

# The Transformational Company Guide

## Quality #6 - Sustainability Governance and Culture



For more information on the new business leadership standard visit  
[www.cbsr.ca/transformationalcompany](http://www.cbsr.ca/transformationalcompany)



**HOW**  
YOU DO IT

Transformational Company Quality

## # 6: SUSTAINABILITY GOVERNANCE AND CULTURE



*Transformational companies embed sustainability into governance, business processes, operations, functions, investments, culture and competencies; incentivize sustainable decisions and enable sustainable innovation.*

### WHAT IS IT?

To accelerate the shift to a sustainable society and reap the business benefits of doing so, transformational companies fully rewire their operating systems so that sustainability is considered in everything they do. They recognize their business models were developed before globalization and sustainability mega-forces were realities and are thus unfit for the future. Leading companies re-engineer their governance, management systems, risk frameworks, business processes, operations and functions to incorporate social, environmental and stakeholder considerations so that sustainability becomes “the way we do business”.

Given the majority of their workforce was raised and educated before sustainability was a business concern, these companies implement measures to build sustainability into their cultures, by updating their competency models, training and leadership development programs and performance management systems with sustainability components. Understanding the risks and opportunities created by sustainability trends, progressive businesses adopt strategies to encourage sustainable innovation throughout the enterprise, and along the value chain.

Some go so far as to re-charter their organizations to explicitly pursue social purpose aims. They go beyond give-back and compliance models, to embrace mutual benefit and reciprocal philosophies wherein they seek to generate social and environmental benefits for stakeholders along with economic benefits for shareholders. They adopt a broader definition of success based on stewardship values and community benefits not just shareholder values. In transformational companies the board, CEO and executive are the top sustainability champions and the CEO has the overall mandate for sustainability implementation.

Rather than being side-lined, sustainability is central to and inseparable from the corporate strategy and goes from being a goodwill, reputation-building effort to be the route to long-term value creation. In these companies, sustainability becomes a driver of financial success and resilience, innovation, and meaningful work, and thus an integral component of organizational culture.

### WHY IS IT IMPORTANT?

Global sustainability mega-forces are changing the operating context of business. Employees,



investors, customers, governments and civil society are expecting business to go beyond regulatory compliance and token philanthropy to materially reduce their operational and value chain impacts and play a role in addressing social and environmental challenges. By taking a lead on these issues, transformational companies build resilient business models, capable of generating value for shareholders and stakeholders.

Businesses that holistically embed these values can generate these specific benefits:

- Increase revenues
- Increase employee productivity
- Reduce hiring and attrition expenses
- Reduce operational expenses
- Decrease strategic and operational risks
- Build brand and reputation
- Increase innovation

## HOW TO DO IT?

Depending on where your company is on the transformational journey, you can pursue one or more of these strategies to embed sustainability into your governance and culture.

### 1. Sustainability Governance and Management Inventory

Using this checklist tool you can baseline the degree to which you have currently embedded sustainability into your governance and management systems and identify gaps to fill. ([Link to tool](#))

The checklist profiles these eleven governance and management practices areas where sustainability can be embedded (the tool uses the language of CSR):

#### **Board Role: The Board of Directors provides oversight of corporate CSR strategy and performance**

- Vision and Strategy: The board demonstrates its commitment to CSR and ensures it is incorporated into the organization's vision and strategy
- Oversight and Accountability: The board's governance structure enables it to oversee progress on the company's CSR performance
- Risk Management and Financial Performance: The board integrates CSR risks and opportunities into the management of enterprise risk and considers CSR impacts on financial performance
- Board Composition and Expertise: The board is equipped to provide oversight on material CSR issues
- External Disclosure: The board regularly discloses information about the organization's CSR performance

#### **Management Role: Management implements and manages corporate CSR strategy and improves CSR performance**

- Commitment and Strategy: CSR commitment is included in the organization's mission, vision, values and corporate strategy
- Execution: Organization has processes to integrate CSR into structures and procedures and to assign resources and accountability to implement and monitor progress
- Performance: CSR is incorporated into performance management systems
- Engagement: Organization has robust internal and external stakeholder engagement programs in place



- Monitoring and Reporting: Organization regularly monitors, reviews, reports and improves its performance

### Sustainability Governance and Management Sequence



## 2. Sustainability Competency Development

To increase organizational resilience and build capacity for sustainability innovation leading companies embed sustainability competencies into their competency models – tools used to define the performance and behavioural expectations that contribute to business success and which inform the following HR strategies:

- Recruitment and selection
- Onboarding
- Training and development
- Career development planning
- Job descriptions
- Performance reviews
- Compensation
- Succession planning

This tool provides an overview of key sustainability competencies identified in the academic and practice literature. ([Link to tool](#)) You can use it to help you answer these questions for your organization:

- What sustainability qualities should you consider when recruiting leaders and building leadership teams?
- How should you develop sustainability talent in your organization?
- How equipped are your leaders for the future?
- Are you stretching and grooming your leaders effectively?



### 3. Social Purpose Embedment

Companies that seek greater social and business benefits than can be realized through CSR or sustainability embedment reinvent themselves as social purpose companies. They adopt and pursue an explicit social mission in everything they do and across all their relationships and touch-points and build platforms to engage external actors in their efforts. This way their positive impact multiples exponentially as the company operates and grows. Believing both they and society are better off if they do business with the company, customers become company brand ambassadors. Here is a social purpose strategy tool you can use to engage business leaders in this discussion: [Link](#).

Seeking to differentiate themselves in the market, some social mission companies pursue third party validation of their sustainability commitments, which is available through B Corporation certification. B Corporation stands for “benefit corporation” – a type of company which commits to using its power in the marketplace to solve social and environmental problems.

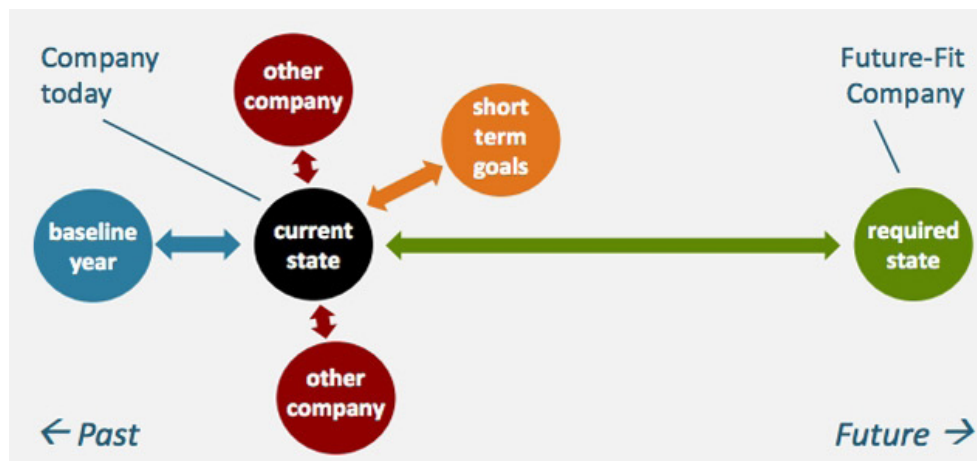
To become “B Corp” certified, companies undertake an assessment of their social and environmental practices and amend their governing documents to stipulate that sustainability and stakeholders are required considerations in corporate decision-making. In addition to marketing benefits this ensures the social mission of the business is protected through growth and ownership changes. Over 1,000 companies around the world have received B Corp Certification, of which 10% are headquartered in Canada. [www.bcorporation.net](http://www.bcorporation.net)



### 4. Future Fit Benchmark

There is a global effort underway to develop the essential criteria by which a company can be considered fully sustainable. Called the “Future Fit Benchmark”, this tool was designed to equip business leaders and investors with the means to quantify how their actions are contributing to a flourishing future. It covers 28 future-fit goals spanning 9 areas and can be found at this link: [www.futurefitbusiness.org](http://www.futurefitbusiness.org).

**Benchmark tool sets the criteria for becoming a future fit company**



## AT A GLANCE INTEGRATION OPPORTUNITIES

These are the key leverage points to embed sustainability into the company business model [\(source: Strandberg Consulting\)](#):



## SUSTAINABILITY INTEGRATION ROADMAP TOOL

Use this tool to prioritize the degree, nature and focus of sustainability integration at your company [\(source: Strandberg Consulting\)](#):

Sustainability Integration Continuum				
Integration Level	1.0 Operational	2.0 Strategic	3.0 Integrated	4.0 Social Purpose
<b>Focus of integration</b>	Operations	Corporate strategy	Governance and management	Core purpose and business model
<b>Philosophy</b>	"Sustainability saves money and improves compliance"	"Sustainability helps us achieve our corporate priorities"	"Sustainability is a factor in how we govern and manage the company and conduct business day-to-day"	"Our vision of being a sustainable company determines our corporate priorities"
<b>Relationship to strategy</b>	Side-lined	Component of corporate strategy	Component of all business plans	Central to / inseparable from corporate strategy
<b>Leadership</b>	Sustainability Manager	Chief Sustainability Officer	Executive Committee	CEO
<b>Marketing</b>	Paid advertising tells the story	Earned media / cause marketing tells story	Customers tell story	Everything you do tells story
<b>Timeline</b>	< 1 year	Multi-year	Medium term	Long term
<b>Business value</b>	Good will and cost savings	Reputation and revenue growth	Profitability and risk management	Long-term viability and value creation



## WHO IS DOING IT?

**Mills Office Productivity** is a B.C.-based, family-owned and -operated supplier of stationery, technology products, furniture, facilities, printing services and education products with 118 employees. It has had a long-standing tradition of supporting its local community, formalized in 2014 when the company's board of directors amended the articles of incorporation to specify that:

- The directors shall, acting fairly and responsibly, consider the short-term and the long-term interests of the corporation, including, but not limited to, the corporation's shareholders, employees, suppliers, creditors and consumers, as well as the government and the environment (the "Stakeholders"), and the community and society in which the corporation operates, to inform their decisions.
- In discharging his or her duties, and in determining what is in the best interests of the corporation, each director may consider all of the Stakeholders (defined above) and shall not be required to regard the interests of any particular Stakeholder as determinative.

This solidifies the company's standing as a B Corporation, a status they first earned in 2012.

Here are profiles of two large companies demonstrating the "Sustainability Governance and Culture" Quality:

[Teck Resources](#) and [Nike](#)

## WHERE CAN I GO FOR MORE INFORMATION?

- Sustainability Talent Management: The New Business Imperative – Five Sustainability Leadership Competencies for Your Competency Model, Strandberg Consulting  
<http://corostrandberg.com/publication/sustainability-talent-management-the-new-business-imperative/>
- The Role of the Board of Directors in Corporate Social Responsibility, Conference Board of Canada  
<http://corostrandberg.com/publication/csr-sustainability-governance-and-management-assessment/>
- CSR/Sustainability Governance and Management Assessment Checklist, Strandberg Consulting  
<http://corostrandberg.com/publication/csr-sustainability-governance-and-management-assessment/>
- Sustainability Roadmap, Ceres  
<http://www.ceres.org/resources/reports/the-road-to-2020-corporate-progress-on-the-ceres-roadmap-for-sustainability/view>
- Board Oversight of Sustainability Issues, A Study of the S&P 500, IRRIC Institute  
[http://irricinstitute.org/pdf/final\\_2014\\_si2\\_irrci\\_report\\_on\\_board\\_oversight\\_of\\_sustainability\\_issues\\_public.pdf](http://irricinstitute.org/pdf/final_2014_si2_irrci_report_on_board_oversight_of_sustainability_issues_public.pdf)



- Sustainable Pay: How TSX60 Companies Compensate Executives for Sustainability Performance, Strandberg Consulting  
<http://corostrandberg.com/wp-content/uploads/2013/03/executive-sustainability-compensation-report.pdf>
- Recruiting CSR-Competent Leaders: Six Criteria for CEO Succession Planning and Recruitment, Strandberg Consulting  
<http://corostrandberg.com/wp-content/uploads/2015/01/ceo-csr-criteria-in-recruitment-and-succession-planning.pdf>
- The New Sustainability Advantage: Seven Business Case Benefits of a Triple Bottom Line, Bob Willard  
<http://sustainabilityadvantage.com/products/newsusadv.html>
- Conference Board of Canada webinar on the sustainability oversight role of the board of directors ([link](#)). Contact [publications@conferenceboard.ca](mailto:publications@conferenceboard.ca) and quote CCSR to see if you qualify for free or discounted access

