Organizational Structure for Sustainability

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Organizational structure is based on a firm’s unique sustainability strategy, goals, and priorities.

Sustainability Vision & Strategy

Sustainability Goals & Priorities

Internal Structure
- Reporting Structure
- Decision Rights
- Align Incentives

External Structure
- External Accountability

Framework
- Strategy
- Internal Structure
- Reporting Structure
- Decision Rights
- Incentives
SUSTAINABILITY STRATEGY
Sustainability strategy must align with structure, competencies, and culture of firm

Mitigate Risks:
- ✓ External Market Demands
- ✓ Consumer Pressure

Strategic:
- ✓ Internal Pressure

- Overall vision broadly communicated by executive sponsor
- Clear accountability and responsibility for program
- Transparent goals with metrics
- Reported results
As a health insurance company, BCBSMA recognizes the relationship between healthy environments and healthy people.

We are committed to improving the health of the communities where we live and work and to reducing our environmental footprint through corporate policies, green business practices, and employee initiatives.

Communication of this vision from a high level will increase awareness, buy-in, and participation towards a common goal.
Common commitments unite all business units and functions

Corporate Commitments

- GHG/Climate Change
- Community Engagement
- Waste
- Resource Consumption
- Education
- Procurement
- Nutrition

Sustainability Strategy
INTERNAL STRUCTURE
Four important considerations for internal structure

Executive Sponsorship
- Level of employee and business unit engagement is accelerated when the CEO drives the sustainability vision.

Sustainability Program “Home”
- The most recognized sustainability programs are based in divisions with decision-making power or close ties to stakeholders (i.e., legal, corporate, or public affairs).

Reporting Relationship with CEO and Board
- Elevated position improves the ability to reach and engage high-level managers, and signals importance of program to employees and stakeholders.

Interaction with Business Units and Employees
- Three distinct structures (stand-alone, integrated, embedded) provide different levels of interaction with employees and business value.
Sustainability program often treated as a separate function

**Stand-alone Structure**

- **CEO**
- **COO**
- **CFO**
- **CSO**
- **Director(s)**
- **Business Units**

**Pro**:
- Specialized skill set in role.
- Sole focus and responsibility to implement initiatives and activities.

**Con**:
- Lack of organization-wide integration.
- Limited buy-in from employees.
- Funding challenges – focus on cost cutting, not business development.

Stand-alone structure makes sense for firms new to sustainability; high level of “CSO” is important to engaging business units.
Program can be integrated through reporting relationship with business units.

**Integrated Structure**

- **CEO**
  - **COO**
  - **CFO**
  - **CSO**
  - **Business Units**
  - **Director(s)**

**Integrated Structure grants authority necessary for organization-wide integration; makes sense for programs focused on cost-cutting/efficiency.**

- Enables organization-wide integration.
- Direct tie supports action at the business unit-level.
- Encourages employee buy-in.
- Responsibility and accountability is dispersed.
Program can be embedded through a dedicated role in each business unit/function.

**Embedded Structure**

- **CEO**
  - **COO**
  - **CFO**
  - **CSO**
  - **Business Units/Functions**
    - **Sustainability Director(s)**

- **+ Sustainability program able to drive business value.**
- **+ Encourages significant buy-in from all employees.**
- **- Coordination is a challenge.**
- **- Efforts may be duplicated.**

**Embedded structure brings sustainability to core business; makes sense for “mature” organizations seeking revenue-generating opportunities.**
Sustainability initiatives often challenge well-established decision rights within an organization.
Sustainability performance must be integrated into day to day management and compensation.

**Sustainability strategy, goals, and priorities**

- Education about opportunity
- Form green teams
- Support employee efforts at home

**Basic awareness**

- Responsibilities or contribution to executing goals
- Performance reviews
- Compensation models

**Actions to increase innovation and improve competitive position**

Responsibilities, performance reviews, and compensation models (for all employees) must align with sustainability objectives to encourage and reward innovation.
Questions?

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Resources

- *Energizing Employees with Green Strategy*, Andrew Winston.
- *Organizing for corporate responsibility and sustainability*, Deloitte Consulting.
- *Should the C-Suite Have a “Green” Seat?*, Eric McNulty and Rupert Davis.
- *The Sustainability Imperative*, David Lubin and Daniel Esty.
- *Where Sustainability Lives: A Path to Integration and Innovation*, Kathee Rebemak.