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Reversing the Sustainability Slide
Laying the foundation for enhanced program performance

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Introduction

The new normal is a world in which sustainability and access to natural resources are inextricably linked.[1] "Sustainability" encompasses an organization's suite of programs related to the environment and social issues such as human rights, labor standards, corruption, and economic development. While companies increasingly recognize the interdependence between these elements and access to natural resources, many devote significant resources of time and capital to sustainability programs only to fall short of their desired impacts.

To narrow the gap between intended and actual performance, companies within the extractive industries sector should examine their sustainability activities' existing strengths and adopt key process improvements to secure the best return on their efforts to maintain the social license to operate.

This paper discusses the methods Cadmus' experience has proven to be most effective in laying the groundwork to help companies leverage their sustainability initiatives. Our approach is based on prior client work involving qualitative research on cultural perceptions among mine-affected communities; discussions with indigenous populations, nongovernmental organizations (NGOs), and women in conflict and post-conflict communities; and assessment of sustainability program attributes.

Background

The latest figures indicate that 80 percent of CEOs view sustainability as a route to competitive advantage.[2] They acknowledge their companies increasingly find themselves accountable to a wide range of stakeholders on issues related to their role in society and their impact on the environment. Stakeholders want a window into the corporate mind in order to understand how sustainability responsibilities figure into business decisions.[3] Understanding how to harness an organization's existing strengths to develop and manage programs that provide sustained value has become the first order of business.

Companies within the extractive industries sector have integrated sustainability into business practices by engaging in a network of associations to collaborate and share best practices on meeting the needs and challenges facing the industry globally. They have collaborated with NGOs and other public interest groups to implement biodiversity and other types of sustainability programs, and seek to fully understand the short- and long-term impacts their operations have on the environment, the economy, and local communities.

[1] Six Growing Trends in Corporate Sustainability; an Ernst & Young survey in cooperation with GreenBiz Group, 2013.
[2] The UN Global Compact-Accenture CEO Study on Sustainability, 2013.
[3] Clear as Crystal? Corporate Environmental Transparency, Risk Management Bulletin, April 2002.

For these companies, the investments in sustainability programs have been significant, from establishment of community development funds to reforestation projects. While the design of the programs may have been fully vetted, and senior management has been supportive of implementation practices, some have fallen short of the desired results.

Closing the sustainability performance gap does not necessarily mean revamping programs or spending significantly more dollars. With minimal investment and incorporation of key process improvements, companies within the extractive industries sector can initiate a system to assess and enhance their sustainability initiatives. The earlier in a project phase a company obtains stakeholder input and management buy-in to improve the design, structure, and implementation process, the sooner they can bridge the gap between established goals and objectives and realized sustainability results.

Leveraging the Return on Effort – A Simplified Approach ❯

While committing to a robust sustainability initiative has undeniable public relations and philanthropic value, most successful companies today recognize that sustainability activities need to be managed as a business function to maximize the return on effort and retain their social license to operate.

When there is a need to close the sustainability performance gap, Cadmus' field-based experience has demonstrated that this requires *gathering comprehensive information, analyzing the data through culturally and contextually relevant lenses, taking action and communicating results,* and *securing solid organizational support.*

This approach enables companies to understand organizational activities and assess how management processes are functioning, including key performance indicators, and how they are meeting stakeholders' needs.

Gather information

Gathering information from a broad range of stakeholders is the first step toward understanding the company's sustainability positions and how they are viewed. **Table 1** lists examples of data sources and insights they can yield pertaining to corporate sustainability positions.

As these discussions are undertaken, the data may reveal previously unrecognized accomplishments or issues that will drive strategy and reputation and satisfy stakeholder expectations. Alternatively, the data may highlight barriers in the company's communications with stakeholders or sustainability processes. For example, our data-gathering revealed that one client's code of practice was well understood and integrated into the operating culture; however, it had not been shared with external shareholders. In another case, the company tracked local socio-economic impacts on communities, but the information was not widely publicized.

Table 1: Leveraging Return on Effort Informational Assessment Needs

Data Sources	Sustainability Positions
Employees	Biodiversity programs
Local organizations	Carbon reduction
Governmental entities	Children's health
Indigenous populations	Community investments
NGOs	Closure
Underrepresented/ minority groups	Environmental compliance
Internal reports	Habitat management
	Health and safety
	Land use
	Relationships with local communities
	Water use and reuse
	Wellness programs

Deliberate over the data

Once the necessary information is collected, the next step is a structured deliberation exercise to actively identify critical issues and pathways. Ideally, a small team of individuals who understand both the company and the business case for sustainability should discuss the data. The approach is structured to facilitate an exploration of the way in which the sustainability initiatives have been conducted with the goal of identifying the most critical elements.

The effectiveness of the assessment will depend on the evaluation context. Rich deliberations are linked to applying relevant analytical lenses, examples of which are shown in **Table 2**:

Table 2: Effective analytical lenses based on evaluation context

Context	Analytical Lenses
Developing countries (e.g., sub-Saharan Africa)	Gender issues Social interactions Environmental impacts Community access to energy and education Access to resources, e.g., water, agricultural lands, traditional mining rights, etc.
Developed countries (e.g., the United States, European countries)	Environmental management Worker health and safety Employee satisfaction Regulatory compliance Partnerships Environmental investments Product safety Philanthropic activities

By utilizing different analytical lenses, the team can assess the effectiveness of current practices and the completeness of the sustainability measures to identify potential opportunities for improvement. The analysis might indicate gaps in the achievement of sustainability goals related to:

- Reducing environmental impacts

- Being a responsible corporate citizen and a steward of natural resources

- Employing a sufficient number of women to address gender issues in the community and/or country

- Understanding and seeking to meet the requirements of key stakeholders within and outside the company, most importantly employees and communities where major operations are located

- Pursuing environmentally driven opportunities (e.g., application of design-for-environment principles)

- Quantifying environmental and social risks

Take action and communicate results

Data analysis will inform modifications to the process for building and enhancing sustainability activities while also communicating a set of actionable items to decrease the difference between expected outcomes and actual outcomes. Additionally, the assessment results can help senior executives communicate more clearly with the growing number of internal and external stakeholders—who are calling for greater transparency and a better understanding of the bottom-line impact of their sustainability investments on the company and society.
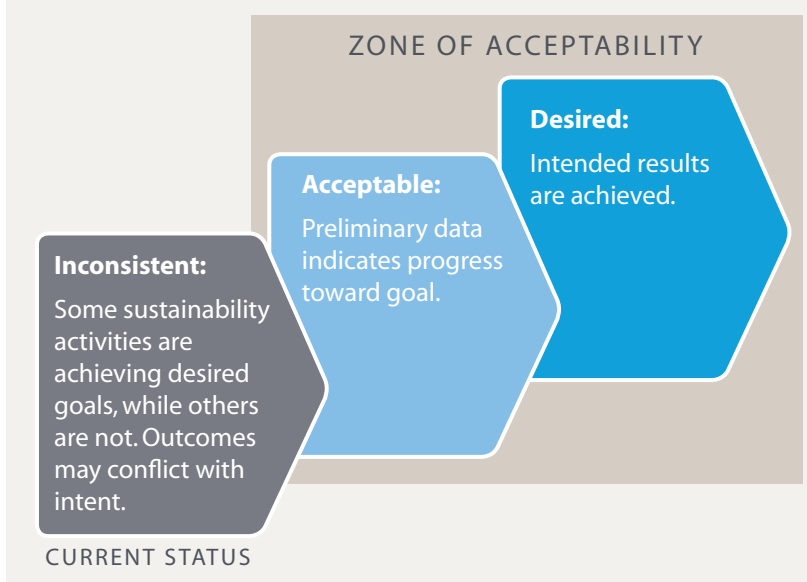
Secure organizational support

In the final step of the process, decision makers must gain the support of the company's senior management to implement changes, monitor ongoing activities, and gather indicator data of movement into the zone of acceptability as shown in **Figure 1**. Companies should strategically commit resources to this process. Multiple discussions about options and plans for implementation will help ensure adoption is uniform and geared toward achieving the desired results.

Closing the sustainability performance gap can be accomplished with incremental improvements to action plans and to enhance performance as necessary for each organization's unique case. This might include implementing operation-specific loss control programs, establishing a light-duty work program for employees injured on or off the job, coaching or leading teams of employees in conducting comprehensive environmental baseline studies, engaging in more directed and frequent conversations with community neighbors, or increasing the management time devoted to sustainability implementation practices.

Figure 1: Moving Performance into the Zone of Acceptability

ZONE OF ACCEPTABILITY

Desired: Intended results are achieved.

Acceptable: Preliminary data indicates progress toward goal.

Inconsistent: Some sustainability activities are achieving desired goals, while others are not. Outcomes may conflict with intent.

CURRENT STATUS

Closing the Sustainability Performance Gap: Case Studies

With sufficient oversight and commitment to rigorous preparation, companies within the extractive industries sector have been able to close the sustainability gap. Working with us, they have re-assessed stakeholder needs, evaluated the effectiveness of critical internal management processes, and recommended changes to enhance the adequacy and alignment of the existing organizational structure and resources.

Operationalizing community outreach activities

Within our mining client's organization, there was a growing recognition for the need to formalize its system for interacting with the communities affected, or potentially affected, by its operations. Although implementing community programs had been a centerpiece of mine development and operational activities for years, most of these programs were designed at the local level without a formal approach or sustainability context. Our client concluded that the company and the communities affected, or potentially affected, by its operations would benefit from engaging in more rigorous dialogue to understand their needs so as to increase the effectiveness of the company's human and capital resource investments in local communities.

Establishing a policy to articulate this need was one of the first steps our client engaged in as part of the process for better integrating community outreach into day-to-day operational activities. To help embed the policy into organizational behavior, Cadmus staff

members recommended and facilitated a series of workshops for senior business and policy managers focused on exploring perceptions and issues related to the need for and the value of interacting with communities. Our experience has proven that this workshop approach helps promote ownership and buy-in to new initiatives through a process of sharing insights, experiences, and perspectives so as to develop a consensus around policy implementation.

To this end, the workshops were structured to operationalize policy definitions in a common language and context among the participants. They also included presentations highlighting past activities, culminating in the preparation of draft action plans. Through the workshops, company representatives gathered information on best practices that could be translated into immediate local actions to better align company interests with community needs to enhance the benefits of the sustainability activities.

Improving smelter health and safety practices

In many parts of the world, mining operations are the heart and soul of a community's identity. Often, the incomes of second-, third-, or even fourth-generation family members are tied to these operations. When an incident occurs, it not only impacts the company, but the entire community.

Such was the situation our smelting client faced when several employees were severely injured during the third shift. These

staff members and their family members were long-term employees of the company and were well respected within their communities. Faced with operational challenges and worker resentment, our client asked us to undertake a study to formulate overall impressions about the cultural environment surrounding health and safety management, and to identify opportunities for improving both the safety culture and control of hazards inherent in the process.

Initially, workers reported that there was a lack of formality and consistency in the implementation of production and operational safety related tasks, that employee work patterns supported territoriality, and that there were inconsistent communications between management and labor. One worker stated, "My grandfather and father worked in the smelter and the practices they engaged in were fine, so they are good enough for me and my fellow co-workers."

To help close the gap, we conducted a cultural assessment, job safety analysis, and a simplified hazard review. We recommended that the company formulate a management plan that reflected the relationships between operational risk mitigation, safe work practices, and selected employee issues to better link the operating practices and cultural community environment and safety performance through a reduction in workplace accidents.

Advancing the technology audit program

A metal refining company embarked on an initiative to improve technology management across the organization as an integral component of increasing the stakeholder value from existing assets. As part of this initiative, we helped our client establish a technology audit program for the purposes of:

- Evaluating the processes in place for transferring and deploying best technology practices

- Identifying technology opportunities relative to production/ market goals and objectives (e.g., product quality, recovery, output, cost, etc.)

- Assisting facilities to develop roadmaps for improving performance in the areas of technology management and deployment

Using the information gained through these audits, the client's internal technology review management boards gleaned the necessary data to develop plans for enhancing the effectiveness of technology deployment within the organization to improve products sold and increase value for stakeholders and customers.

Moving Forward

Successful companies manage what is important to them by analyzing data across functional and business lines to highlight areas for improvement. **Table 3** shows examples of changes extractive industry companies have implemented to break through to the next level of performance.

Table 3: Examples of Activities to Move Performance into the Zone of Acceptability

Sample Sustainability Implementation Activities
Working with governmental organizations to help establish guidance documents covering sustainable practices that are applicable to local and national businesses
Assessing supplier performance using industry audit tools to benchmark so as to provide specific guidance to improve performance
Purchasing products through alliances/agents where a portion of the purchase price goes back to the local suppliers to protect the environment, improve manufacturing/farming practices, or the conditions for workers
Working with partnerships/foundations to develop more sustainable practices that can be rolled out to suppliers with minimal cost implications
Listening to local communities to help them achieve their economic or educational goals
Focusing management time on gender issues to improve the lives of women in developing countries
Improving access to energy and education
Developing environmental performance targets through regular reporting

As these and other examples throughout this article illustrate, the call to action is driven by various needs. The commonality is that companies strive for more synergy across the organization and greater return (see **Figure 2**).

Maximizing value could translate into any or all of the following improvement actions:

- Further increasing the use of renewables in mining operations to decrease the regulatory burden associated with carbon dioxide emissions (positive environmental business outcome) and the carbon impact on the environment (societal benefit).

- Expanding employee wellness programs to reduce the costs associated with absenteeism and to increase productivity due to higher employee satisfaction (business and societal benefit).

- Increasing the investments made to develop local supply chains reduces business costs and helps meets the economic development goals of the community through increased employment opportunities (business and societal benefit).

Successful companies' total sustainability activities are a core part of their business planning. Our experience has shown that this approach helps companies reassess their sustainability initiatives in relation to their business vision, including management of their environmental impact to reduce risks and costs, and potential improvements in employee and social responsibility investments. This approach yields data-driven support for both the company's growth and the most focused and effective sustainability initiatives, ensuring that performance and sustainability remained linked in motivation, planning, and execution.

Figure 2: Moving Towards a High Return on Sustainability Investments

Variable Return

Sustainability portfolio requires greater alignment with the organization's risk profile and internal policies to deliver benefits to the business and society.

High Return

Sustainability portfolio is aligned with the business and is providing benefits to the organization and society.

Low Return

Sustainability portfolio is not well defined or implemented and therefore is not delivering business or societal benefits.

Moderate Return

Some fine-tuning is needed to better align the sustainability portfolio with the business to yield greater benefits to the organization and society.

> **About Cadmus**

Cadmus is an employee-owned consultancy committed to helping our clients address complex challenges by applying diverse skills and experiences in a highly collaborative environment. By assisting our clients in achieving their goals, we create social and economic value today and for future generations. Founded in 1983, we leverage exceptional expertise across a staff of more than 400 professionals in the physical and life sciences, engineering, social sciences, strategic communication, architecture and design, law, policy analysis, and the liberal arts who provide an array of services in the United States and abroad. See more at www.cadmusgroup.com.