



## Enabling the transformation of Corporate Sustainability

### WHAT IS CORPORATE SUSTAINABILITY?

According to the Dow Jones Sustainability Index<sup>1</sup>, “Corporate Sustainability is a business approach that creates long-term shareholder value by embracing opportunities and managing risks deriving from economic, environmental and social developments.”

The Index goes on to say that “Corporate Sustainability leaders achieve long-term shareholder value by gearing their strategies and management to harness the market’s potential for sustainability products and services while at the same time successfully reducing and avoiding sustainability costs and risks.”

But Corporate Sustainability can also be seen as the recognition that corporate activities extend well beyond the corporation, to affect the surrounding economy, community, and environment. In other words, corporate strategy needs to encompass the effective and efficient use of both internal and external resources. That includes a corporate effort to mitigate risk in the financial, social and environmental spheres that the corporation operates in, as it adapts to meet the demands of a changing market.

That makes for a business re-engineering concept that is as radical in its implications as it is challenging in its implementation. It also makes Corporate Sustainability unlike the formative stages in the evolution of corporate environmental awareness, which were reactive in scope and worked within the context of the conventional models for doing business. Corporate Sustainability instead seeks to transform the fundamentals of business.

Time-horizons are dramatically lengthened as economic, social, and environmental concerns are integrated into the business model; footprints are broadened to encompass the impact of those integrations; and stakeholders are given a greater voice inside the corporation, as it reconnects to and changes its interactions with the wider community and ecosystem. In short, business cultural norms are reshaped and rewritten.

<sup>1</sup> See Dow Jones Sustainability Index, to be found at <http://www.sustainability-indices.com/sustainability-assessment/corporate-sustainability.jsp>

This changing business culture presents immense challenges for those businesses moving forward into the practical implementation of Corporate Sustainability programs. It requires the simultaneous transformation of the physical and energy infrastructures of businesses, together with the reworking of entire business architecture models. But that effort also presents immense opportunity.

### THE ULTIMATE BOTTOM-LINE OF SUSTAINABILITY – CORPORATE VIABILITY

Corporate Sustainability is increasingly seen as an integral part of the 21st century’s solution to the ever-increasing global competition for resources and markets. It offers solutions that provide for effective and efficient resource use, bringing a resilience and competitiveness to business – particularly across the longer time-frames that corporations have typically neglected. And in a global corporate environment that is subject to an ever-broadening and more complex set of internal and external stressors, it is the sustainable businesses that will survive and prosper, and be best-positioned to seize opportunity in changing markets.

Sustainability is not only the right thing to do – it is also an idea whose time has come. KPMG, one of the largest auditing firms on the planet, published a Sustainability Report in 2011. One of their findings was that 62% of companies surveyed had a Corporate Sustainability policy and another 33% were in the process of developing such a policy<sup>2</sup>.

Those figures come from 378 executives in companies that range from \$1 Billion or more (47%) to companies under \$500 Million (40%), nearly all of who have embraced Corporate Sustainability for the excellent reason that it is good for business. As Wayne Balta, Vice President, Corporate Environmental Affairs and Product Safety, IBM has stated, “for every dollar we spend, we get US \$1.50 – 2.00 back.”<sup>3</sup>

<sup>2</sup> KPMG 2011 Sustainability Report, p13, found at <http://www.kpmg.com/Global/en/IssuesAndInsights/ArticlesPublications/Documents/corporate-sustainability-v2.pdf>

<sup>3</sup> KPMG 2011 Sustainability Report, p36, found at <http://www.kpmg.com/Global/en/IssuesAndInsights/ArticlesPublications/Documents/corporate-sustainability-v2.pdf>

And improving the bottom-line certainly provides more than enough justification, especially among those yet to be convinced of the wide-scale strategic benefits for businesses gained from a truly transformative Corporate Sustainability program.

## THE COMPLEX TASK OF MAKING SUSTAINABILITY REAL

Inevitably the breadth and depth of the necessary changes present unique demands on the change management processes of businesses. Truly grasping Corporate Sustainability requires fundamental change across the full spectrum of business activities. That naturally involves the management and coordination of a number of projects and deliverables over a wide range of timescales.

It also necessitates the involvement of additional stakeholders, both within the business and external to it, who are tasked to deliver on the many aspects of Corporate Sustainability expertise and infrastructure knowledge that lie outside of the business's core competency. Such external parties have interests that are not necessarily aligned with those of the wider Corporate Sustainability initiative.

This aspect is particularly important, for example, when considering the use of Energy Service Performance Contracting (ESPC). This, as the name implies, is a way to realize the long term benefits of a compliant and sustainable energy infrastructure at no up-front cost. Realizing a number of significant long term benefits, with no initial outlay, is accomplished through the services of a Vendor using innovative approaches to conservation, demand dispatch™, energy efficiency, and renewable energy to reduce the corporation's long term carbon footprint and its energy costs.

Such a model does not of itself engender results synchronized to those of the goals of Corporate Sustainability, however. For more information on ESPC see "R.P. Delio Power Partners ESPC Process - Driving best practices in Energy Efficiency & Sustainability Programs."<sup>4</sup>

Equally, similar issues arise with the Engineer, Procure, and Construction (EPC) approach to delivering transformation, as is commonly used in large-scale construction projects. Important aspects related to Corporate Sustainability are neglected, as EPC contracts focus solely on successfully completing a specific project (or group of related projects). Their mandate does not extend to selecting the projects to be managed, nor does it extend to economic and social considerations outside their project's purview.

Additionally, whatever underlying contractual mechanisms are chosen to implement aspects of the transformation needed to achieve Corporate Sustainability, contract complexity and unfamiliar scope present significant risks, especially for those organizations without the in-house expertise in sustainability issues.

## THE OWNER'S AGENT SOLUTION

These challenges may be significant, but they are far from insurmountable. There is an increasingly-recognized solution, one that is particularly amenable to the reality of Corporate Sustainability programs, where trust, focus, flexibility, and rapid adaptation are key – the Owner's Agent.

An Owner's Agent is an expert resource – either an individual consultant or a consultancy – that combines in-depth knowledge of Corporate Sustainability with significant program and project management experience. It acts as the single focus of all interaction between the corporation and the external parties involved in the Corporate Sustainability implementation.

In essence, the Owner's Agent is the corporation's subject matter expert on all things related to its sustainability program. Their primary function is to translate the corporation's sustainability strategy into a suitable portfolio of sustainability investments to manage and achieve the expected benefits from those investments.

## A PORTFOLIO APPROACH

The corporation's sustainability portfolio consists of programs and projects structured as investments and managed by the Owner's Agent. In one sense, the Owners' Agent is similar to a Project Portfolio Manager who coordinates, oversees, and manages a portfolio as a corporate employee. An Owner's Agent does that and more, as its mandate includes the interaction between the portfolio and the corporation and any short term, long term, economic, social, or environmental impact as well as any potential impact on corporation's strategic objective.

The Owner's Agent can focus on the portfolio in this broader sense, as it is not a corporate employee, and can facilitate portfolio related recommendations that would be difficult for someone within the corporation.

To ensure the Owner's Agent's objectivity, their contract is structured such that: there can be no perceived or actual conflict of interest between it and the corporation; that the Owner's Agent's decisions and actions are always taken with the corporation's best interest foremost; that they have no interest in the Sustainability Investment Portfolio beyond the needs of the corporation; and that their fees are drawn from the realized savings.

Such an arrangement is conceptually similar the arrangement that firms providing financial and legal services have as depicted in Figure 1:

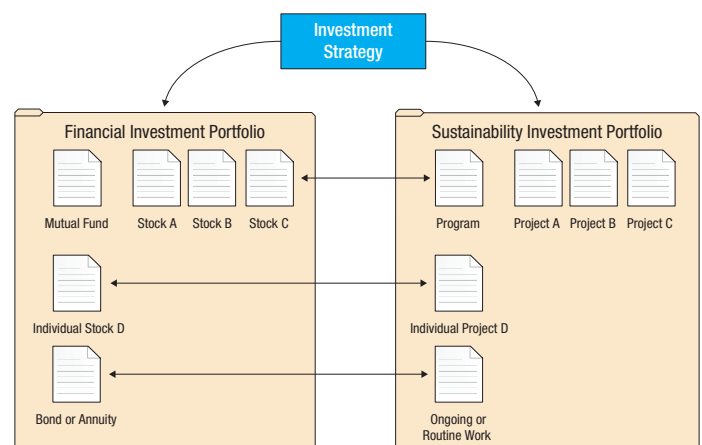


Figure 1: Financial Investment Portfolio vs Corporate Sustainability Investment Portfolio

<sup>4</sup> See RPDelio and Company, Inc., Driving best practices in Energy Efficiency & Sustainability Programs, to be found at <http://www.rpdelio.com/sites/default/files/documents/COLLAT-RPD-256-ESPC-Services-071613.pdf>

## THE CORPORATE EXTENSION

In essence, the Owner's Agent will function as a corporate extension and will support corporate decision makers, as the exclusive representative and advisor on all Corporate Sustainability matters. Within the context of a specific Corporate Sustainability program, an Owner's Agent may:

- > Use its understanding to study and recommend for selection the optimum mix of innovative approaches conservation, demand dispatch™, energy efficiency, and renewable energy initiatives while keeping the corporation's economic, social and environmental objectives foremost in mind; and do so before the need to commit significant resources.
- > Ensure that resources for project necessities such as safety engineering, hazard planning, quality control planning, and testing are committed at the appropriate time with appropriate scheduling and performance requirements.

- > Ensure that specialty expertise such as consultants in business applications system, portfolio, program and project management, architecture and engineering, common-sense waste, recycling and sustainability, and finance and tax all brought into the program at the proper time.
- > Remove Corporate Sustainability from the corporation's list of immediate concerns, through collaborative governance and adaptive management, freeing it to assign resources and personnel to corporate core competencies.
- > Assist the corporation's efforts to avoid well-meant, but misguided resource commitments in the Corporate Sustainability sphere.

An Owner's Agent assists the corporation through projects such as those synopsized in Table 1. Note that each example reflects an individual project within a Corporate Sustainability Investment Portfolio.

Table 1. Typical Owner's Agent Projects

NEED	APPROACH	SOLUTION
Reduce recurring power costs, provide a back-up capacity at a business	Evaluate possible technologies for cost effectiveness and suitability	Install a suitable Photovoltaic (PV) array on the rooftop
Reduce recurring and unscheduled maintenance costs for college campus energy needs	Identify the most inefficient components of the campus power distribution system	Replace an antiquated distribution substation
Reduce energy and maintenance costs, increase reliability of local power distribution system	Evaluate the costs of rebuilding the transmission line servicing a city street	Replace old overhead power lines with higher capacity and lower loss lines.
Reduce dependency on traditional power sources	Evaluate candidate alternate technologies, validate the selection with a pilot program before proceeding	Wastewater treatment plant biogas to energy conversion
Reduce power and lighting maintenance costs at corporate headquarters	Consider a facility lighting retrofit	Replace the incandescent bulb fixtures and fluorescent lighting with state of the art LED's
Reduce load fluctuations, increase efficiency, and reduce energy costs at an energy utility	Investigate the merits of Smart Grid technology	Install equipment at all user points along including the necessary monitoring, recording, undervoltage load shedding and overvoltage demand dispatch™ components.

## CORPORATE GAINS

A corporation's early association with an Owner's Agent yields benefits even before the sustainability program is firmly in place and before a Sustainability Investment Portfolio is structured.

As an expert at strategic thinking and acting, an Owner's Agent can make critical objective and planning decisions before significant resources are committed.

As an expert in facilitating communication and team building, an Owner's Agent can minimize misunderstandings, avoid territorial feuds among projects, and ensure continuous information flow from corporate strategy to project staff and vice versa.

As an expert in the critical technical subject matter that makes or breaks the portfolio, an Owner's Agent can effectively guide the sustainability projects with a deep understanding of the objective, the relationship among the projects, and a view of all the variables along with their impact on each other.

Having no conflict of interest with any project team or team member, an Owner's Agent can manage the Sustainability Investment Portfolio in the corporation's name without favoritism

As a trusted advisor to the corporation, an Owner's Agent can communicate, use, or withhold information as the corporation would.

As the Subject Matter Expert on Sustainability, act as the corporation's shield against those external parties who may seek to take advantage of the Corporation's lack of expertise in the same. .

The result is that the Owner's Agent will plan and execute the corporation's sustainability policy as the corporation would, if the corporation had an equally deep understanding of sustainability and its objectives. This stewardship will significantly increase the likelihood of an effective and successful transformation of the business into a truly sustainable (and therefore successful) one – the ultimate goal of any Corporate Sustainability program.

## CONCLUSION

Corporate Sustainability is actively supported by more than 95% of the leading corporations across the globe. They support it because they recognize the value, not only for the bottom line, but for the long-term viability of the corporation, assuring its place in the increasingly integrated world we live in.

The value of Corporate Sustainability transformation has been proven. The benefits to the corporation, society and the environment are measurable. And while the goodwill generated by corporate involvement in the community, from its concern for both economy and environment, is not measurable, it is an essential foundation for ongoing corporate viability.

However, realizing these benefits is demanding. The simultaneous operation of model-breaking change-management processes, and the coordination of complex projects and programs – typically outside of the scope of many organizations' core competencies – provides for a serious impediment to successful implementation of Corporate Sustainability.

The solution to these challenges lies with a new model for managing business transformation – the Owner's Agent. By encapsulating the roles of sustainability expert, program coordinator, sustainability portfolio manager, and corporate decision-making authority, the Owner's Agent can bridge the hurdles to Corporate Sustainability.

Owner's Agents can be seen as transforming the potential for advancing Corporate Sustainability. By providing the process with a singular focus, greater efficiency and enhanced effectiveness, they enable organizations to readily transform themselves into sustainable, viable and profitable entities – fit for the new corporate landscape.

## INTRODUCING RP DELIO & COMPANY

If you think it's time to take the next step and join the transformation, R. P. Delio & Company is a consultancy well-placed to assist. We are no stranger to the demanding set of roles, skills, and responsibilities that are required of an Owner's Agent. We have been at the heart of the sustainability transformation for the best part of a decade.

We have developed front-line Owner's Agent resources capable of ensuring success from small-scale endeavors – right at the forefront of sustainability innovation – to the most challenging and critical of corporate programs, burdened with the highest levels of organizational significance.

We have created, validated, and employed a full-service kit of portfolio management tools, as required by an Owner's Agent, and built up an experienced cadre of principal consultants, able to provide the hands-on expertise in all aspects of program and project management.

RP Delio & Company, with its 20+ years of experience and leadership is uniquely situated to help your organization take that next step – building in the resilience and sustainability essential for these challenging times.

## THE R. P. DELIO & COMPANY METHODOLOGY

The methodologies and tools utilized by R. P. Delio & Company professionals, to deliver our Owner's Agent services, are guided by three principles:

- > **Pragmatism:** success is not delivered through dogma and theory. We believe that success is ultimately underpinned by business-transformation techniques grounded in real world application
- > **Client-tailored:** there is no such thing as an 'off-the-shelf' business-transformation solution. We believe in the importance of close alignment of the transformation process to each individual client situation
- > **Result-focused:** we believe in the enabling of concrete, tangible and long-lasting changes that can be shown to deliver on all aspects of Corporate Sustainability.

R. P. Delio & Company have been **Engineering Project Success** since 1989; with us as your partner your vision for transformation can, and will, be made real.

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