

# What the Overview Effect can teach companies on their way to sustainability

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A practical business guide

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**SustainNet**  
CONSULTING

## The Overview Effect

### The Overview Effect gives perspective

When astronauts come back to earth, a universal connected feeling of euphoria together with a permanent attitude change is perceived amongst many of them. It is the experience of seeing firsthand the reality of our planet in space, a tiny, fragile ball of life, depending on a shielding and nourishing paper-thin atmosphere. From space, national or ideological boundaries vanish, and the need to unite and protect this blue marble becomes obvious and imperative.

### What a view on our planet reveals

A view on our planet reveals serious threats to the earth's fragile atmosphere and all life underneath.

Climate change is likely to be the most serious issue for our society and the entire planet. The Intergovernmental Panel on Climate Change (IPCC) estimates, that global warming will likely reach 1.5°C between 2030 and 2052 and 2°C at the end of the century, if it continues to rise at the current rate. An average rise of 1.5°C may put 20-30% of species at risk of extinction. If our planet warms by more than 2°C, most ecosystems will seriously struggle. And we can experience the impacts of climate change already today. Polar ice shields are melting and the sea levels are rising. In some regions extreme rainfalls are becoming more common while others are undergoing extreme heat waves and droughts. And climate change does not only have ecologic and social impacts – also the global economy will suffer and is expected to shrink by over 20%.

Furthermore, the global extraction of natural resources from ecosystems and mines is steadily growing, while being unevenly distributed across the world. Biodiversity is continuously declining, and the global rate of species extinction is escalating. The rising air pollution is causing serious health impacts, and the continuous deforestation destroys the cleansing lungs of our planet. Hazardous waste and plastic packaging are piling up and contaminating terrestrial and aquatic ecosystems. Increases in oppression, poverty and inequality are likely to further fuel conflicts and instability, often in regions that are already characterized by fragile governance structures.

*“The Overview Effect is a term (...) to describe the profound cognitive shift in awareness and worldview generated by the intensely rich perceptual experience of actually seeing the Earth from and in space.”  
(Overview Institute)*

*Climate change does not only have ecologic and social impacts – also the global economy will suffer and is expected to shrink by over 20%.*



*“But recognizing that we are responsible for the problem is the beginning of taking responsibility for the solution.” (Jonathan Safran Foer)*

*Companies can decrease their supply chain costs by 9-16%, uplift their revenue by 5-20% and rise their brand value by 15-30% through sustainability management.*

## Why companies should shift their awareness to our planet

Sustainability concerns all of us, and everyone should make a contribution – private individuals as well as businesses. And it is particularly relevant for businesses, as they are, directly or indirectly, responsible for a considerable part of the ecosocial issues that our planet is facing. According to the Carbon Majors Report 2017 from CDP, 100 fossil fuel producers account for 71% of the global industrial global greenhouse gas (GHG) emissions since 1988. The energy supply sector is responsible for the highest share (29%) of the global GHG, followed by transport (20%) and industry (19%) (EEA 2014 data).

Companies can choose to see this responsibility as burden – a matter of compliance or risk management while getting on with the business of business – or they can view it as a novel way to open up new business opportunities while creating ecosocial value.

Businesses can realize economic benefits such as revenue uplifts through product innovations and new customers, improved reputation and trust capital, reduction of operating costs and increase of productivity through higher motivated employees. According to a study of the World Economic Forum (WEF) in collaboration with Accenture, companies can decrease their supply chain costs by 9-16% through sustainability management. The same study indicates a revenue uplift of 5-20% and a brand value increase of 15-30% due to sustainable supply chain practices.

When the astronauts of the Apollo 8 mission went to the moon, their total focus was on the moon, not on the Earth. But when they looked back to the Earth, they found that it may well have been the most important reason they went.

Similarly, when companies start their sustainability journey, they may well find further reference points for optimizing, repositioning and reinventing their businesses beyond the initial sustainability scope.

## The Sustainability Journey

### How to frame the sustainability journey

*“The formulation of the problem is often more essential than its solution, which may be merely a matter of mathematical or experimental skill.” (Albert Einstein)*

Companies and their value chains are often complex, and decision makers find it hard to know where to start the sustainability journey. They need to fulfill conflicting economic, ecologic and social interests for satisfying customers, consumers, employees, shareholders, investors, suppliers, local communities and other stakeholders. They have to run their operations with restricted resources, manage change in a smooth but flexible way and demonstrate tangible results. To unpuzzle this complexity, it is important for companies to first get an overview of their operations and related impacts. Similarly as for the astronauts, this overview helps to put things into perspective, and

allows businesses to focus on the most material sustainability issues of their operations.

There are dedicated methods which support companies to achieve this overview, such as the materiality analysis. The materiality analysis determines which sustainability issues are of particular importance for companies, and which therefore should be in focus of the sustainability management. The analysis starts with the collection of potentially relevant sustainability topics for the company, for example based on guidelines and standards such as the UN Global Compact, the Sustainable Development Goals (SDGs) or sector-based materiality maps (e.g. SASB). In order to determine the actual materiality of these topics for the company, a combination of internal and external factors should be considered. The materiality analysis typically consists of the following two dimensions:

- **Impact on the business** – evaluated based on economic, ecologic and/or social impacts of the company (positively and negatively)
- **Importance to stakeholders** – often ascertained through surveys and expert discussions.

The evaluations of these two dimensions are often illustrated in form of a combined materiality matrix (see figure 1), so that issues of high relevance can be easily deduced. The impacts of sustainability issues and the implementability of related measures can differ depending on the stage within the value chain (e.g. raw material extraction, processing, own supply chain, usage at customer, disposal). It is therefore useful to additionally display the material issues along the value chain.

*Useful references for materiality analysis: BMUB (2017), Sailer (2017), Sustain (2018), SASB, GRI (2016)*



Figure 1: Schematic illustration & derivation of a materiality analysis (Source: own illustration, based on Sailer 2017 and BMUB 2017)

The materiality analysis can be supported by further analysis and information sources, such as stakeholder analysis, SWOT analysis, spend data, lifecycle assessments (LCA), competitor benchmarks and case studies, sector-based initiatives and scientific studies.

Not every business has the resources to start a “space mission” and get a full overview of its operations at once. It is an iterative process with an exponential learning curve over the years. External data, as mentioned above, can make the materiality analysis more robust, and can also benefit companies with limited resources for their materiality analysis.

The materiality analysis can (and should) inform both, the CSR reporting as well as the sustainability strategy. Based on the identified material issues, measures, goals, KPIs and relevant governance structures can be derived and anchored within the sustainability strategy, ultimately also informing communication and reporting.

*A report of the WEF and Accenture identified a set of 31 proven sustainability practices along the value chain. Information on how to anchor sustainability in procurement can be found in the SustainNet blog.*

### Which activities to prioritize

Space missions help to understand the Earth system and how human activity is changing the planet’s natural processes. Environmental hotspots become visible, allowing and fostering (scientific) organizations and political decision makers to derive respective countermeasures.

Similarly, the materiality analysis helps businesses to get an overview of their most material sustainability issues, and therefore an indication on where to focus their efforts to make a change. Every business has different material issues in its value chain, and should therefore initiate different activities. The ideation process, for example through a series of workshops, should allow for cross-functional insights (e.g. Management, Finance, SCM, Product Development, Sales) and may also involve external stakeholders such as suppliers and local communities. Actions can be prioritized with regard to factors such as relevance, significance and ease of implementation (*see figure 2*).

*Useful references for business cases on sustainability: WEF (2017), EcoVadis/ PwC, Schaltegger (2017), Clark (2015), Friede (2015)*

Business cases can support further prioritization of activities and ensure the buy-in from companies’ decision makers. There are various studies and examples which support the business case for sustainability. A report of the WEF in collaboration with Accenture, for example, identified a set of 31 proven practices along the value chain, underpinned by industry examples that provide guidance for companies to realize economic, ecologic and social values.



Figure 2: Prioritization of activities towards "triple advantage" (Source: WEF / Accenture 2017)

### How to engage the crew

It is difficult for most of us to imagine what astronauts feel when they experience the Overview Effect. Similarly, for mankind it is hard to imagine the effects of climate change, and how we can combat it to protect our planet. In order to fight climate change and other ecosocial issues, mankind needs to work together. This includes the individual contributions from all of us, but also the contributions from companies and their value chains.

*"The climate crisis is also a crisis of culture, and thus of the imagination."*  
(Amitav Ghosh)

Think of the International Space Station (ISS): To provide us with an overview and profound scientific research on our planet, it requires the joint effort of space agencies across 15 countries, bringing together international crews, trainings, development facilities and communications networks.

In order to engage employees, suppliers and other partners, considerable change management efforts are required. People need to understand the "golden circle" of sustainable operations – the why, how and what. Trainings can help them to understand the major issues our planet and society are facing, and thus the objectives for

*Useful references for cross-company initiatives on sustainability: BMUB (2017), WBCSD, Ecosense, Climate Action 100+*

the company to engage in sustainability. Active involvement in realizing sustainability measures and ongoing communication on progress foster people's commitment. Governance mechanisms like clear organizational structures, roles and responsibilities, policies and procedures help employees and other stakeholders to apply the principles related to sustainable operations. Engaging in cross-company (e.g. sector-based) initiatives together with suppliers, market players and other organizations (e.g. NGOs) can accelerate change and lead to further innovation.

### Reporting to ground control

Communication is vital to astronauts when they are in space. Not only does it allow them to talk with each other and with their social environment back home, it also allows them to communicate with the team of experts on the ground that helps them to carry out their mission.

Similarly, it is vitally important for companies to measure the progress of their sustainability efforts, and to report back to their stakeholders. Performance management helps businesses to ensure that the organization meets the sustainability objectives and goals. It allows to measure success and take corrective actions. Results can be communicated to engage with stakeholders and decision makers.

As a prerequisite, sustainability metrics and KPIs need to be defined in an utmost SMART (Specific Measurable Achievable Reasonable Time Bound) way. Additionally, sustainability goals should be incorporated into existing performance management and reporting systems, for example, individual performance agreements, employee development reviews, incentive plans or other reward mechanisms. In terms of CSR communication, companies should be particularly transparent and honest. Stakeholders like customers and investors are better informed than ever before and increasingly critical towards companies' sustainability efforts and messaging. Greenwashing is a practice seen at many companies, with the potential to lastingly impair the brand reputation.

*The goals of astronauts are linked to science – similarly, when companies want to rise their maturity level, they do well to set science-based targets for sustainability.*

*Useful references for CSR reporting: GRI, UNGC, CDP, SASB*

Regular sustainability communication comprises employee newsletters, supplier days, networking events, sector-based initiatives as well as annual CSR reports. For the latter, there are several guidelines and standards which support companies to adequately report on their sustainability efforts, such as the Global Reporting Initiative (GRI), the Carbon Disclosure Project (CDP) or the UN Global Compact (UNGC).

## Joining Forces

### One small step for a man, ...

That change towards more sustainable operations is possible and also benefits the business, is demonstrated by a number of companies. Some companies, for example Vaude and Patagonia, dedicate their license to operate to sustainability. Others advocate sustainability in certain material issues, functions or product categories.

The following examples are only a very small extract, serving as stimulus for companies to foster sustainable operations.

- **Bosch** announced to be globally climate neutral by 2020, by increasing energy efficiency, purchasing green energy, investing in new clean power and compensating remaining greenhouse gas emissions (2019).
- Water conservation, energy efficiency, green building projects and other eco-friendly initiatives yielded **Baxter International Inc.** a total of about US \$12 million in environmental income, savings and cost avoidance (2008).
- **REWE's** distribution hubs have reached energy and carbon savings of 30% using solar panel and energy efficient technologies (2015).

*Example references for companies fostering sustainability: WEF (2017), EcoVadis/ PwC, BSR, UNGC / BSR (2015), IÖW*

### ... a giant leap for mankind

The complexity of today's supply chains is a challenge for many companies when fostering sustainability. On a positive side, the high number of (pre-) suppliers can lead to significant multiplier effects. By joining forces, companies and their value chain partners can ignite innovations and change entire business ecosystems.

*"Humankind takes leaps when individuals take steps" (Jonathan Safran Foer)*

Think of the ozone depletion – when it was discovered in the 1970s, it took some time until decision makers around the globe accepted the fact that it was manmade and posed a considerable threat to all living beings. It was in 1987, when representatives from 43 nations signed the Montreal Protocol, which later on led to a global ban of CFCs (chlorofluorocarbons) and halons. And this joint effort, by politics, businesses and NGOs, resulted in a rapid decrease of respective substances in the atmosphere and a recovery of the ozone layer.

So if you haven't systematically anchored sustainability yet, start making your first small steps. Use available methods, tools, guidelines and partners supporting you on your way. And even if you are engaging in sustainability already, broaden your scope, deepen your efforts, and transparently and honestly share your experience with others.



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## Impressum

### About Sustainnet Consulting

SustainNet Consulting supports organizations to generate economic, ecologic and social values through systematic orientation towards sustainability aspects. Focus lies on the holistic view of companies and their value networks. SustainNet Consulting provides sustainable consulting services with functional emphasis on procurement and supply chain management.

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