



Executive Summary

# Sustainability: Culture and Leadership Assessment

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## Introduction

Over the past year, the number of companies that have made commitments to sustainability has grown. Many if not most have found that the commitment is the first step in a complex yet worthy journey. The landscape is uncertain and the risks significant. Yet with the right strategy in hand, companies can not only meet their goals but thrive as a result of their efforts.

A review of the research conducted over the past few years indicates that even organizations with sound strategies often fall down in execution. This same research reveals the sometimes subtle perception that the failures may result from cultural barriers.

While culture counts with execution of all organizational strategies, it matters even more with sustainability strategy because of its unique and challenging context including the uncertainty that surrounds it, the tighter relationship with values, and the number of internal and external stakeholders who have some control over the outcomes. Most sustainability-related surveys conducted over the past few years acknowledged that culture is important. Our aim with this project is to begin to tease out the practical details concerning which of the many culture and leadership characteristics make a difference in organizations' ability to set aggressive agendas for sustainability, and achieve success in executing them.

## Method

Based on our review of the public literature and interviews with thought leaders, we designed an assessment instrument composed of items pertaining to culture and leadership. Each item in our assessment is tied to a specific survey item or derived from a model or a characteristic that we uncovered in our research reviews. The assessment contains both sustainability-specific content as well as more general organizational climate content that has been demonstrated or asserted in other research to impact the execution of sustainability strategy.

## Question Categories

The questions were divided into the following categories:

1. Organizational Leadership
2. Organizational Systems
3. Organizational Climate
4. Change Readiness
5. Internal Stakeholders
6. External Stakeholders

## About the Sample

The sample included 53 people who responded to the survey. Participants included representatives from public (43%) and private (47%) companies as well as a few from not for profits (13%). Participants tended to be senior-level managers or above (63%), and represented a wide range of functions including operations, corporate responsibility, marketing, environmental affairs, finance, supply chain, communications. Our sample was divided into the following two groups:

### *Early Adopters*

Organizations that are known for their achievements in sustainability.

### *Others*

Other organizations.

## Results

### Organizational Leadership

Early Adopters organizations have stronger leadership for their sustainability efforts. Their leaders were perceived to be knowledgeable and more strongly committed to sustainability. Likewise, they were perceived to be more likely to set clear visions for achieving their sustainability-related goals. In addition, they were viewed as being better at the more general leadership skills of inspiring others and collaborating across boundaries. Both of these skills sets are critical to successful leadership of many types of initiatives. However these skills are even more important to sustainability due to its unique context.

## Organizational Systems

Early Adopters have a narrow advantage over Others in integrating sustainability into systems. They are more likely to have embedded sustainability into their operating procedures. However, very few in either group have enterprise-wide management systems for sustainability. Likewise, neither group shows strength in integrating sustainability into performance and reward systems. Companies that want to set and achieve progressive goals that require sustained effort and attention will need to shore up their systems for doing so.

## Organizational Climate

Some specific elements of organizational climate differentiate Early Adopters from Others. Early Adopters showed stronger commitments to learning both from their own experiences as well as from people outside of their organizations. They seem to have higher levels of trust and greater ability to communicate and work together internally. These companies seem to be more willing and able to deal with risk and innovation.

## Change Readiness

Our data indicate that Early Adopters are in a much better position to make the kind of large-scale changes that are likely to be required to execute progressive sustainability strategies. As for Others, it may be that more cautious approaches to sustainability strategies would be justified based on change-readiness alone. Their current cultures are likely to support only modest sustainability goals. The challenge for them is that small incremental change in the sustainability space may not be good enough to ensure that companies stay competitive. Therefore, addressing and increasing the change readiness of their organizations is likely to enable them to tackle sustainability-related goals, and also to survive in a competitive environment that is fraught with change.

## Internal Stakeholders

Early Adopters seem to have a more robust approach to employee involvement in general and in their sustainability efforts in particular. However, both groups have a long way to go to optimize the results of the systems. Neither group shows much strength in aligning feedback and rewards with sustainability goals.

## External Stakeholders

Both groups have mechanisms in place for interacting with external stakehold-

ers. However Early Adopters take a larger number of stakeholder groups into consideration when thinking through their sustainability strategies. They are more likely than Others to consider competitors, consumers, and NGO's. Less than half of respondents in both groups report considering investors. In comparison with Others, Early Adopters showed higher agreement that their companies have clear consistent messages about sustainability that they communicate to others.

## Conclusions

The data from this assessment do corroborate our original assertion that elements of organizational culture differentiate those companies that are noted for their aggressive commitments to sustainability from others. The Early Adopter companies are believed by their representative responders to have stronger leadership, more trusting and collaborative climates, greater commitments to continual learning, risk-taking and innovation. They are more likely to have sustainability goals embedded in their systems and are more likely to have mechanisms in place for employee engagement in sustainability-related initiatives. Likewise, they have a more expansive view of stakeholders and better means for communicating a clear and consistent message to them.

On the other hand, neither group showed the kind of tolerance for ambiguity that this uncertain context surrounding sustainability will likely require. Likewise, neither group showed the level of change readiness that would be ideal for not only facing the challenges but also leveraging the opportunities that sustainability offers.

Finally, it is interesting to note that the significant differences between the Early Adopters and Others were not only in those elements that directly relate to the substance of sustainability. More general aspects of culture such as ability to collaborate across boundaries and tolerate risk, as well as the greater ability of leaders to inspire others also differentiated the Early Adopters from Others.

In today's environment, organizations are acutely conscious of doing the right things and doing things right. The implications of specific aspects of organizational culture are great for organizations to become more efficient and effective in setting and implementing sustainability-related strategies and goals.