Strategy for the Long-Haul

How Sustainability Creates Value Through Competitive Differentiation
What to Expect

- What is sustainability and why do we care?
- How sustainability leads to value creation
- How to integrate sustainability so you can create value for your organization
About Me

Small town, community involvement

Big town, business, strategy, research

Mid-size town, family, strategy + sustainability

New language, Global perspective

Time out, engaged, begin sustainability studies
What is sustainability and why do we care?
Towards ‘Sustainability’

Rachel Carson
Silent Spring (1962)
Introduced concept of environmentalism

Gro Harlem Brundtland
Our Common Future (1987)
Introduced concept of Sustainable Development

John Elkington
Cannibals with Forks (1994)
Introduced concept of Triple Bottom Line
What Sustainability Means for Business

...but why is this relevant to industry?
How sustainability leads to value creation
Research to Answer Why...

1. Global Fortune 500
2. Quartiles
3. Interviews
...Begins to Reveal Answers

- Sustainability has altered competition
- Certain companies are rapidly adopting
- Revenue up, Costs down, Innovation up, Agility up
Sustainability has altered competition...
...leading some to see sustainability ‘sweet spots’

Lenses to look through

Core competencies and capabilities

Social, economic, and environmental challenges

Consumer concerns and expectations (link to brands)

Business growth strategy

“The sweet spot”
These companies are called Sustainable Market Leaders

Average Years in Business per Scored Sustainability Leadership Quartiles within 2010 Global Fortune 500

- 1st Quartile: 114 years
- 2nd Quartile: 93 years
- 3rd Quartile: 77 years
- 4th Quartile: 73 years

(Years (Average))
Sustainable Market Leaders:

- View sustainability as a means for value creation today and tomorrow
- Identify environmental and social problems to solve with available capabilities, in a (mutually) beneficial way
- Employ sustainability as an additional lens for evaluation
- Accept that embracing sustainability is prickly and hard
- Go beyond employee engagement to employee co-creation
- Develop networks of peers, non-peers, academics, and NGOs
- Continuously renew their sustainability strategy and management efforts
How to integrate sustainability so you can create value for your organization
Here’s How Sustainable Market Leaders Create Value

1. Craft sustainability strategy
2. Lead strategy and management efforts
3. Integrate sustainability into value chain activities
4. Measure and communicate sustainability performance
5. Engage with stakeholders to renew sustainability efforts
Craft Sustainability Strategy

Sustainability strategy or no sustainability strategy?

No strategy
- Loose collection of grass roots actions
- Well intended, uncoordinated actions

Sustainability strategy
- Sustainability vision, supported by planned activities
- Separate from corporate and competitive strategies

Sustainability infused strategy
- Sustainability strategy is the company’s corporate strategy
- Material sustainability issues incorporated in planning efforts
Craft Sustainability Strategy

Materiality assessment is critical but not a panacea

- Determine Issues to Consider
  - Who are key stakeholders
  - Which sustainability issues should the company consider

- Conduct Interviews
  - Interview executives
  - Interview stakeholders

- Prioritize Issues of Materiality
  - Plot materiality issues on graph
  - Set priority of materiality issues
Lead and Manage Strategy

Core Sustainability Team
Cross-Department Committee
Stakeholder Engagement
Board of Directors
Lead and Manage Strategy
Implement Sustainability Strategy
Measure and Communicate Progress

- Reporting Frequency:
  - Annual
  - Quarterly

- Reporting Medium:
  - Online
  - Paper
Renew through Engagement

NGOs’ willingness to collaborate vs. NGOs’ level of influence
Keep Sustainable via Agility

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<thead>
<tr>
<th>Time</th>
<th>Quality</th>
<th>Business Process Reengineering</th>
<th>Globalization</th>
<th>Dot-Com</th>
<th>Sustainability</th>
<th>Next Imperative</th>
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<td>1980s</td>
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<td>Tomorrow</td>
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Initiator of Imperative

Society

Business
### Questions to Consider

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<th>Goal</th>
<th>Implementation</th>
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<td>What do you want to achieve by embracing sustainability?</td>
<td>What roadblocks are preventing your company from embracing sustainability for value creation?</td>
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<th>Competition</th>
<th>Value Creation</th>
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<td>How do your sustainability strategy and implementation efforts compare with your peers’ efforts?</td>
<td>What benefits are you gaining from your sustainability efforts?</td>
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<td>Are your competitors creating more value for their stakeholders through sustainability than you are?</td>
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