People Make the Difference in Green Transformations

AUGUST 23, 2023

By Alice Bolton, Marjolein Cuellar, Kristy Ellmer, Elina Ibounig, Camila Noldin, Nick South, and Astrid Vikström

READING TIME: 8 MIN

Companies committed to becoming sustainable find that it can be a struggle to marshal their organization and people behind that goal. They have good intentions but spotty execution. Climate and sustainability transformations are complex and require a finely tuned engine to succeed. This engine must be built around people and supported by executional certainty. That certainty is generated through strong governance, oversight, processes, and tracking.

Sustainability Is a Transformation—Transformations Are Hard
Transforming for sustainability—not just emissions reduction but a company’s broad impact on the environment—will never be achieved by sticking to business as usual. Such a transformation affects every link in the value chain. Unlike a typical three- to five-year transformation, a sustainability transformation may last decades. The year 2050 is a long time from now.

In the meantime, new technologies will emerge and promising ones will flame out. The economics of various approaches will change rapidly in response to green industrial policies and market forces. Green transformations are extremely complex; many decisions and actions will bear fruit not in months but in years. They therefore require that organizations play a double game: staying profitable today and meeting climate and sustainability commitments far into the future.

Managing that kind of change will not be easy. Unless the company finds a way to tap into the collective intelligence, capabilities, and scale of modern organizations, the odds of success narrow even further. Four factors—leader enablement, people engagement, culture, and execution—will make all the difference.

Let Leaders Lead

Senior leaders and middle managers are crucial to any large-scale organizational change. They will likely need to be coached and trained in how to lead their teams through a transformation that is good for the business and for the environment.

In preparation, one bank created a climate and sustainability program for its top 100 leaders. The program was interactive and covered topics such as climate fundamentals, decarbonization tools, and nature and climate policy. Senior leaders led sessions on the bank’s ESG strategy so that managers could confidently discuss these issues with their own teams.

But just talking about sustainability is not enough. Leaders must bring the change to life for employees by demonstrating an authentic and ongoing commitment to the transformation. For example, an industrial goods company produced a suite of films, microsites, and posters and held a series of town halls that communicated the need for change and engendered excitement on the part of the staff.

Leaders must bring the change to life for employees by demonstrating an authentic and ongoing commitment to the transformation.

Leaders generally respond to incentives. Many leading companies, such as Shell, Adidas, and Unilever, link ESG metrics to more than 20% of the long-term (share based) compensation of their senior executives. At many companies, middle managers—who are so critical to success—also receive incentives for hitting sustainability targets.
Empower Your People

Employees can facilitate or thwart an organization’s green transformation. Bold climate and sustainability ambitions can motivate staff at all levels, just as activities perceived to be greenwashing can demoralize them.

Companies can build goodwill and energy among employees by explaining how their work contributes to the greater good. Many companies are effective at communicating the rationale for a transformation during its launch and early days. But the message starts to fade without consistent followup. One pharma company celebrates champions through regular emails to staff, showcasing frontline staff whose work contributes to meeting sustainability targets.

Communication should also be two-way. Employees are more likely to be engaged when they can suggest solutions and those suggestions are taken seriously. A luxury fashion company, for example, invited its procurement and R&D staff to help overcome roadblocks in reducing Scope 3 emissions. The employees generated some novel ideas, and the experience helped to renew and revitalize the initiative.

Organizations should seek out those employees who are passionate about sustainability and have the skills and influence to make a difference. These champions can help sustain a long transformation during difficult times.

Finally, organizations will likely need to train employees in the technical skills that can fuel a green transformation. A global bank, for example, is upskilling 30,000 employees, from back-office workers to frontline bankers, on net zero fundamentals as well as banking-specific opportunities. And a global retailer has trained many of its financial controllers to collect emissions and other ESG data alongside financial data.

Make Green a Part of Your Culture

Culture drives the success of transformations. A sustainability transformation will flounder without a supporting culture that encourages experimentation, innovation, and long-term thinking. Culture has both a soft side (behavior and values) and a hard side (processes and measurement). Organizations should address both.

On the softer side, a company’s purpose and values should articulate the importance of sustainability and the associated behaviors. Synagro, a North American waste management company, has made sustainability an explicit part of its purpose (“from waste to worth”) and mission (to “partner for a cleaner, greener world”). A few high-profile lighthouse initiatives or pilots involving a new business model or an innovative product can bring the words of a company’s value statement to life and help build loyalty and affiliation. Companies can also subsidize green travel, have regular meat-free days in the staff cafeteria, donate a share of revenues to green causes, and partner with environmental groups. But be careful: employees may view these activities as greenwashing if they are not backed up with core initiatives.
A sustainability transformation will flounder without a supporting culture that encourages experimentation, innovation, and long-term thinking.

The hard side of culture translates lofty ambitions into the machinery of the business. Processes such as hiring and promotion, for example, should have a green focus, such as by emphasizing the company’s sustainability ambitions and achievements as a draw for new hires. A leading consumer goods company withholds promotions from leaders whose teams have not met their sustainability goals. At a mining company, employees who demonstrate initiative on sustainability projects can receive special recognition.

**Execute, Execute, Execute**

Leadership, people engagement, and culture do not exist in a vacuum. They all need to be managed with a set of processes and tools. Leading organizations establish a strong program architecture to deliver what we call “executional certainty.”

The foundation of this approach is a transformation office, which works closely with or within the central sustainability team. The office plays a strategic role in helping with program design and a tactical role in coordination and execution. It should not be a micromanager. The office’s dedicated team, working alongside business leaders, translates the company’s long-term sustainability vision and targets into a set of initiatives and into a roadmap that is constantly tweaked as the transformation progresses. It oversees and supports these initiatives through program management, business cases, clarity on objectives, and progress tracking. A key task of the transformation office is to build bridges across initiatives and to break down silos across functions.

The transformation office should also track the soft initiatives involving culture, employee engagement, and skills development that are critical to hitting hard goals such as emissions reduction. The office’s approach should be agile, not overbearing. It should be comprehensive, bringing together financial, operational, and sustainability plans and targets and allowing leaders to make data-based decisions and tradeoffs.

Companies do not have to start from scratch. A set of blueprints, such as the EU’s Corporate Sustainability Reporting Directive and the Sustainability Accounting Standards Board’s materiality guidelines, provide operational and financial KPIs tied to sustainability.

The road to sustainability is long and uncertain, but leaders who mobilize and empower their people and organization will have a head start.
Authors

Alice Bolton
ASSOCIATE DIRECTOR
London

Marjolein Cuellar
MANAGING DIRECTOR & SENIOR PARTNER
San Francisco - Bay Area

Kristy Ellmer
MANAGING DIRECTOR & PARTNER
Boston

Elina Ibounig
PARTNER
Helsinki

Camila Noldin
LEAD KNOWLEDGE ANALYST
Miami

Nick South
MANAGING DIRECTOR & SENIOR PARTNER
London

Astrid Vikström
SENIOR KNOWLEDGE ANALYST
ACC – London

ABOUT BOSTON CONSULTING GROUP

Boston Consulting Group partners with leaders in business and society to tackle their most important challenges and capture their greatest opportunities. BCG was the pioneer in business strategy when it was founded in 1963. Today, we work closely with clients to embrace a transformational approach aimed at benefiting all stakeholders—empowering organizations to grow, build sustainable competitive advantage, and drive positive societal impact.
Our diverse, global teams bring deep industry and functional expertise and a range of perspectives that question the status quo and spark change. BCG delivers solutions through leading-edge management consulting, technology and design, and corporate and digital ventures. We work in a uniquely collaborative model across the firm and throughout all levels of the client organization, fueled by the goal of helping our clients thrive and enabling them to make the world a better place.

© Boston Consulting Group 2024. All rights reserved.

For information or permission to reprint, please contact BCG at permissions@bcg.com. To find the latest BCG content and register to receive e-alerts on this topic or others, please visit bcg.com. Follow Boston Consulting Group on Facebook and X (formerly Twitter).