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Environmental Sustainability

Middle Management Is the Key to Sustainability

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Summary. While the executive in charge of the sustainability function plays the starring role in any social or environmental initiative, its success often depends on an organization's hidden heroes: its critical midlevel team leaders. But how this group drives sustainability will... **more**

Most large companies today are developing strategies to address climate change, inequality, human rights, and other major sustainability challenges. That's a complicated undertaking in the

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current environment, where a single company can often face accusations of both greenwashing and "wokeness." And even when the best companies act in earnest, they still fall short, simply because the problems are growing so fast.

Any effective strategic effort begins by having the CEO set the tone and direction, but the central player in sustainability initiatives is logically the person who leads the sustainability function. That executive may have a title like VP of sustainability, chief sustainability officer (CSO), or head of ESG (which addresses environmental, social, and governance issues). Leadership from the top isn't enough, however. A focus on sustainability needs to be embedded throughout the organization. People in procurement, HR, R&D, finance, marketing, sales, customer service, and more have to do their part too.

In fact, we believe that the success or failure of sustainability initiatives often depends on a cohort of hidden actors and unsung heroes: an organization's midlevel executives and team leaders. These people fill a broad range of roles, from key positions just below the C-suite to factory or store manager. They're internal warriors who feel the intense squeeze of needing to hit sustainability and financial targets. They may not have "sustainability" in their job titles, but many will see it as a core responsibility, capability, and career builder.

How do middle managers help drive sustainability efforts? The answer varies with a company's aspirations and experience—in other words, with its sustainability maturity. Based on the patterns we've seen across hundreds of companies, we've identified four main levels of maturity: (1) *lagging and skeptical,* (2) *building a base,* (3) *accelerating,* and (4) *leading.* Companies don't fall neatly into one category, of course. A lower-maturity company may have a bright spot of sustainability innovation. And even recognized leaders—like Unilever (where one of us, Paul, was a long-serving CEO), Patagonia, and IKEA—lag in some areas.

The overarching role of midlevel leaders is to help prepare their organizations for larger initiatives. As Marks & Spencer's former CSO Mike Barry told us, "You want to embed the next plan into the current plan" so that you're ready for the next stage of the journey. To go deeper and build sustainability into the organization, middle managers at all maturity levels need to know how to network and collaborate across the organizational matrix (with, say, both functions and brands). They also must be able to work within the firm's culture while adjusting it to include a bias toward greater action; to make the business case, which will get more sophisticated at higher levels; and to look outside the company for inspiration and partnerships. In addition, no matter what type of organization they work for or where they sit in it, these advocates for change need to be courageous, collaborative, entrepreneurial, optimistic, and open to alternative viewpoints.

Moving up to the fourth level of maturity should be the ultimate goal, for the good of the business and society, but specific priorities and goals for middle managers differ at each level. Let's look at what these internal champions should do at each stage to help their companies create a more sustainable future.

[**Level 1**]

Lagging and Skeptical

Many organizations are still in thrall to Milton Friedman's view that the sole responsibility of a corporation is to increase profits and value for shareholders. Their top execs may acknowledge the demands of other stakeholders, but they doubt that investors truly value sustainability, and their attitude toward recent interest in ESG among asset managers is "This too shall pass." At the most resistant end of the spectrum, some company leaders may buy into the idea—put forth by a few (mostly American) politicians and pundits—that sustainability is part of a "woke" agenda. These skeptics tend to adopt a bunker mentality and do only what's required legally or needed to appease big customers, but privately they remain defiant. They think mainly in terms of trade-offs; sustainability must, they believe, always cost more and reduce profits.

With so little organizational buy-in, these companies may not even have a full-time sustainability person. Nevertheless, at this level we've seen middle managers take on assignments to understand environmental and social issues, become convinced that the company needs to play a larger role, and pitch themselves as the answer. Whatever their job titles are, the core mission of middle managers at this level is *to get sustainability on the company's agenda*.

Top priorities and actions. Regardless of their reason for resistance—and it could be anything from real philosophical differences to a fairly common focus on short-term shareholder value and day-to-day crises—level-one organizations still need to do some basic blocking and tackling on sustainability. They have to comply with laws, assess which issues are most important to company performance, and increasingly, respond to a range of pressing questions from investors, customers, and other stakeholders.

If they're public, organizations must produce reports on climate risks to satisfy a growing number of regulations around the world and demonstrate to customers that they follow voluntary (for now) reporting guidelines such as TCFD, or the Task Force on Climate-Related Financial Disclosures. To do that companies have to collect ESG data, like figures on carbon emissions from operations and value chain partners.

Middle managers at lagging firms may need to wait until investor or customer demands induce the C-suite to show interest in sustainability, and then pounce on the moment.

Some midlevel leaders will be involved in such analyses, but even those that aren't can help senior executives understand how fast expectations from customers, employees, investors, and regulators are rising. Marketing execs, for instance, can explore customer demands for sustainability performance, and product development and R&D leaders can benchmark competitors' sustainable product offerings. These are effective ways to influence top leaders who have a compliance-only mentality.

It also helps to gather perspectives on the company's performance from NGOs and critics. These, along with outside calls to action, create "a surround sound of external voices" that prompt change, according to Chrissa Pagitsas, the author of *Chief Sustainability Officers at Work*. In her former role as the head of green financing and ESG at a major financial institution, she brought in diverse viewpoints from the U.S. Environmental Protection Agency, the MacArthur Foundation, lenders, owners, bond investors, and other stakeholders. They helped shape the new sustainability-focused products that her organization launched—and generally pushed it toward a more robust ESG strategy and a higher maturity level.

Middle managers at level-one companies can also nudge the culture toward an embrace of sustainability by finding easy wins that demonstrate a strong business case for it. One executive we know simply asked a factory to do an energy audit, which in one day found ways to reduce energy costs by 17%. That led to new energy strategies (demand reduction, maintenance, clean energy) at the company's facilities around the world. There can be revenue wins too. The sustainable products in a portfolio often are growing faster than the core. Midlevel leaders can shine a light on all those victories.

Another effective tactic is to identify parts of the social responsibility agenda that already have buy-in and build on them. Pam Alabaster, an executive who has led sustainability efforts in multinationals at all maturity levels, believes diversity, equity, and inclusion is one of them: “Unlike other sustainability areas, where there may seem to be short-term incremental costs,” Alabaster told us, “there are few perceived trade-offs in DEI these days—it’s considered a normal way of doing business.” On topics that don’t have the same buy-in (yet), Alabaster offers general executive education to “build a familiarity with basic sustainability concepts.” She has used low-pressure tools like webinars, “lunch and learns,” and town halls to help executives and managers identify areas where they can meaningfully contribute.

A good way to increase momentum is to encourage public commitment to sustainability goals. As Robert Cialdini, the author of *Influence,* has shown, people want to be consistent about the things they’ve already agreed to. And showcasing the successes of other organizations will demonstrate that sustainability is becoming the norm, incorporating another of Cialdini’s pillars of persuasion, “social proof.” If circumstances allow, middle managers could also appeal to their leaders as human beings and perhaps parents, asking them to consider their legacy to the world and to their children.

> **To build an organization’s base, middle managers should find and nurture sustainability champions, especially junior people.**

As these tactics pay off, middle managers can network within the company and form a coalition of people willing to push for sustainability. At most companies "there are people on board who don't know what to do yet," Neil Hawkins, a former CSO of Dow, pointed out to us. "At Dow we worked to find and mobilize them."

With more knowledge and buy-in, the organization will be ready to establish targets, even if they initially are incremental and focused primarily on the company's own direct impact. Setting targets in major ESG categories— carbon, water, waste, human rights, sustainable supply chain, DEI, and so on—will increase accountability and motivate greater action.

However, level-one middle managers will have to be patient. They may need to wait until investor or customer demands induce the C-suite to show interest in sustainability, and then pounce on the moment.

[**Level 2**]

Building a Base

Companies at level two have moved away from the bunker mentality and are rapidly learning more about sustainability to prepare for their journey toward it. Their leaders believe that challenges like climate change are grave and that stakeholders, including investors, are serious about the need to address their risks. These leaders want to improve their companies' sustainability performance on multiple dimensions but may be unsure of how to go about it. Mostly they're in reactive mode and reluctant to stick their necks out.

Even so, the C-suite has probably made it clear that sustainability is a priority, so the sustainability agenda will have more support. CSOs will have bigger roles, even if they don't have many resources. For middle management champions at level two, the core mission is *to build capabilities*.

Top priorities and actions. At this level companies are clarifying their purpose and how they'll serve customers and the world. Though final decisions about mission need to come from the top, we've seen middle managers lead broad conversations about their company's role in society. It's a natural part of sustainability strategy development.

The work to embed sustainability in the organization begins at this stage. Here middle managers need better systems for collecting data on their firms' ESG impact. That data and deeper thinking about sustainability should make it into core business documents (such as the 10-K shareholder report for U.S.-based companies) and key processes such as financial planning and supply chain management. Corporate communications and reports should address how the company is performing by external groups' sustainability standards. The old self-directed narrative of corporate social responsibility ("Look at the good things we do, like planting trees on Earth Day") won't cut it. It's time to gauge progress from the outside in.

The Norwegian photographer Tine Poppe explores ecological themes, including the loss of biodiversity and the human disturbance of ecosystems, in her representations of disrupted patterns of nature.

Middle managers should look beyond core competitors and benchmark their firms' sustainability practices against leading firms in adjacent sectors and their own suppliers and customers. They can also collaborate with knowledgeable NGOs on problems. For example, some big consumer products and personal care brands, such as Unilever and L'Oréal, have worked with Greenpeace and World Wildlife Fund on the tough issue of palm oil (while the NGOs continue to hold the companies to high standards globally). Together, they're helping smallholder farmers in the supply chain increase yields so that they need less land—and cut down fewer trees.

An outside-in view should encourage companies to increase their sustainability goals. Middle managers can push for more-ambitious targets like net-zero carbon emissions, zero-waste operations, and complete intolerance of pay gaps or human rights abuses throughout the value chain. Extending the scope of goals to include suppliers and even customers is becoming a best practice, but it may make an organization uncomfortable. That's a good thing; if targets reflect what everyone already knows how to do and can completely control, then they're not goals, they're action plans.

Another priority for people in middle management should be to embed sustainability practices in core functions: HR, procurement, marketing, finance, and R&D. For example, they might lobby to include environmental and social criteria in product development or for using an internal price on carbon in finance to help guide capital allocation decisions. The sustainability leads and their allies from the functions can establish connections among different parts of the business and build a strong united front with greater ambitions for tackling carbon, waste, pay, equity, and more. Such internal alliances, along with targeted collaborations with NGOs, will lay the foundation for the more-systemic and transformational partnerships with multiple stakeholders that come at higher levels.

To strengthen the organization's capabilities, middle managers should find and nurture star performers and sustainability champions, especially junior people who are convinced of the need for the company to play a role in tackling society's challenges. Inviting them to participate in bigger thinking about the company's transformation can increase innovation and engagement.

> **At leading companies middle managers in all kinds of roles should be free to work on the biggest environmental and social challenges.**

The experiences of Trane Technologies, a global player in refrigerated transport, illustrate how. Trane asked its tens of thousands of employees to join a global brainstorm called Operation Possible to identify "absurdities standing in the way of a better future." Employees zeroed in on the outrageous paradox of global hunger and widespread food waste, directly inspiring an innovation, the Cooling Cart, which helps street vendors in India keep produce cold (without electricity), reduces waste, and has increased profits. Mobilizing internal demand for big ideas, as Trane did, builds the organizational muscle needed for more-intensive action at higher levels.

[**Level 3**]

Accelerating

Between level two and level three there's a wide chasm. Level-three companies are fundamentally committed to genuine action and comfortable engaging with outside stakeholders and setting goals based on the needs of society. At these firms CSOs have clout and may report to the CEO. Many middle to senior managers will have performance goals and incentive compensation tied to sustainability metrics. Employees will be enthusiastic about the idea of having a positive impact on society. However, top execs may not yet have the full systemic mindset that yields deep change and highly innovative and collaborative approaches to problems.

At this stage organizations need to make serious progress on the big sustainability goals they've set. This is where internal champions who are not CSOs really shine. A senior procurement executive, for example, can push suppliers to improve their sustainability performance. A DEI leader can enable new hiring and promotion practices. A factory head can invest more in clean energy, greater efficiency, and zero waste. Here the core mission for such managers is *to increase the speed and scale of sustainability efforts.*

Top priorities and actions. At this level middle managers should advocate for creating (or increasing the reach of) an internal council on sustainability made up of reps from the C-suite or operational executives one tier below. We've worked with dozens of companies that use internal councils to give executives shared ownership of the sustainability agenda, especially in areas they're *not* normally responsible for. (For example, a CMO might become a sponsor for a human rights program in the supply chain.)

The company may also want to create an external strategic advisory board made up of a mix of thought leaders, academics, and sustainability and operational execs from other sectors. Such boards offer a forum where middle managers from around the organization can tell their sustainability stories, share their hurdles, and get valuable input. These boards expose the C-suite to new perspectives and provide a window on what's coming next. Many companies, including Dow, Kimberly-Clark, Unilever, and Trane Technologies, have had one for years.

A level-three company is most likely experienced with sustainability reporting, so it can lean in to transparency, building greater trust with stakeholders. For example, with Paul's support as CEO, supply chain and sustainability middle managers at Unilever invited Oxfam to review its supply chain in one country (the NGO chose Vietnam), giving it full access and permission to report its findings publicly. That work fed into Unilever's global human rights report, a first among multinationals.

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Level-three middle managers should lobby their companies to set ambitious agendas. Science- and context-based goals—which use global environmental or social thresholds such as holding global warming to 1.5°C to 2°C—become the norm, as do more-aggressive interim goals and regular measurement of progress. Companies can help ensure success by making middle management responsible for performance on those goals and public reporting. That will embed a commitment to them into the organization.

As sustainability firmly takes root in a company, midlevel leaders can ask bigger questions about the business and rethink its activities. Sustainability and product execs at BASF, for example, assessed the entire product portfolio on sustainability performance. They identified leading products that had great growth potential as well as laggards that created risk. That allowed them to develop more-detailed plans to mitigate the risks or exit products. A company can conduct a similar exercise with procurement to identify parts of the supply chain that carry a lot of risk or have potential for greater efficiency, value creation, and improvement on environmental and social metrics.

Finally, and most important, middle management can also be given the authority to seek out partnerships with organizations that can help the company achieve its higher ambitions. The same hurdles to hitting large science-based targets are generally found throughout sectors and value chains. We now see industries coming together to share best practices, develop and scale up new technologies (for example, to decarbonize steelmaking), work on policies that drive change, and more. People in middle management in level-three companies are at the heart of those collaborations, which have multiplier effects across value chains and sectors.

[**Level 4**]

Leading

Leading organizations are courageous and think big. They tackle humanity's thorniest problems instead of waiting for others to take action. Hoping to transcend their sectors, they're guided by aspirational corporate purposes. They strive to be what we call "net positive," giving back more to the world than they take and profiting from solving the world's problems, not creating them.

A handful of companies from a variety of sectors have committed to becoming net positive (although rather than that language some use "regenerative" or other terminology). The apparel makers Timberland and Patagonia, the personal care company Natura, the packaging giant SIG, and the world's largest company, Walmart, all have made producing a positive impact on society central to their strategy and mission. Other firms aspire to level-four leadership in specific parts of their business: Ørsted and Kering have net positive goals for biodiversity, for example. Some have already achieved such goals. IKEA generates more renewable energy than it needs and now sells solar power to customers. Apple helps suppliers move to renewable energy and partners with Rio Tinto and Alcoa to decarbonize the production of the aluminum going into its ubiquitous devices.

At level four sustainability champions companywide will have enormous potential to effect positive change and instill an irreversible commitment to sustainability in the organization. The core mission for middle managers here is twofold: *to build lasting sustainability infrastructure inside the company and to generate a transformative positive impact on the world*.

Top priorities and actions. At level four middle managers in all kinds of roles should be free to work on the biggest environmental and social challenges. They can address the "elephants in the room" that affect a company's sustainability footprint and brand: issues like executive pay ratios, corruption, human rights, political influence, and true inclusivity.

Giving midlevel leaders real ownership of the sustainability agenda is crucial. The company's purpose and understanding of the world's needs can then drive major decisions in the organization. A firm growing its portfolio of businesses, for instance, would develop new products or services that support its purpose and expand its sustainability offerings, or it would acquire them, as Unilever and General Mills have both done aggressively. Midlevel leaders may not sign the checks, but they can scope out potential synergies with acquisitions, ensure the integration of new businesses, and explore building new sustainability-focused brands.

At this level managers can increase the scale and speed of their collaborations with their colleagues at companies that are their firms' peers or value chain partners. And they can do more-systemic work, engaging with governments and civil society in new ways. Influencing policy doesn't have to be solely the domain of the CEO or senior execs. After Unilever had acquired extensive knowledge of human rights issues in its supply chain, the UK government asked the company to help create the UK's Modern Slavery Act of 2015. Marcela Manubens, an executive who led

Unilever's human rights work, represented the company—and was the only person from the private sector—at the working sessions.

More generally, the members of a company's public affairs or government relations team can play a key role in the policy realm (and become sustainability champions—something they've rarely done before). Instead of lobbying governments only in narrow and self-serving ways—for, say, tax breaks—they can advocate for policies that enable sector- or economy-wide solutions.

Midlevel leaders can push their companies to go beyond science-based goals and set net positive targets for their functions or, working with peers and partners, for entire systems. Google, for example, intends to source only renewable energy for its operations by 2030, which will require massive on-site generation and storage capabilities as well as aggressive work with the grids it operates on to help them reach zero carbon emissions. The company's sustainability heads and the line executives who source and manage energy will need to work with their peers in other companies, communities, and utilities to make that happen.

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Thinking about how to tackle huge challenges like climate change, inequality, and human rights can be daunting. It's easy to feel that the contributions of a single manager or executive just don't matter. And though it's true that even the world's largest companies are too small to solve these problems alone, working together and with other institutions in society, they can bring about tremendous change.

With commitment from senior management and a growing cadre of midlevel leaders, companies can and will move up the sustainability maturity curve. They can't afford not to if they want to stay relevant in a world that increasingly demands sustainable offerings. In the end midlevel leaders will help companies confront an existential question: Is the world better off because our business is in it? In turn they may ask themselves, Is the business better off because I am in it? With the right purpose, focus, and priorities for action, middle managers will be able to answer that question with a resounding yes.

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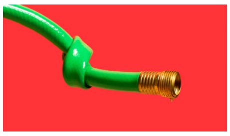

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