

stepping up

a framework for public sector leadership on sustainability

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Forum for the Future – the sustainable development charity – works in partnership with leading businesses and public service providers, helping them devise more sustainable strategies and deliver new products and services which enhance people's lives and are better for the environment.

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why we need public sector leadership on sustainability

Public sector organisations are central to the delivery of sustainable development. Every aspect of their role – from education to environmental services, and from planning to social care – shapes how people live their lives. If public sector bodies do not take on this leadership challenge, citizens may find themselves cut off from sustainable lifestyles.

Most public sector organisations in the UK accept this imperative and over the last two decades have been pursuing a range of policies and strategies to demonstrate their commitment. Some have developed a truly joined-up approach, with policy, strategy, resources and delivery all lined up to achieve sustainable development. But such paragons are rare – and patchy approaches are much more common, with only some of the building blocks in place.

Forum for the Future has been working with business and the public sector for over a decade, helping organisations identify their leadership role in the pursuit of sustainability. This guide sets out the agenda for an organisation wishing to lead on sustainability, and illustrates the kinds of action required, drawing on case studies from around the world. It also sets out a nine-point plan that a public sector organisation aspiring to leadership can follow.



the case for action

2.1 what is sustainable development?

The goal of sustainable development is to enable all people throughout the world to satisfy their basic needs and enjoy a better quality of life, without compromising the quality of life of future generations.

Securing the Future – The UK Government Sustainable Development Strategy (2005)

Forum for the Future's 'five capitals' model is widely accepted as a practical expression of the principles of sustainable development. It argues that there are five forms of capital from which we derive the income on which human activity depends. Sustainability is reached when income is generated without running down the capital stock. If you look at our current relationship with natural capital, for instance, this clearly isn't the case. The 'five capitals' are as follows:

- **Natural capital** (also referred to as environmental or ecological capital): any stock or flow of energy and matter that yields valuable goods and services. It falls into several categories: resources, some of which are renewable (like timber, grain, fish and water) and others that are not (fossil fuels); sinks that absorb, neutralise or recycle waste; and services, such as climate regulation. Natural capital is the basis not only of production but of life itself.
- **Human capital**: consists of health, knowledge and motivation (all of which are required for productive work) as well as an individual's emotional and spiritual capacities. Enhancing human capital (for instance,

through investment in education and training) is central to a flourishing economy.

- **Social capital**: takes the form of structures, institutions, networks and relationships which enable individuals to maintain and develop their human capital in partnership with others, and to be more productive when working together than in isolation. It includes families, communities, businesses, trade unions, voluntary organisations, legal/political systems, and education and health bodies.
- **Manufactured capital**: comprises material goods – tools, machines, buildings and other forms of infrastructure – which contribute to the production process but do not become embodied in its output.
- **Financial capital**: plays an important role in our economy by reflecting the productive power of other types of capital, and enabling them to be owned and traded. However, unlike the other types, it has no intrinsic value: whether in shares, bonds or banknotes, its value is purely representative of human, social or manufactured capital.

We show how the five capitals relate to public value in the summary table in section 2.4.

Without the engagement of the public sector it will be impossible to create a sustainable society. Legislation is gradually pushing public sector organisations in this direction. But there is a good case for public sector organisations to take a leadership role on sustainable development, moving quicker than legislation requires. Just as leading private sector organisations have found

that there is a strong business case for sustainable development in enhancing profitability and shareholder value, so there is a corresponding public value case for sustainable development.

2.2 public value

The idea of public value has been around for several decades and has picked up a variety of meanings. Some see public value as analogous to private value created by businesses in markets, others as ‘what the public values’, others as a management theory. The latest thinking from the Cabinet Office is that public value is a broader concept than is normally implied in public management literature. It includes trust and legitimacy, as well as outcomes and the means used to deliver them.

In this guide we argue that sustainable development offers the most appropriate set of values for the creation and maintenance of public value and therefore the most useful framing of public value itself.

Value and values are closely linked. Seen through the lens of public value, the ethos and values of any public organisation, service provider or profession must be judged by how appropriate they are to the creation of value: better outcomes, services and trust. Inappropriate values may lead to the destruction of public value.

Creating Public Value – an analytical framework for public service reform. Cabinet Office (2009)

Many of the same arguments that drive businesses to

be more socially and environmentally responsible can be applied to the public sector seeking to provide best value. Cost savings through efficiency, compliance with legislation and better risk management can all be used to underpin policies while improving the reputation of a public body with stakeholders.

But through our work with the public sector we have found that sustainable development offers the possibility to go beyond efficiency arguments and create public value in its broadest sense.

Below we set out the case for leadership for sustainable development by public sector organisations – both to strengthen society and to improve management and efficiency within public services.

2.3 the societal case

Sustainable development can strengthen society and create public value in three ways: addressing market failure; building resilience; and renewing the social contract.

Market failure: Government, at all levels, provides goods or services that the market either cannot provide, or cannot provide at the optimal price or quantity. A stable climate is perhaps the most striking example of a public good that markets alone cannot provide. According to Nicholas Stern, author of the Stern report on the financial costs of climate change: “Climate change...is the greatest market failure the world has ever seen”. But there are many other instances where the public sector has been obliged to tackle market failure in pursuit of the greater good.

Public value can also be enhanced by avoiding the unintended consequences that come when social, environmental and economic objectives are pursued in isolation. In the name of financial efficiency; for instance food procurement in schools and hospitals often results in food being trucked long distances (generating pollution, noise and road deaths) to institutions where it does little to improve the health or wellbeing of those eating it. Similar considerations drive out environmental standards in the procurement of public buildings, despite the long-term financial consequences for those running the buildings, and the short-term implications for those occupying them. Sustainable development offers a values-based framework for decision-making that enables public value creation by avoiding such perverse outcomes.

resilience: when sustainable development principles are used to underpin public sector services and investment, resilience to economic and environmental shocks is greater.

Resilience can be defined as the capacity of an organisation or group of people to change in response to shock or stress without complete or partial collapse of the defining characteristics of the system. Human societies are often good at anticipating trends, and reasonable at coping with shocks, but poor at managing chronic and accelerating stress. This is because stress tends not to be recognised as critical until a tipping point is reached.

Despite some interest in this agenda in areas (such as emergency planning) many human systems today display questionable levels of resilience. In moments of extreme stress – such as environmental changes or economic collapse – public service providers may have to pick up

the pieces when systems fail. Building resilience would therefore seem to be a sensible objective for a public sector wishing to avoid spikes in demand for services.

Resilience planning requires analysis of the vulnerabilities of critical systems, and strategies to address them through diversification, localisation, and stronger community connectivity – things which markets cannot be expected to deliver. Sustainable development offers a framework within which to invest in systems that sustain health, protect resources, build capacity, create wealth and make a high quality of life possible. If these systems are strong, communities are less vulnerable to unexpected events.

the social contract: the unwritten contract between the state and its citizens is at the heart of the idea of public value. The push for the public sector to function much more like business has resulted in a shift in language, emphasising the public's role as 'consumers' of services, as opposed to their status as citizens. The unintended consequence has been to move away from the idea of a contract between the citizen and the state in which both have rights and responsibilities. Rebranding citizens as consumers also underlies the choice agenda, which has found popular appeal but is increasingly difficult to implement in the context of financial constraint.

For local government at least, there has been a strong sense in recent years that the legitimacy of the local state is highly dependent on good relationships with civil society – including informal networks of users, neighbourhood associations, community groups, and minority ethnic organisations as well as more formal

partners from the public, private and voluntary sectors through Local Strategic Partnerships (LSPs). These informal networks play a role in building services and making them efficient – as well as establishing new relationships between communities and authorities.

For communities, this rich network of relationships, trust and reciprocity provides the new social glue that binds them together sufficiently well to pursue outcomes together – and is a big part of the social capital that makes life tolerable. It is also an important driver of efficiency in the delivery of services and the creation of local wellbeing. It is far easier to maintain community amenities where people feel a sense of shared ownership, rather than seeing them as assets belonging to the state.

Pursuing sustainable development can help organisations create this wider social value and renew the social contract with the communities they serve.

2.3 the organisational case

Many of the changes businesses make to become more socially and environmentally responsible can also improve value in the public sector. Saving money through efficiency gains, compliance with legislation, better management of risk and cultivation of reputation with internal and external stakeholders are all important objectives for public bodies.

As financial pressure on the public sector grows in the coming years, there will be a strong drive for efficiency. Cost savings can be made through environmentally responsible actions such as cutting down on waste – for

example reducing wasted electricity through inefficient heating and lighting, or reducing the amount of rubbish taken to landfill.

Simply complying with legislation in this area is increasingly demanding. The Climate Change Act 2008 has bound the UK into an 80% reduction in greenhouse gas emissions by 2050. From April 2010 the Carbon Reduction Commitment (CRC) will come into force. CRC's cap and trade scheme will apply to more than 5000 organisations in both the public and private sectors, and is structured so that out-performing the competition will deliver financial benefits.

Reputational risk is also increasingly significant. Private companies have also found that new recruits and existing staff are challenging them harder on their sustainability credentials. Employing and retaining the brightest and best talent depends on having good policies in place; there is evidence that sustainability activities can build morale and skills and reduce staff turnover.

The service provider's perspective

Organisations that make sustainability principles their fundamental drivers will create public value by:

- Delivering what is expected of them more reliably, both alone and in partnership. Sustainability principles provide a framework within which organisations can identify and pursue shared outcomes, a critical part of performance management for processes such as LSPs, Local Area Agreements (LAAs) and Comprehensive Area Assessment.
- Creating well-being by protecting critical local environmental capital, and optimising any trade-offs made between social, environmental and economic objectives.
- Building organisational and community resilience to the social and environmental shocks that climate change and other trends will bring. Planning for a sustainable future allows organisations to identify the features of local systems that are most vulnerable to shocks, and the aspects where investment is required to ensure greater resilience. It also enables organisations to embed emergency planning approaches in a systematic analysis of risk.
- Building and supporting networks of trust, reciprocity and participation which make up the 'licence to operate' for public bodies leading on change for sustainability. Investing in social

capital is an increasingly familiar objective for the public sector. A sufficient stock of such capital is vital to the transformation to sustainability.

- Understanding environmental limits and acting to close the gap between current and sustainable activity levels in the future. Strategies that use metrics on sustainability constraints (such as climate change and resource availability) are central to effective long-term planning.
- Anticipating market failures and responding before impacts occur.
- Achieving mutually reinforcing outcomes with other players in the system, and reducing the risk of 'unanticipated consequences' where one strategy undermines another. Sustainability appraisal and integration tools are now widely used to support joined-up work within and between organisations.
- Tracking and reporting progress against outcomes in both the social and ecological sphere – via focussed systems of audit and scrutiny that build transparency and trust with key stakeholder groups. Methodologies for sustainability audit and reporting are now widely available and increasingly are expected of public bodies.
- Surfacing the interdependencies between people and the communities in which they live, significantly enhancing prospects for social cohesion and reducing risks of extremism and xenophobia.

2.4 summary

The table below maps public value onto the five capitals as set out in section 2.1.

Form of capital	Public value expression
Natural capital	Adequate resource base, healthy environment, green spaces, local amenities
Social capital	Institutions, employment, networks, participation, and ‘intangibles’ like relationships, trust, respect and community cohesion
Human capital	Education, skills, informal learning, active citizenship
Manufactured capital	Sustainable buildings, infrastructure, material assets
Financial capital	Efficient use of funds, creation of reserves

what are the hallmarks of public sector leadership on sustainable development?

Forum for the Future has worked with many of the world's leading organisations on sustainability strategy, including companies such as Cadbury, M&S and Unilever; and public sector giants, such as the NHS, Regional Development Agencies and the Welsh Assembly Government. All of these organisations are looking for new strategies and business models to enable them to overcome the tensions and grasp the opportunities that a changing environment brings.

The leaders – whether private or public – understand that sustainability leadership is not about addressing just one or two core areas. It means embedding sustainable development into an organisation so profoundly that it is indistinguishable from mainstream culture.

For public bodies, this means applying the public value case in strategic planning, management development, decision-making, public participation, allocation of resources and audit and evaluation. It means thinking further ahead, engaging more widely and bringing the values of sustainable development to the fore in that engagement.

All public sector organisations have begun work in this area, but progress varies considerably and can be patchy within an individual organisation. Most lie somewhere on the spectrum of leadership on sustainable development as set out below.

Fig 1: The spectrum of public sector leadership on sustainable development

At Risk	Compliance-led	Incremental	Strategic	Systemic
<p>Organisations at this level don't 'get' sustainable development. Leaders don't see it as a priority; it rarely features in policies, plans, resourcing discussions, training or development activities or evaluation, and where it does it is undermined by other activities or priorities. Such organisations are now rare. But they are increasingly likely to be in breach of regulation and other legislative requirements, and badly prepared for potentially financially punitive regimes such as the Carbon Reduction Commitment. The resulting reputational risk will impair their ability to work effectively with partners and the communities they serve.</p>	<p>Organisations at the compliance level understand the legal requirements, and fulfil them as far as possible. A corporate strategy on sustainable development may exist, but it is poorly integrated with other strategies, and environmental, social and economic objectives are developed separately from each other. Where these objectives clash, trade-offs are made arbitrarily, often at the expense of the environment. Consultation with stakeholders tends to be on the 'decide, announce, defend' model and is done to fulfil legal requirement rather than to shape activity.</p>	<p>Organisations at the incremental level are taking sustainable development more seriously, but still tend to see it as one of a number of competing priorities. Sustainability principles are being brought to bear retrospectively on existing policy and strategy, and fed into leadership development work in a similar way.</p>	<p>Sustainable development is at the heart of strategy in many public sector bodies – which we identify as being at the strategic level. Most policies articulate their contribution to sustainability outcomes, most senior staff and politicians understand this priority, and serious attempts are made to reflect this approach in the allocation of resources. Leadership development, performance management, and internal and external communications all reflect this approach. But the organisation is still in cultural transition – and political change or turnover of key staff would still leave sustainability commitments vulnerable to revision.</p>	<p>Sustainability thinking is hardwired into the culture of the organisation, and the values implicit in sustainable development are reflected in everything from staff mindsets to resource planning. Sustainability principles are at the heart of the business model for delivering public services. Tensions still exist – between short and long-term priorities, and between the scale of the challenge and the resources to tackle it. But systems thinking ensures the organisation avoids perverse or contradictory action in different service areas, and looks upstream to tackle problems more efficiently at source.</p>

steps to a leadership position

Adopting a systemic approach to sustainable development so that sustainable thinking is hard-wired throughout the organisation is rarely a straightforward task. By looking at organisations in the public sector around the world that are leading on sustainability, we have identified nine key actions for public bodies. These are represented in the diagram below, showing action starting at the centre and permeating outwards. We have explained each action with examples in practice below from both the public and private sectors.

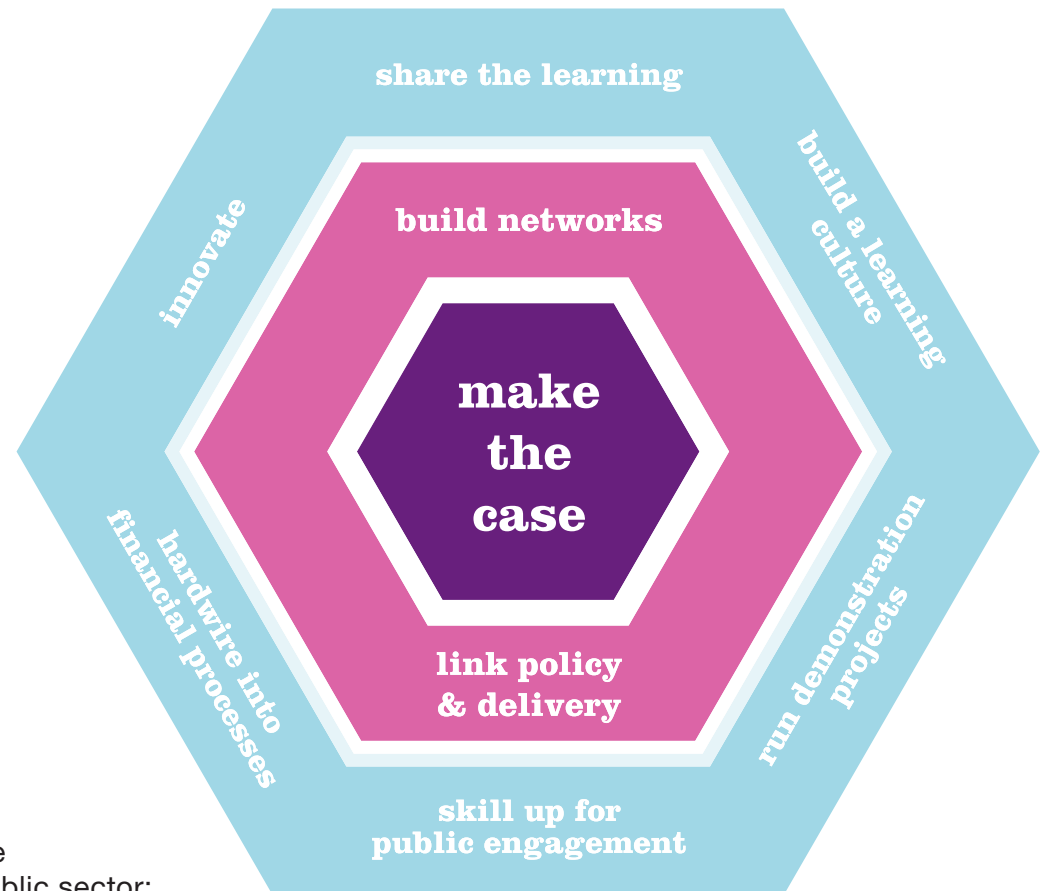
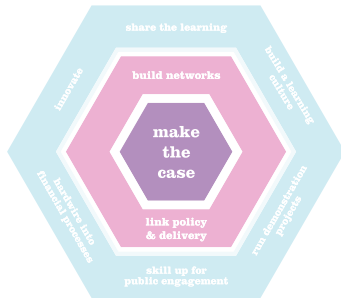


Fig 2: A nine-step model for sustainable development leadership in the public sector:



1 make the case

Decide what you mean by sustainable development, and why it is in the public interest – not just in theoretical terms, but also in the lives of your current and future stakeholders.

A clear, useable and grounded interpretation of sustainable development will both provide a strong narrative as well as decision-making framework to be embedded across the organisation. Communicate that case widely internally and externally.

The city of **Madison** has made sure that the huge array of stakeholders working on making the city more sustainable are talking the same language, aiming for the same vision and underpinning their decisions with the same robust principles – through using The Natural Step Framework. The use of a common overarching framework has also meant that all stakeholders, no matter the size or shape of their projects, are contributing to a wider picture.

The visionary former mayor of **Curitiba**, Jaime Lerner, saw it as absolutely essential that all stakeholders shared the same goals in order to achieve sustainable development: “When a city accepts as its mandate its quality of life; when it respects the people who live in it; when it respects the environment; when it prepares for future generations, the people share responsibility for that

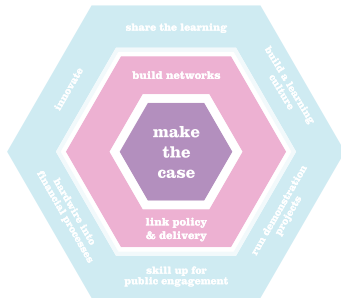
mandate, and this shared cause is the only way to achieve that collective dream”.

2 build networks

Networks within your organisation, both horizontally across divisions and vertically within them, are critical for championing sustainable development, sharing learning, and delivering change.

Employees at officer level within **Malmo** Council are given the opportunity and the permission to show creativity in addressing problems and improving their area. The political leadership takes an overarching view, allowing those on the ground to find solutions that are appropriate using their expertise in their field.

InterfaceFLOR, a leading manufacturer of modular flooring, offers employees with a personal interest in sustainability an opportunity to become ‘Sustainability Ambassadors’. They are inspired to become and stay a driver of the vision within their own circle of influence, either by learning more about the topic or actively applying their knowledge in the organisation by engaging or initiating sustainability-related projects on a voluntary basis.



3 link policy and delivery

Trust is critical – so do what you say, as soon as possible. There’s nothing like walking the talk...

A success factor cited at the **Greater London Authority** is the clear link between those that are responsible for writing strategies and those that are responsible for their delivery. The Climate Change Agency and Transport for London both have responsibility for developing and delivering their action plans.

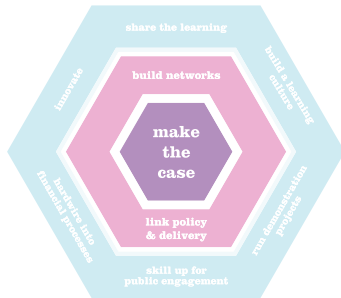
Marks and Spencer’s Plan A sets out 100 commitments on the most important social, environmental and ethical challenges facing the business. At the outset, the company was prepared to invest £200m over five years in Plan A. Two years into the plan however, Plan A had more than proved its worth and had become cost positive. By early 2009, M&S had already achieved 39 of the 100 commitments it originally set itself (of these 24 were extended to cover more ambitious targets), 50 were on or ahead of plan and 11 were behind plan or on hold. M&S’s How We Do Business Committee is chaired by Stuart Rose and is made up of directors and senior managers who are responsible for specific aspects of Plan A.

4 share the learning

No single organisation has got it all right yet. Share your experiences with peers in the community and elsewhere to speed the transition and make it possible for everyone. Actively share experiences of developing a culture of sustainability with other organisations, including building up a community of practice to learn from mutual experiences.

Levi Strauss & Co has joined the Better Cotton Initiative alongside other retailers such as Nike, Marks and Spencer and Ikea. They say: “Our goal in working with other brands on the Better Cotton Initiative is to mobilize greater buying power to make cotton agriculture more sustainable throughout the world. We’ve had three years of experience and initial results are encouraging – we’ve seen one third reduction in pesticide and water use and net profit increases for farmers up to 69 percent at the pilot sites”. They have also funded the the Forum’s *Fashion Futures* project to steer them and the rest of the fashion industry to a more sustainable future.

The success of **Wal-Mart’s** sustainability drive, Sustainability 360, depends on active participation of several stakeholder groups. With a history of denial and non-engagement, Wal-Mart decided a few years ago to open its doors and work with external groups to transform the company. Wal-Mart has developed many of its ideas through contact



with consultants, suppliers, NGOs and eco-friendly competitors such as Patagonia and Whole Foods. The success of this approach led the company to form ‘sustainable value networks’ made up of Wal-Mart executives, suppliers, environmental groups and regulators. Fourteen networks, each with a specific focus – e.g. facilities or alternative fuels – meet regularly to share ideas, set goals and monitor progress.

5 create a learning culture

The UK public sector is often criticised for being risk averse. Allowing people to taking risks, try things out, and learn from different approaches leads to greater success.

A two-year education programme was launched in the Swedish city of **Vaxjo** across their city government. This enabled people to understand the agenda and provided the forum for idea generation. As a result, eco-driving lessons were funded and the heating system was switched from oil to bioenergy.

The environmental consultants **WSP Group** launched a personal carbon-tracking scheme for its staff. The scheme gives an incentive of a £100 reward at year-end if they finish below the annual carbon budget of 5.5 tonnes of emissions, and a £100 fine if they are above that figure. The ‘fines’ are given to charity, and most staff opted to pass their ‘reward’ to charity as well. WSP believes that

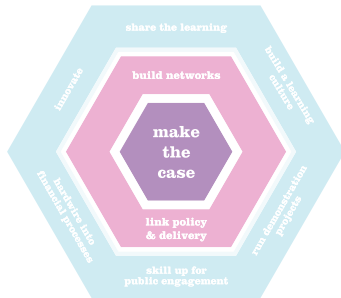
the scheme really helps their staff to understand where they use carbon in their travel to work, their home energy, and their international travel. Even those who already considered themselves committed environmentalists have learnt a lot and changed their behaviour as a result.

6 run demonstration projects

Demonstration projects can show what you mean in practice, to engage staff and the public. They also help you learn by doing and can build confidence.

In **Cornwall**, three Primary Care Trusts wanted to retain £1.5 million spend in the region. Through their ‘Food Programme’, they set up a food production unit that provides high quality meals, sourced mainly from local produce. This has led to the provision of healthy, balanced meals for patients, staff and visitors and a wide range of special needs diets as well as guaranteeing local farmers, fishermen and food producers year-round orders for high quality products.

When the Environmental and Health Department for **Stockholm**, found their smart traffic plan becoming mired in legal and political difficulties they decided to launch it as a pilot. After seven months, they had hard statistics showing the improvements to traffic, carbon emissions and increased use of public transportation. The pilot gave the public a chance



to experience both the benefits and the constraints of the new system. When the public then voted, the city wide plan was approved.

7 skill-up for public engagement

If you think consensus is time consuming and difficult, try conflict! Build staff capacity for stakeholder engagement and bring your stakeholders on the journey with you.

Freiburg Council ensure that they regularly engage with those that can provide knowledge and understanding in order to continually evaluate their approach. A non-governmental organisation 'Forum Vauban' was established in 1995, a non-profit association with more than 300 members with responsibility for the district design by representing the wishes and needs of the future inhabitants.

Vodafone has been engaging with wider stakeholder groups for a number of years. In 2007, the company initiated the CR Dialogues programme, designed to go beyond CR reporting and enhance the group's understanding of stakeholder concerns. The CR Dialogues focus on the key challenges that the company faces. A typical dialogue would consist of an initial social report from an independent third party, focus groups with stakeholders and subject matter experts and on-line discussions. The information gained through these discussions is used in decision-making,

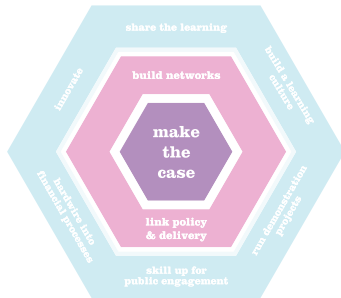
creating management frameworks and developing company policies. By inviting stakeholders to contribute to the strategic development of CR, Vodafone is able to engage successfully with the wider public and report issues with stakeholders rather than to stakeholders.

8 hardwire sustainability into your financial processes

Rightly or wrongly, issues are often only taken seriously once they are embedded within the finance department.

Involvement of the finance director and team is critical in showing an organisation that economic decisions are not at odds with sustainable development and that they can be taken within a sustainable development framework. Embed your sustainability framework in financial processes, to show that financial sustainability and environmental/ social sustainability are compatible.

An often-cited 'enabler for sustainability' in **Woking Borough Council** is the involvement of the finance director at the Council. Through ensuring that the business case for the practical action taken was clear in economic terms – through talking about how sustainability can save money through efficiency – a key barrier was overcome.



BT is leading the way in moving from addressing sustainability as part of risk management to also viewing it as a business opportunity. In addition to its CSR risk register, BT has developed an opportunity map through its sustainable economic growth programme to quantify the market attractiveness and sustainability impact of some of its top sustainability opportunities.

impacts such as energy intensive manufacturing processes and the release of volatile organic chemicals. Forum developed an Environmental Impact Analyser which allows companies to rapidly compare the impacts of existing and new products. This has been used by ICI Paints AkzoNobel to help them develop two new ranges of paints – Ecosure and Ecosense which have huge reductions in embedded carbon, water and waste.

9 innovate

Innovation is about having great ideas, but also about having the right systems in place to encourage and realise them. Use sustainable development as an innovation tool to design more efficient services in collaboration with staff and other stakeholders. Efficiency will become even more imperative as demands for services increase and funds are cut.

The city administration for **Bogota** realised that they needed new ideas to address their challenges. So they developed Actions for Coexistence – a competition that invited community groups and residents to propose local solutions to locally identified problems.

ICI Paints AkzoNobel has worked with Forum for the Future to take an innovative approach to lowering the impacts of their paint ranges. Roughly 400m litres of paint are sold each year in the UK alone, with a number of negative sustainability

over to you

Any public sector organisation can become a leader on sustainable development, and those that do will also become more efficient, more resilient and build better relationships with their stakeholders and communities. If you would like to learn more about how your organisation can build public value through sustainable development, please contact:

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