Reversing the Sustainability Slide
Laying the foundation for enhanced program performance

By Jane E. Obbagy and Kathleen Hurley

Introduction

The new normal is a world in which sustainability and access to natural resources are inextricably linked. “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. 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. 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.
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.

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.

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

<table>
<thead>
<tr>
<th>Context</th>
<th>Analytical Lenses</th>
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<tr>
<td><strong>Developing countries</strong> (e.g., sub-Saharan Africa)</td>
<td>Gender issues&lt;br&gt; Social interactions&lt;br&gt; Environmental impacts&lt;br&gt; Community access to energy and education&lt;br&gt; Access to resources, e.g., water, agricultural lands, traditional mining rights, etc.</td>
</tr>
<tr>
<td><strong>Developed countries</strong> (e.g., the United States, European countries)</td>
<td>Environmental management&lt;br&gt; Worker health and safety&lt;br&gt; Employee satisfaction&lt;br&gt; Regulatory compliance&lt;br&gt; Partnerships&lt;br&gt; Environmental investments&lt;br&gt; Product safety&lt;br&gt; Philanthropic activities</td>
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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.

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
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.

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

<table>
<thead>
<tr>
<th>Sample Sustainability Implementation Activities</th>
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<tbody>
<tr>
<td>Working with governmental organizations to help establish guidance documents covering sustainable practices that are applicable to local and national businesses</td>
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<tr>
<td>Assessing supplier performance using industry audit tools to benchmark so as to provide specific guidance to improve performance</td>
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<tr>
<td>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</td>
</tr>
<tr>
<td>Working with partnerships/foundations to develop more sustainable practices that can be rolled out to suppliers with minimal cost implications</td>
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<tr>
<td>Listening to local communities to help them achieve their economic or educational goals</td>
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<tr>
<td>Focusing management time on gender issues to improve the lives of women in developing countries</td>
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<tr>
<td>Improving access to energy and education</td>
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<tr>
<td>Developing environmental performance targets through regular reporting</td>
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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.
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.

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**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.

- **Low Return**
  - Sustainability portfolio is not well defined or implemented and therefore is not delivering business or societal benefits.

- **High Return**
  - Sustainability portfolio is aligned with the business and is providing benefits to the organization and society.

- **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.

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**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.