

# SUSTAINABILITY IS GOOD FOR BUSINESS >>

## Adapting to the changing landscape

**In what are now some of the toughest market conditions in over 20 years, organisations are under increasing pressure to cut costs and to run leaner and more efficient operations. This challenging economic climate can provide exactly the right environment to become a more sustainable organisation in order to ensure success today and tomorrow.**

Sustainability is moving beyond compliance. It can create new opportunities through innovation to gain competitive advantage whilst also driving cost reduction programmes.

The starting point for many organisations is to first clearly establish how sustainable they are today: they can then plan and implement a more effective and cost efficient transformation programme to become a truly sustainable organisation.

To succeed sustainability must be embedded within the very DNA of an organisation and embrace everyone from employees and clients through to suppliers, partners and investors. A new framework for decision making is needed where ecological and social concerns also become key success criteria for business operations.

In this white paper we explore why sustainability must not be merely an add-on through CSR initiatives and reporting but must become core to the business model, thus ensuring future corporate viability. We demonstrate how sustainability equates to good business sense.

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**OLSWANG**



## “TACKLING CLIMATE CHANGE CREATES OPPORTUNITIES FOR A COMPANY TO INCREASE ITS VALUE BY UP TO 80%.”

Carbon Trust: Climate Change, A Business Revolution, September 2008

### DRIVERS FOR CHANGE

Despite the economic downturn, change drivers are continuing to keep sustainability as a priority on the agenda for businesses. The four key sustainability drivers influence costs, revenue enhancement, risk reduction and competitive advantage, all of which are the top priorities for businesses in turbulent market conditions.

#### 1) Sustainability credentials

The Carbon Disclosure Project, Global Reporting Initiative, Dow Jones Sustainability Index and FTSE4 Good Index are just a few of the emerging sustainability frameworks to which leading organisations are now signing up. The need to display sound sustainability credentials to: influence customer buying patterns; improve brand positioning; attract and retain high potential employees, are just a few of the factors that drive the business significance of sound sustainability credentials.

#### 2) Cost reduction

Beyond the obvious cost saving derived from using less energy and doing more with less, additional benefits can include: changing behaviours leading to increased productivity; improved morale; streamlined business processes; creative innovations and better use of technology.

#### 3) Environmental and social pressures for new products and business models

Scientists across the globe now agree that the effects of climate change will become increasingly evident over the next 20 years, whilst consumer demands and expectations, coupled with exponential population growth, is stressing (in some cases breaking) natural ecosystems.

The supply of finite non-renewable resources is causing increasing volatility in costs. Some predict that we are currently on course to consume the resources that only six Planet Earths could provide! In short, the environmental effects of our consumption must significantly decrease over the next two decades if we are to avoid catastrophe.

We believe that organisations that provide products and services that are more sustainable – providing products and services at a lower environmental and social cost – will succeed whilst organisations that do not will be sidelined.

There will be increased social pressure for more sustainable products/services as buying behaviours become more influenced by the customer perception of the environmental aspects related to their provision. Companies will need to identify these expectations and selection criteria by modifying their business tools.

#### 4) Increased legislation and regulation

The world is changing and legislation will demand the inevitable shift to a low-carbon world economy. The UK Government has now committed to cut greenhouse gas emissions by 80% by 2050. The Carbon Reduction Commitment affects all medium and large UK companies and will tax, as well as publicly name and shame, all those who fail to clean up their operations. Planning for and adapting to the demands and opportunities of this increased regulation is set to become a key business driver.



#### Giles Hutchins

Giles is an Associate Partner and Head of Sustainability Solutions at Atos Origin. He draws on over a decade of business and IT transformation experience to focus on how organisations can adapt efficiently to embrace the desire, and demands, to become more sustainable.

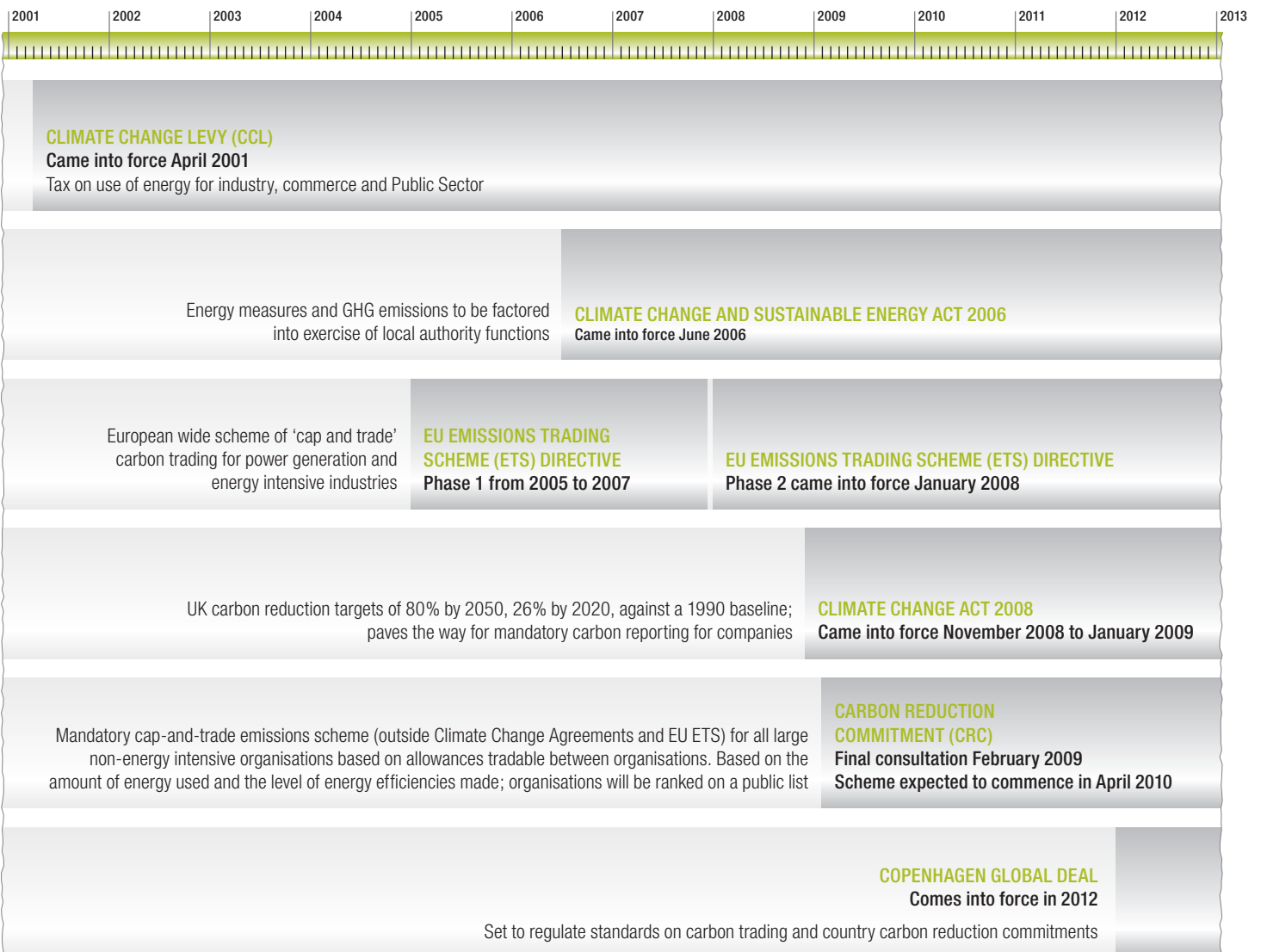
“The transition from a high-carbon to low-carbon economy will be the most significant process in modern economic history – matching the industrial revolution in scale and the technology revolution in pace.”

Al Gore and David Blood, Generation Investment

### 2 Sustainability is good for business

# SUSTAINABILITY IS THE ABILITY OF AN ORGANISATION TO OPERATE WITHIN ITS ENVIRONMENT OVER THE SHORT, MEDIUM AND LONG-TERM IN ORDER TO MEET THE NEEDS OF THE PRESENT WITHOUT COMPROMISING FUTURE NEEDS

The timeline below shows the regulations already implemented and those that will impact on business in the next five years. Most notable is The Global Deal (Copenhagen 2009, the sequel to The Kyoto Agreement) which will impact internationally and will drive further legislation post 2012 and the Carbon Reduction Commitment, which from 2010 will affect all medium and large UK businesses that consume above six million Watt Hours of half hourly metred electricity. Corporate regulation relating to Climate Change is set to increase dramatically.





**THE HIGHWAYS AGENCY IS REDUCING CARBON EMISSIONS BY 40% OF ITS NON-ROADSIDE IT INFRASTRUCTURE THROUGH ATOS ORIGIN IMPLEMENTING ENABLING TECHNOLOGY**

# “WE BELIEVE SUSTAINABILITY IS CRITICAL, ABSOLUTELY KEY. IT’S CENTRE OF PLAY. IT’S NOT NICHE ANYMORE.”

John Brock. CEO, Coca Cola Enterprises, December 2008

## BUSINESS CASE FOR SUSTAINABILITY

Organisations that recognise and embrace the key drivers for sustainability will reap the eventual rewards of market opportunities and efficient business operations.

Research, such as a recent study conducted by Atos Origin and IDC, has shown that companies with more mature sustainability programmes enjoy higher profit margins. In the current economic climate, companies with sound sustainability programmes are looking better positioned to stay the course. These organisations are starting to realise operational efficiencies, increased customer value, strengthened supply chains and reduced business risk as a result of their sustainability efforts.

The journey to become a truly sustainable business must not only focus on the direct factors such as cost savings and increased revenues but also value the indirect, such as the environmental and social aspects, employee, customer and supplier engagement. If the indirects are identified in time these may also become measurable and are important drivers in themselves. The Five Capitals Framework, developed by Forum for the Future, is a benefits analysis framework that sets out all the elements of sustainability into five capital areas of Natural, Social, Human/Intellectual, Manufactured/Technological and Financial, providing a useful structure for understanding direct and indirect benefits associated with a more sustainable approach.

Sustainable development is the most sensible way to manage the capital assets in the long-term. It is the dynamic process through which organisations can begin to achieve a balance of activities.

A trend we saw emerge last year is that many organisations are moving from a defensive to offensive strategy to achieving a balance across their sustainability objectives environmental, social and economic initiatives.

The shift from defensive to offensive strategies has been characterised by four stages of evolution. The first being compliance, when initiatives are completed simply because they must. The second is operational efficiency when the key driver is cost cutting. The third, known as leverage, is when sustainability goes beyond the organisation to ensure that the same principles apply to suppliers and partners. Finally, the fourth phase is value-based leadership when sustainability is at the centre of the organisation’s strategy and business.

### Defensive sustainability

- » Passive disclosure and reporting
- » Carbon management within internal operations only and pushing the main onus of sustainable procurement onto suppliers.

### Offensive sustainability

- » Using collaboration to drive through systemic change and measuring the improvement across the full supply chain
- » Focusing on areas of optimal improvement through effective (not lip service) performance management and sharing of information
- » Ensuring that sustainability is core to the culture of the organisation to drive improved value to employees, the customer and shareholders, whilst minimising costs through eco-efficiencies and eco-innovations.

These offensive strategies can provide stronger customer messages, develop long-term synergies between stakeholders and optimise competitive advantage through differentiation and innovation, whilst enhancing the integrated dimensions of people, planet and profit.

Research from Atos Origin and IDC confirms that the business case for environmental excellence is real. A survey of 165 senior executives in the manufacturing and retail sector shows that:

- » Companies with more mature sustainability programmes enjoy higher profit margins, generally a full 2% or higher than industry margins
- » 46% of companies are running or planning to run environmental projects aimed at cost reduction
- » About 25% of companies have now moved from reactive approaches to proactive environmental excellence strategies thus showing an increasing level of maturity on their path towards environmental excellence
- » 5% of businesses have cross-functional teams highlighting that sustainability ownership is still very silo’d
- » 70% of those interviewed said IT will play a significant role in reducing their businesses’ environmental impact.

Correctly defining your sustainability initiatives and framing the business case for change can be a challenge. It requires clear objectives with desired and achievable outcomes for each initiative for it to be successful and endorsed by all stakeholders.



### Five Capitals Framework Aggregate Benefits

- » Enhanced reputation
- » Stronger brand
- » Customer preference
- » Market advantage
- » Risk reduction
- » Option creation.

Most companies are familiar with measuring performance in mature areas of business but new areas, like sustainability, need metrics that incentivise both performance (doing things right) and learning (doing the right things).

David Bent, Head of Business Strategies, Forum for the Future, 2008

## HOW SUSTAINABLE IS YOUR ORGANISATION

### Board

**Unsustainable:** Solely bottom-line and short-term focused; limited understanding of the value chain within which the organisation operates; no sense of collaboration between Board and key stakeholders. Unclear what the values of the organisation are other than financial gain.

**Sustainable:** More focus on long-term value creation; collaborative, synergistic relations with major stakeholders. A values-based leadership, where it is clearly understood what and how value (not just profit) is created for all key stakeholders.

### Culture

**Unsustainable:** Silo'd structure and mentality; limited embedded awareness of the value or impact the organisation has on the society, environment and value chain within which it operates; targets focused almost entirely on short-term financial objectives.

**Sustainable:** Customer-centric organisation with a strong awareness of the value and impact the organisation has on its society and environment. Openness, creativity and conviviality are synonymous with the working atmosphere regardless of department or function.

### People

**Unsustainable:** Self-interest is prime mover; driven by fear of under-achieving financial targets; quick to blame; low morale, high attrition.

**Sustainable:** Holding up the values of the organisation in tandem with delivering value to the customer is the prime-mover; both intellectual and emotional capacities are nurtured amongst employees; empowered individuals with clear understanding of how their roles affect people, planet and profit measures; a sense of well-being and belonging; low attrition, high morale.

### Processes

**Unsustainable:** Limited collaboration across the value chain; a pipeline approach to product development and service delivery; no measurement of the value and impact in terms of people, planet and profit.

**Sustainable:** Collaborative network groups across the value chain; processes focused on providing lasting customer value whilst upholding the organisation's own values, Sustainability Performance Management (SPM) inherent across the value chain.

### Technology

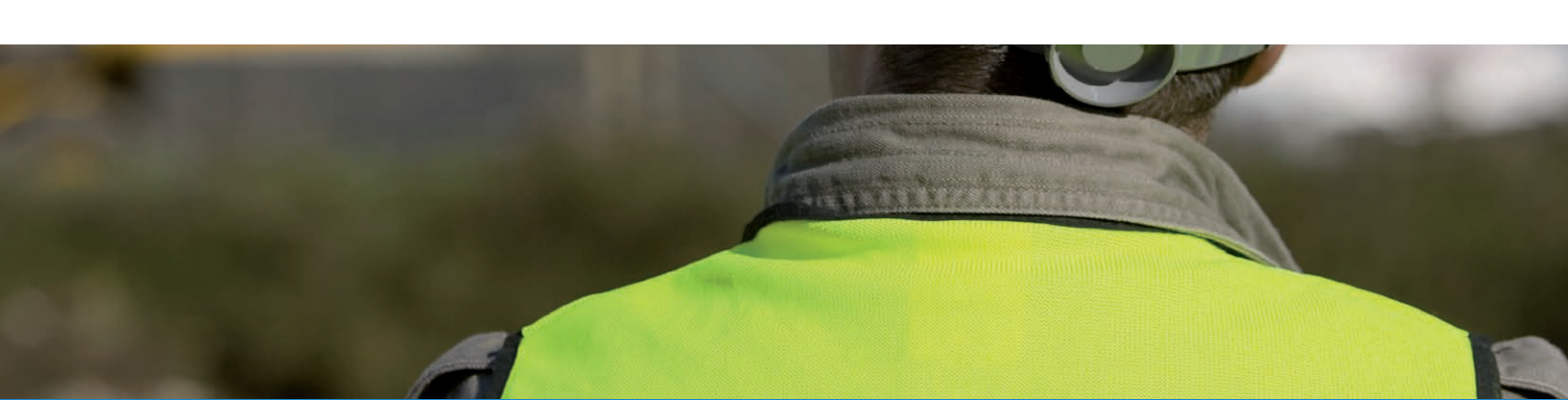
**Unsustainable:** Knowledge sharing and place of work is limited by technology; gaining a single view of the customer or an insight into the product value in terms of people, planet and profit is limited by technology.

**Sustainable:** Informed decision-making based on drill-down capability on any of the people, planet and profit parameters. Measurement and quality management across the value chain is enabled through technology. Collaboration across functions and different stakeholder groups is enabled through technology, as is working any place at any time.

### Infrastructure

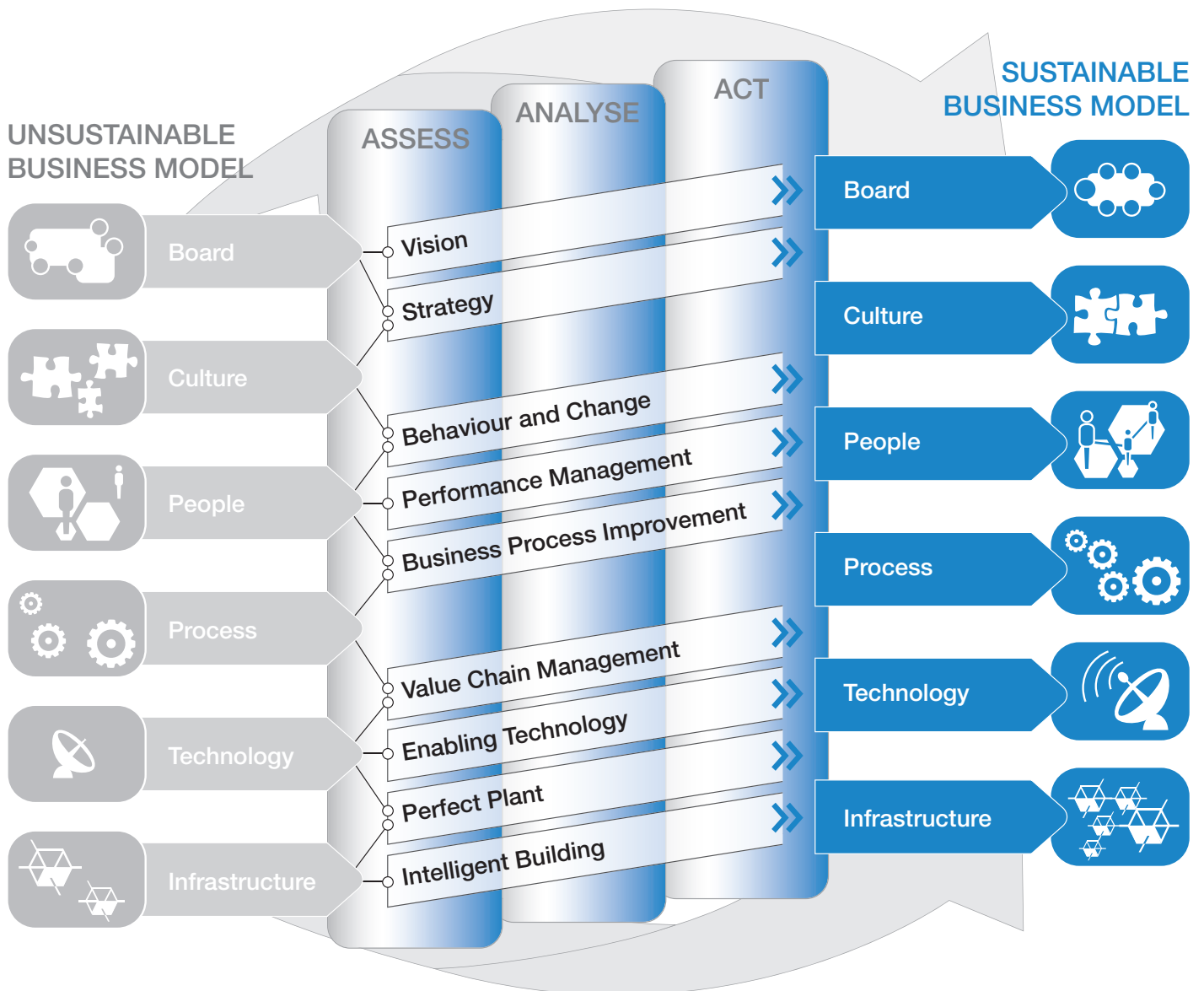
**Unsustainable:** Typified by temporary accommodation and a short-term approach to office equipment and technology.

**Sustainable:** Buildings are designed to be energy efficient and provide an enhanced natural working environment. Investment in new technology or infrastructure only when it provides more effective and sustainable services. For example, it is recommended servers are refreshed every three years to generate highest performance whilst PCs can be used for up to eight years.



# THROUGH ECO-INNOVATION, ANGLO AMERICAN INCREASED PRODUCTION CAPACITY BY 25% IN ONE FACTORY WHILST REDUCING CO<sub>2</sub> AND SO<sub>2</sub> EMISSIONS BY 50% AND USING 44% LESS ELECTRICITY

The diagram below is a simplistic representation of the transformation required to ensure that all levels of the organisation embed sustainability changes successfully.





## ATOS ORIGIN WORKED WITH THE RSA TO PROVIDE TECHNOLOGY FOR THE FIRST-EVER TRIAL TO MEASURE REAL-TIME PERSONAL CARBON EMISSIONS

### MEASURING SUSTAINABILITY

To become a more sustainable organisation you first need to establish where your organisation is on the sustainability maturity curve and where you want to be in three years' time.

Only through accurate measurement of your sustainability initiatives will the decision-makers gain this knowledge and be able to identify what is working and what is failing.

SPM is emerging as a key tool to enable an organisation to do this. It baselines, tracks and monitors the initiatives which are providing the best return on investment and those that have not yielded the desired results. A robust and integrated SPM process will provide decision-makers with information from various perspectives, tangible and intangible, in order to obtain an holistic overview of performance of sustainability initiatives to achieve greater sustainability.

The key challenge is how to conduct monitoring in the most effective manner, what to measure and codification of the planning and reporting requirements. Monitoring is made more complex by the vague and fast changing nature of the data that needs to be captured from a variety of sources across the organisation, and to pan this river of data for the golden nuggets of information.

Reporting needs to contain the golden nuggets of data for the decision-makers, identifying areas of shortfall against targets. It also needs to be transparent, auditable and accountable so that it can be shared with stakeholders as required by regulation.

Only through 'drill-down' within the data analysis will a decision-maker be able to identify what the parameters are that drive the optimal output. Without this measurement capability, organisations would be making changes in the dark, not knowing if the investment has led to the desired benefits or where further additional efficiencies can be gained.

Using SPM the following areas can be monitored:

- » Which activities and processes have the most impact on green house gases/GHG's?
- » What will be the impact of investment to reduce these emissions on product cost and profitability?
- » Where are the quick wins that can be rapidly realised with minimal cost implications?
- » Is every part of the organisation adhering to the sustainability values?
- » Which staff members should be held up as sustainability champions due to their individual performance against sustainability KPIs?
- » Where are the examples of specific case studies within the business that show people, planet, profit benefits that can be communicated across the value chain to reinforce the 'walk-the-talk' approach?

Effective SPM, intelligently embedded and integrated throughout the organisations' divisions, leads to tailored reporting, ensuring improvements are communicated internally as well as to the market place. Whilst all the major Business Intelligence and ERP providers have tools capable of enabling SPM, some are more flexible and adaptable than others: equally the method of embedding the tool within the organisation, the codification and how the results are then used to drive decision-making is an important part of the implementation



SPM allows the decision-maker to identify the parameters that drive optimum output.

## PRIORITIES FOR ACHIEVING SUSTAINABILITY

### **Listen to your customers**

Increased customer awareness in sustainability means the suppliers, retailer or service provider need to be seen, and believed, to be sustainable.

### **Collaborate with your suppliers**

Working in partnership with suppliers can lead to the products and services being better aligned to the 'value' perceived by the end customer. For example, a customer may perceive a product that lasts for longer, is easier to maintain or has less impact on the environment to be of higher value. Through co-operative frameworks, up and down the value chain, organisations can gain a better insight into how to design, build and deliver products and services that are sustainable and that also result in improved customer loyalty, greater innovation and reduced costs.

### **Review your supply chain**

As the pressures from the macro economic drivers grow, for example increased demand on finite natural resources, so will the demands to source in a more sustainable way. Product design will need to embrace sustainability factors in choice of materials, energy consumption, transport and end-use and disposal of the product.

### **Motivate and incentivise employees**

A strong culture, under-pinned by transparent targets, helps ensure employees feel empowered to make positive changes within their sphere of influence. For example, practical use of sustainability champions, mentors and training sessions contribute to building a more sustainable organisation.

### **Inform investors**

Pension funds and informed shareholders are increasingly valuing companies that are leaders in sustainability measurement. ICAEW, ACCA and CIMA (the UK's leading accounting bodies) along with The Prince of Wales's Accounting For Sustainability Project are all developing techniques to help businesses integrate sustainability risks and opportunities into mainstream business processes. The ability to embed transparent corporate reporting on people, planet and profit in a way that reflects the strategic relevance to the business will become a differentiator between good and bad business practice.

### **Work with pressure groups**

Non-governmental organisations, unions and regulators can strongly influence brand value and customer loyalty. Working in partnership with these groups can provide helpful sustainability synergies. A good example of this synergistic relationship at work is M&S and World Wide Fund for Nature (WWF-UK).

### **Do more with less**

As energy prices will fluctuate and can expose your organisation to sudden price increases, reviewing the way your organisation operates within the estates, factories and offices as well as how employees operate whilst away from their base location makes for good business sense.

### **Innovate**

Innovation is fundamental to gaining competitive advantage in the ever-increasing competitive global market. Innovative concepts such as industrial ecology and biomimicry are already helping organisations to innovate and develop higher value products whilst becoming more sustainable and saving costs.

**AKZO NOBEL NOW USES ECO-EFFICIENT ANTIFOULING COATINGS SAVING THE SHIPPING INDUSTRY AROUND \$30 BILLION, WHILE REDUCING CO<sub>2</sub> EMISSIONS AND MAKING SAFER PAINT SOLUTIONS.**

## CONCLUSION

There are two essentials for a sustainable organisation, board commitment and transparent targets.

### Board commitment

As the Prince of Wales's Accounting for Sustainability Project points out, fundamental to embedding sustainability and measuring it effectively is Board commitment and demonstrable leadership. This is nothing less than the CEO, in both external and internal actions, showing urgency to 'Walk the Talk'. Commitment and sense of purpose should be built into all levels by making sustainability part of your company DNA.

The successful company of the future needs to demonstrate not only a focus on profit but an increased embedded understanding of the importance of people and planet. Such companies will not only attract and retain higher quality staff but will gain from stable and committed leadership as they embark on the challenging transformation required to become a truly sustainable corporation.

### Transparent targets

Once Board commitment to a viable sustainability strategy has been endorsed, one of the first activities for an organisation must be to gain an understanding of its own social and environmental footprint and that of its suppliers' and customers' use of its products. Once this is understood, improvement targets should be set at Board level that can cascade down through each level of decision-makers to individual staff.

Once the strategy is in place, an efficient way to collate and track performance against target data is required. Measurement of sustainability through SPM is key to ensuring the organisation can dynamically track its performance in terms of benefit realisation and cost savings, as well as social and environmental improvements.



**BOOTS' CHANGES TO TRANSPORT STRATEGIES  
HAVE REDUCED CARBON EMISSIONS BY 5% AND  
SAVED £1.4 MILLION IN 2006 FUEL COSTS**

# “TACKLING CLIMATE CHANGE CREATES OPPORTUNITIES FOR A COMPANY TO INCREASE ITS VALUE BY UP TO 80%.”

Carbon Trust: Climate Change, A Business Revolution, September 2008

## Three things to do:

- » **Review:** Understand where your business is on the sustainability maturity curve and where you want to be in three years' time. Use sustainability databases such as FTSE4Good, Trucost and CDP to benchmark against your industry peers. Ascertain which initiatives generate the largest carbon and cost savings whilst identifying the less tangible benefits, including how they help the organisation's longer term viability. Measurement is key here, so ensuring you have an effective approach to measuring, tracking and reporting the sustainability initiatives is crucial.
- » **Prioritise:** Board commitment and buy-in at all levels across the organisation is required if sustainability is to be effectively embedded within the core of your decision-making process. Focus new initiatives on embedding sustainability into the core of the decision-making process. Identify the 'quick wins' on how to improve revenues through differentiation and increase efficiencies through streamlined processes and reduced waste.
- » **Implement:** The downturn offers opportunities to implement operational efficiency change throughout the organisation. Embedding an offensive sustainability strategy with prioritised incentives as part of that change makes for good business sense. Ensuring your staff buy into and effectively embrace the change, through understanding why it's good for them, their business unit and the organisation and society at large. There needs to be a culture change to view sustainability as a morale builder, improve productivity and streamline processes as well as bestowing wider social benefits.

In summary it has been said that sustainability is the single biggest business opportunity of the 21st century and will be the next source of competitive advantage. Industrial giants who have failed to recognise the powerful demands of sustainability are already failing whilst organisations that recognise and embrace the key drivers for sustainability will prove to be the eventual winners. Increased regulation and legislation will demand change and organisations will need tools to assess and measure the performance of their sustainability initiatives. Some believe that the transition from a high to low carbon economy will be the most significant process in modern economic history, matching the Industrial Revolution in scale.

The coming year provides a good opportunity to understand how best to align sustainability objectives with your organisation's needs and goals. Prioritisation and correct implementation of offensive sustainability initiatives will lead to competitive advantage ahead of the Global Deal. Do not miss this opportunity to get your organisation ready for Climate Change Act in 2010 and beyond.

Change is coming; stay ahead of the game and gain the competitive advantage that being a sustainable organisation will bring.

## Next steps

For more information please contact [ukconsulting@atosorigin.com](mailto:ukconsulting@atosorigin.com)

## About Atos Origin

Atos Origin is an international information technology services company. Its business is turning client vision into results through the application of Consulting, Systems Integration and Managed Operations. The Company's annual revenue is EUR 5.5 billion and it employs 50,000 professionals in 40 countries. Atos Origin is the Worldwide Information Technology Partner for the Olympic Games and has a client base of international blue-chip companies across all sectors. Atos Origin is quoted on the Paris Eurolist Market and trades as Atos Origin, Atos Worldline and Atos Consulting.

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“Atos Origin has an important role to play, through minimising its own operations' impact on society and the environment, and through the sustainability solutions it provides for its clients to aid their transformation towards sustainability. Technology is a key part of the sustainability transformation.”

Paula Sussex, CEO, Atos Consulting UK