5 factors to ensure a successful ESG and sustainability strategy
Organizations around the world are urgently working to rebalance environmental, social and economic needs on the path to achieve sustainability goals such as Net Zero. It will take human ingenuity and innovation to recalibrate and reverse the climate crisis, societal inequalities and displacements that we are experiencing today.

That’s why any ESG and sustainability strategy needs to be developed through your people – because they will be the catalyst for change and the source of the solution.

The IPCC’s latest assessment report is a loud and clear ‘code red’ for humanity.¹ Immediate, rapid and large-scale reductions in greenhouse gas emissions are needed just to limit warming to a still-dangerous 2°C. According to the World Economic Forum, the pandemic’s economic shockwave will also immediately increase inequality, scaling back years of progress on reducing poverty, and further weakening social cohesion.²

Human activity is to blame for this crisis. And it is human action that will determine the future sustainability of our planet and society. Many business leaders are waking up to the fact that their organizations have for too long prioritized profit over people, social and environmental responsibility. Now it’s time to tip the balance because profit-at-all-costs won’t be profitable for too long. Now it’s the time to think beyond “we should do something” and put all the energy into “how are we going to make it happen?”

Transforming your organization into a sustainable model isn’t easy, of course. It requires a conscious strategy that unites not only the organization at all levels, but also supply chain partners, and the entire ecosystem. It will take the collective effort of many people as it demands a more people-focused approach to setting, delivering, measuring, and improving your ESG (Environmental, Social and Governance) targets.

1. Climate change widespread, rapid, and intensifying, IPCC, August 2021
Turning intent into impact

Right now, we are depleting the world’s natural resources at a faster rate than we can regenerate them – and developing inequalities at an even more accelerated rate. A sustainability strategy must have solving this issue at its core. Many organizations use ESG reporting frameworks to measure and manage this strategy, but until recently this tended to be driven more by compliance and regulation – in other words, doing ‘less bad’ and ‘just enough’.

Now, there is a fundamental shift. Leaders increasingly understand that to do well, they need to first do ‘more good’. A wide range of stakeholders – employees, customers, supply chain partners, communities, regulators, capital markets, shareholders, and investors – are putting them under pressure to demonstrate how they are doing it and looking at it through a long-term lens. Companies that have traditionally extracted resources are looking at how they can regenerate them – conserve more water or reforest and regenerate depleted natural resources. Consumer product businesses that in the past negotiated hard on price are now realizing their margin comes at a social cost such as unsafe work practices or child labor. These organizations are embarking on a sustainability strategy that goes beyond compliance box-ticking. But their efforts may fail if they do not bring people on that journey. At the very least, it will feel inauthentic and potentially result in a greenwashing backlash.

Leaders increasingly understand that to do well, they need to first do ‘more good’.

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Derailers to executing on a sustainability strategy

We typically see three common derailers when it comes to executing an ESG and sustainability strategy:

1. **Legacy.**

   It’s hard to let go of the fundamental aspects of your business that were core to success – even if these are the very things that make it unsustainable. This means every leader needs to be on board with the strategy – including the Board of Directors.

2. **Siloed approach.**

   Sustainability can’t just be allocated to an ESG department. It needs to be embedded in your culture and philosophy – just as safety might be for an oil and gas company. This means every person in your organization needs to be educated on ESG and sustainability and see sustainability as part of their role.

3. **Short-term hit.**

   When you operate in a fast-paced, on-demand environment, putting social or environmental impact first may initially negatively affect revenue, profits, and total shareholder return. However, evidence shows that over longer time horizons, ESG initiatives noticeably improve financial performance, according to NYU Stern Center for Sustainable Business’ assessment of over 1,000 research papers between 2015 and 2020.  

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Start by taking a hard look at yourself and the people that surround you. An effective sustainability strategy needs to manage interdependent, and often competing, environmental, social and economic factors. It’s a complex challenge. A crucial first step before embarking on any strategy is rethinking your vision – how can your business help to create a more sustainable future?

Immediately afterwards, it’s about understanding where to start. Performing a materiality assessment will help you identify where to focus your efforts. This process identifies the most material and highest priority ESG and sustainability opportunities and risks for your organization and industry. It is accomplished by soliciting input from and listening to views from a wide range of people who are directly and indirectly affected by your actions – your stakeholders. This includes end-consumers, customers, employees, civic associations, regulators, and industry interest groups. The outcomes of the materiality assessment inform ESG strategic priorities, help you set up a new ecosystem and associated partnerships, and create a new voice on sustainability for your organization.
5 factors to ensure a successful ESG and sustainability strategy

There are many ways to go about developing your sustainability strategy. However, there are five elements that will allow you to define and implement it successfully and efficiently.

1. Align leaders on the purpose and material issues and publicly voice the intent.

Sustainability needs to be woven into your purpose and the fabric of your business strategy, not treated as a side-venture. To do this effectively, you need public commitment from the entire executive team and the Board.

This is partly an education journey, helping all leaders understand and embrace the language of sustainability and frameworks such as ESG, Triple Bottom Line or Sustainable Development Goals. As one Chief Sustainability Officer (CSO) told us recently, “if you’re not part of the solution, you’re part of the problem.”

Until the leadership team understands and buys into the fundamental material issues, and the scope and potential opportunity and threat of those issues, they cannot be resolved. These include economic, environmental, and social risks and opportunities.

Agricultural science and technology giant Syngenta pioneered a “circular economy” business model when it launched its Good Growth Plan in 2013. This started with a shift in culture and mindset from the top. Syngenta has evolved into a different organization over time, using science, technology, and research to transform how crops are grown.5

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4 The rise of the Chief Sustainability Officer, Korn Ferry, 2020
5 The future of organizations is here: the future is radically human, Korn Ferry, 2021
2
Understand and quantify the downside risks and upside opportunities.

Once the material issues in your industry and business are understood, you need to measure their impact – and set targets for change.

You can do this by thoroughly assessing your operations internally and across your ecosystem, and by actively engaging and listening to your stakeholders’ opinions. For example, what is your policy and approach to diversity, equity and inclusion, to exploitation of labor and animals used in testing, and to pollution and waste control? How confident are you in your business partners’ practices?

You can also work out where you sit relative to the sustainability maturity of other players in your industry (Basic, Progressing, Advanced, Leading Edge) across five strategic dimensions:

**Awareness:**
Commitment by the Board, senior and mid-level leaders, and employees to understand and build awareness of the value of ESG.

**Risk management:**
Effective infrastructure, capabilities, and behaviors for identifying, quantifying, mitigating, and preventing ESG-related risks.

**Talent integration:**
Integrating ESG into talent and rewards systems, and assessment of leader and employee behaviors.

**Operations integration:**
Leveraging ESG efforts as a catalyst for performance, innovation, and business results.

**Market integration:**
Integrating ESG efforts with market, customer, and community strategies to enhance customer experience and competitive advantage.
An evidence-based analysis can help you assess your organization’s capability and maturity to meet sustainability challenges and can guide strategic priorities. It can also act as a call to arms, to mobilize stakeholders from across your business ecosystem. Taking a step further and researching the usual metrics of the industry (as each business model is unique in terms of the sustainability development) will help you to align, compare and collaborate with your peers in improving the sustainable development of the sector. Remember, if we want to make a true impact and change the way of things, we need to do it together.

Metrics to track progress on the strategy and your priorities also play different roles at each stage of the Maturity Model, from limited tracking and transparency at the Basic stage to audit assurance and full integration into executive compensation plans at the Leading Edge stage.

Determine where you are in your ESG and sustainability journey

Korn Ferry’s ESG and Sustainability Maturity Model builds a journey map based on where your organization stands in each area of the Maturity Model and creates a path forward.

This diagnostic plots your journey on five strategic dimensions along a continuum from Basic (1) – generally a narrow functional focus – to Leading Edge (4). At this stage there will be full ownership by the CEO, leadership team, middle managers, and employees – all driving towards your ESG, sustainability and financial goals.

Driving real change requires behavioral change (mindsets, skillsets, relationships) as well as structural change (structures, processes, practices). This approach incorporates both perspectives across each of the five dimensions.
Once your leaders are aligned around a strong sustainability purpose – and you’ve listened to and understood what people across and beyond your organization believe – it’s time to bring everyone on this crusade by shaping and telling a better story about the future.

This begins with a new purpose statement for championing ESG within your business. Reimagining a better future requires people to be immersed in an environment and process that challenges their senses and forces the right side of brain (innovative and creative thinking) to push the boundaries of what is possible. Not just what you could do, but what you know you can do once people are on board and driving the strategy and outcomes together.

For example, at the birth of its new organization Syngenta’s leadership embarked on a purpose quest in a secluded environment which involved immersing themselves for several days in a co-creative process. What emerged was a collective ambition to create a science-based company that develops sustainable agriculture and biological solutions beyond agricultural chemicals. This purpose has been the bedrock for Syngenta’s growth and business success over the past 16 years.

Mobilizing people behind a compelling purpose and turning purpose into action is the next decisive challenge. To help stakeholders make personal meaning of the purpose, and for it to have business impact, it must be translated in six ways:

- A clear ambition statement outlining a measurable and stretch goal.
- An uncomplicated multi-year strategy, with clear outcomes and milestones, about where you will play and how you will contribute and win in a sustainable world.
- A compelling set of organizational values that complement and bring the Purpose to life through behaviors, relationships and ways of working within and across the organization’s ecosystem.
- An integrated leadership framework for inspiring change and igniting action.
- A brand that embodies what the organization stands for.
- A way of telling your organization’s story and celebrating with your people.

All of these help your organization make congruent decisions, guide your actions, and develop your culture. They enable organizations to lead and grow a business in a transparent, authentic, disciplined, and human way. Like Danish energy company Ørsted, which made the bold decision to divest eight of its 12 coal, oil, and gas divisions in 2012 and shift from black to green energy. It is now the biggest offshore wind-farm company in the world – and many other oil and gas organizations are following its lead.
Introduce experimentation to find out what needs to change in your leadership, ways of working, organization, talent, and culture.

This stage is about developing strategic capabilities, and identifying what needs to change in your leadership model, your operating model and organization structure, and your people to help your business thrive in a sustainable world. It involves creative design thinking and innovation. It begins by acknowledging that there are many potential ways to move forward, and that by adopting a discovery approach you will quickly learn which solutions could work best for your specific circumstances.

Step 1
The first step in experimentation is to define a series of hypothesis or breakthrough questions. This is a testable statement that acts as a starting point for further investigation. It could take the form of, “The team believes that doing X will result in Y”. The mindset is one of refining an idea by acting, as opposed to refining an idea based on expertise only. This is critical in complex and dynamic environments where outcomes are far less predictable. In defining a hypothesis, teams would also define how they would know that a desirable outcome or improvement is achieved. In other words, they would identify measurable or observable outcomes.

Step 2
The next step is to design the experiment, allowing for a control group where possible, and an experimental group. Specific actions and measures should be tracked over a defined period. Adding an agile project teams approach allows for ideas to iterate and identify where additional ‘seed’ money may need to be allocated to those groups that show rapid progress relative to others.

Step 3
During the final step, lessons and insights from experiments are captured. It is critical that the reigning mindset is grounded in developing insight and awareness. This focuses teams on working within a specific context to drive noticeable results that can then be used to conduct larger scale experiments, which form the basis for transformation over time.

Case Study
BP has launched a company-wide sustainability award program within its peer-to-peer employee recognition platform. Employees are recognized for their efforts in helping the organization get to net zero, improve people’s lives and care for the planet. Sustainability is also embedded into the company’s performance and reward program – 30% of senior leaders’ equity awards are linked to low carbon, and all employees have access to the “Reinvent BP share award program”.

bp sustainability report, 2020
5

Evaluating what works and scale that across the organization.

The process of experimentation may well happen in project teams, however sustainability must at some point be integrated into your core operating model to make the difference. These initiatives need to be visible because they will create their own momentum and catalyze a shift in the organization’s culture and mindset.

As new practices become part of the rhythm of how you work, you will find your organizational model and culture evolve. Fluid organizational structures work better in adaptable and sustainable enterprises. By removing siloes and hierarchies, you can build a more inclusive organization and empower your people to contribute in different ways. This is the foundation of ongoing innovation and accountability. Some people may take on multi-portfolio roles, or you might find tribes forming around ideas rather than business functions.

Flexible structures may also mean involving contingent workforces, or embarking on joint ventures, and enabling more flexible work practices including working remotely from home. With this comes additional responsibility. How do you reward a flexible workforce? And how do you ensure they have the right workplace environment? Leaders with strong ESG capability are increasingly aware of the need to support the health and mental wellbeing of all their people.

At this point in your journey, your organization should consider assuming a bigger role in your industry - as knowledge sharer or creating partnerships to deliver a collective sustainability agenda. Furthermore, act as the voice of change and call out disbelievers and poor behavior. As you continue to test and learn, make sure you measure the results, celebrate the small wins, learn quickly and share lessons from any failures.
The world is asking organizations to become a part of the solution – not contribute to the problem. And leaders are now stepping up and putting strategies in place to make that change happen.

Ultimately, it is only by harnessing the collecting ingenuity, energy and commitment of your people that you will be able to execute that strategy. That means fostering the right mindset and culture within your organization, providing the right structures and platforms to learn, share, collaborate and execute – and ensuring leaders are aligned and committed to making ESG and sustainability part of the business strategy.

Right Platform
To learn, share and collaborate

Right Leadership
To enable the growth

Right Organization
To execute the growth

Right Mindset
To allow the growth

Right Culture
To empower the growth

People
(i.e. stakeholders)
Strategy is ultimately a series of decisions – what will we do, and what will we choose not to do?

When an organization is united by a shared commitment to sustainability and is prepared to measure the impact of that intent through defined ESG goals, decisions on what to do and not do become much clearer.

As the realities of climate change and its consequences become more evident, and people recognize they are chief contributors to our unsustainable world, there is also a dawning realisation we are the catalyst for the solution – we can still make a difference.

A checklist for setting a sustainable strategy

- Are ESG and sustainability on the agenda of my Board and executive committees? If not, how do we engage these leaders?
- How do we get the best people in our organization working on this?
- In our business ecosystem, who has a good perspective on ESG and sustainability? How do we engage and learn from these people?
- What do we need to do to create a sense of urgency with our leaders and the rest of our workforce to address ESG and sustainability?
- What do we need to do to equip our people to innovate and develop ESG and sustainability initiatives in our organization and/or ecosystem?
- How do we create the right environment to foster and maintain a sustainability-driven culture in our organization?
- How do we make sure we are standing up as an organization that operates efficiently in executing our sustainability strategy?
How we can help

Korn Ferry has an unmatched set of integrated, fit-for-purpose capabilities to help organizations embed their commitment to ESG and sustainability into all aspects of how they do business. We help our clients identify and close their sustainability potential gap in leadership, people, organization and culture. By turning strategy into impact through your people, you can fully realize your short and longer-term ambitions. If you’re ready to take the next step on your ESG and sustainability journey, please get in touch.

Get in touch

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Korn Ferry is a global organizational consulting firm. We work with our clients to design optimal organization structures, roles, and responsibilities. We help them hire the right people and advise them on how to reward and motivate their workforce while developing professionals as they navigate and advance their careers. Our 7,000 experts in more than 50 countries deliver on five core areas: Organization Strategy, Assessment and Succession, Talent Acquisition, Leadership Development, and Total Rewards.

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