement in sustainability.

While any group of people expresses a range of strengths, perspectives, values and thinking styles, there are some generalizations for functions that can be explored to uncover historic barriers to engaging in sustainability and potentially untapped opportunities, its unique Locks and Doors.

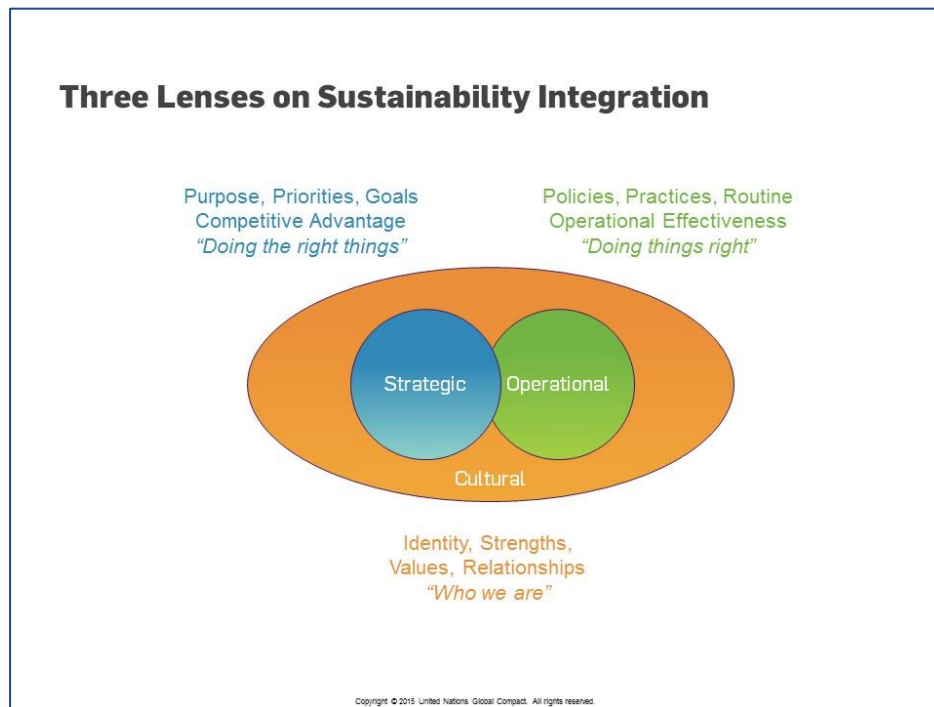
For example, strengths in Finance and Accounting include diligence, accuracy, consistency, adherence to standards and a strong sense of responsibility. R&D is similarly focused on logical reasoning and objective criteria and evidence, but it is also driven by curiosity, exploration and learning. The seemingly ambiguous, subjective criteria of new stakeholders regarding sustainability themes can be hard to translate into functions that lean toward objective evidence and criteria of success, such as Finance, R&D, and Legal, thus creating Locks or barriers to engagement. While Marketing teams are increasingly using analytics to improve effectiveness, they are more driven by subjective and intuitive perceptions, feelings, motivations of behaviour, clarity of messages and human relationships. Values, stories and meaning can become powerful Doors to engaging Marketing and Branding, many times more powerful than tables of data. With this understanding, reflexive "Locks" can be avoided and inviting "Doors" can be framed into sustainability based on the characteristics and roles of the function in the company.



## IMPLICATIONS FOR CULTURE

To improve the Cultural Integration of Sustainability in any function, it is important to:

- Explore the distinctive values, relationships and strengths of the function and how it is used to add value to the business.
- Explore the range of needs and opportunities presented by the business's priority sustainability themes and goals and look for unique contributions provided by the distinctive characteristics of the function.
- Considering its unique Doors and Locks, frame sustainability in a way that contributes to the core role and values the function provides to the business. De-emphasize elements that are not relevant to the function, especially if satisfied by others.
- Seek opportunities to involve the function in stakeholder engagement activities so that it better understands the drivers of priority sustainability themes and can generate new ideas only visible from within its perspective and functional expertise.



*- Succeed today and build platforms for tomorrow.*

To engage the enterprise in sustainability requires a long-term perspective and the capacity to deliver value in the short term. As has been demonstrated, tapping the various roles, skills and cultures of different functions presents significant opportunities to increase synergies, collaboration and innovation, which help achieve or exceed sustainability or other business goals. Where can the company focus its effort to uncover the greatest opportunity?

## CRUCIAL QUESTIONS

Through engagement of Global Compact Advisors and LEAD members, this project recommends exploring two questions:

1. *What functions are necessary to drive progress toward current sustainability goals?*
2. *What functions are perceived to be particularly influential in the company's value creation?*

In business's ever-present drive for productivity and growth, existing teams and functions in businesses have usually demonstrated their important contribution—otherwise they would have been outsourced or abandoned. To achieve its potential, sustainability must permeate the breadth and depth of a company; however, some functions are more important than others in achieving the sustainability-related goals, reflecting its current stage and integrating it further into the business.

As described earlier, maturing sustainability initiatives shift substantially from early stage technical, problem solving exercises of small teams of various functional experts to strategic, change management exercises across the enterprise that incorporate new behaviours, priorities, relationships and criteria for success.

For example, given the scale of risk to shareholder interests in crisis management and compliance challenges, Legal and Finance functions can be intensely, though reactively, engaged to reduce liability or the recurring cost of negative environmental and social footprints. While Public Relations may be highly engaged in crisis management teams, the broader Marketing, Human Resources, R&D, and Supply Chain functions tend not to engage until more mature stages. Legal may have less of an active role in middle stages until sufficiently new products, claims or business models redefine relationships with stakeholders or the fundamental mission or charter of the enterprise. Marketing, Sales and R&D teams may not be deeply or proactively engaged until later stages shift the attention externally toward markets and growth. The Sustainability function or office can evolve through its own progression—from reactive problem solving to a focus on managing projects and resources to a catalyst and facilitator of enterprise strategy, stakeholder engagement and change management.

## 1 NECESSARY FUNCTIONS TO DRIVE PROGRESS?

Compliance-related goals require the direct involvement of technical experts, documentation of performance and legal counsel often to reduce negative social or environmental footprints below the objective criteria. Productivity goals require involvement of those directly controlling the use or waste of resources—for example, Operations functions, Organizational Effectiveness and engineering support. But in each case, consider those functions indirectly involved that have a significant influence on the requirements that constrain more direct activities. Functions like Product Development, Sales, Finance or Legal may place constraints on the direct and visible priority functions that can be as or more valuable to consider.

## 2 PERCEIVED FUNCTIONS OF PARTICULAR INFLUENCE?

Where is the "Beating Heart" of your business? Many businesses, often as a result of founding heritage, past leaders or surviving a crisis have functions that are particularly dominant in the core strategy and value creation of the company. For example, many large chemical or pharmaceutical corporations are driven by science discovery and therefore the R&D function is particularly influential when it comes to allocating resources, career tracks and even office space. Large consumer products companies can be driven by their mass marketing and branding functions. Commodity-oriented and resource-intensive businesses can live or die based on their material productivity or forecasting capabilities, therefore operating or trading functions may hold priority. The sales function may hold dominance with companies focused on a strategy of customer intimacy or logistics, and supply chain may reign in large retail businesses. While value creating, other functions exist in support of a company's more influential functions.

# PRIORITY FUNCTIONS FOR SUSTAINABILITY

## ROADMAP FOR INTEGRATED SUSTAINABILITY

Without engaging the functions most dominant in company strategy and value creation, sustainability—or any other “initiative”—will remain on the periphery struggling for attention and resources. Therefore, these functions should also be considered priorities for integration strategies.

The Self Assessment Guide developed in conjunction with this project contains a framework to rate the influence of major business functions in current sustainability goals and in core business strategy and value creation from 0 (no importance) to 3 (High Importance).

## LOCATING PRIORITY FUNCTIONS

By mapping or adding these two dimensions, the integration priority of functions can be explored. It is recommended that any function that ranks high in both dimensions is an important target for engaging all three lenses of Sustainability Integration: Strategic, Operational and Cultural. While it is likely that support functions (medium or low Core Strategy) clearly important to current sustainability goals are well engaged, reviewing each of the three integration lenses can uncover new opportunities. For functions highly influential in business value creation, though not yet important to near-term sustainability goals, develop relevance and relationships by focusing on Strategic and Cultural Integration. For support functions not directly influential, educate and invite employees to participate through enterprise-wide employee engagement programs.

