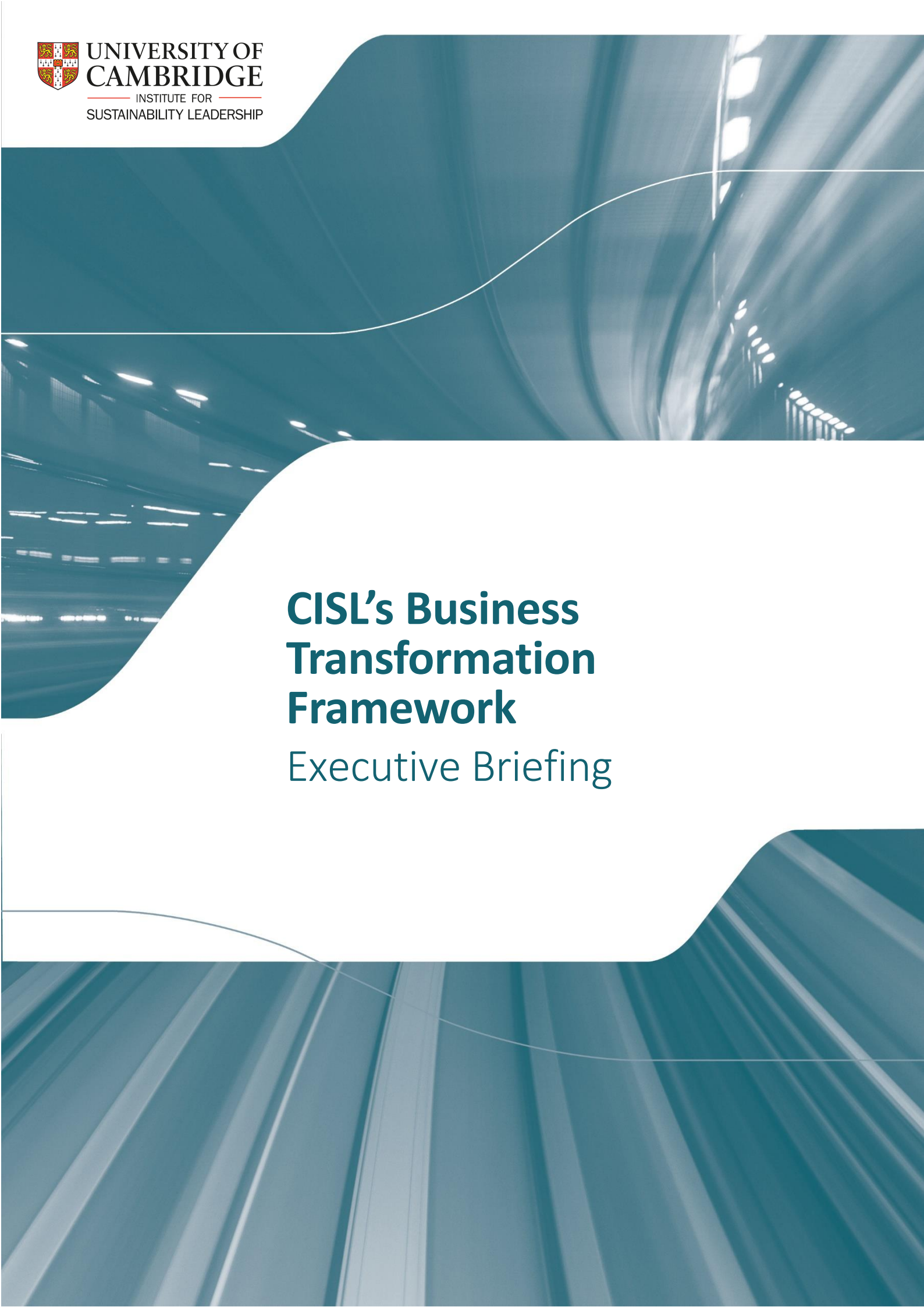


UNIVERSITY OF CAMBRIDGE
INSTITUTE FOR SUSTAINABILITY LEADERSHIP

CISL's Business Transformation Framework

Executive Briefing

The University of Cambridge Institute for Sustainability Leadership

The University of Cambridge Institute for Sustainability Leadership partners with business and governments to develop leadership and solutions for a sustainable economy. We aim to achieve net zero, protect and restore nature, and build inclusive and resilient societies. For over three decades we have built the leadership capacity and capabilities of individuals and organisations, and created industry-leading collaborations, to catalyse change and accelerate the path to a sustainable economy. Our interdisciplinary research engagement builds the evidence base for practical action.

Authors

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Introduction

Businesses are under intense pressure to meet globally agreed goals and rising expectations on climate, nature and society and, in some cases, to achieve a stated corporate purpose which aligns with delivering sustainable outcomes for society. This needs to be delivered in a way that maintains business resilience and financial health – a task made ever more challenging by near-term shocks such as rising inflation and increasingly prevalent climate, nature and social emergencies.[*] Further challenge arises from the operating context; businesses act within an unsustainable system where markets and regulation do not always reward sustainable business performance.

Developing and embedding a greater societal purpose is a practical approach to navigating these tensions, in service of increased corporate sustainability.

To this end, the University of Cambridge Institute for Sustainability Leadership (CISL) has researched the organisational enablers for sustainable business performance. With the support of the Business Transformation Group, CISL has developed a Business Transformation Framework (BTF), which identifies some indicators of a business's progress towards purpose, in service of sustainability. The objective of the BTF is to enable businesses to assess their alignment to sustainability and purpose, to identify gaps between their current position and where they aspire to be, and to be informed and inspired on their transformation journey. The BTF is likely to be most suitable for large, publicly owned businesses, but the basic principles apply to any kind of organisation.

There are five key concepts underpinning the BTF. These are:

- **Purpose:** A business's reason to exist that is an optimal strategic contribution to the long-term wellbeing of all people and planet.[†]
- **Impacts and dependencies:** The business's impacts (eg pollution) and dependencies (eg usage) on the stocks (eg concentration of greenhouse gases in the atmosphere) and flows (eg the rate at which additional greenhouse gases are emitted) of natural, social, human, financial, intellectual and manufactured capital (the 'Six Capitals').
- **Parameters:** Decision-making boundaries set by senior leadership.[‡] They include impact and dependency thresholds (eg science-based targets for climate); organisational values; risk parameters; required levels of stock and flows of capital resources (eg profit margin required for financial sustainability); legal requirements. It is not possible to accurately assess business sustainability without considering the full 'value network' that the operation of the business relies upon – the impacts and dependencies outside its legal boundary – hence the importance of the parameters.
- **Value network:** A network of relationships, which creates both tangible and intangible value through a complicated dynamic exchange between individuals, groups and businesses.[§]
- **Strategy:** The plan to deliver the purpose, within its stated parameters, taking into consideration the internal and external context and assets.[**]

[*] University of Cambridge Institute for Sustainability Leadership (CISL), *Net Zero Business Transformation: A framework for accelerating change in an era of turbulence and complexity* (Cambridge, UK: Cambridge Institute for Sustainability Leadership,(2022), https://www.cisl.cam.ac.uk/resources/publications/net-zero-business-transformation-framework-accelerating-change-era-turbulence.

[†] The British Standards Institution (BSI), *PAS 808:2022: Purpose-driven organizations – Worldviews, principles and behaviours for delivering sustainability – Guide* (London, UK: The British Standards Institution, 2022), https://knowledge.bsigroup.com/products/purpose-driven-organizations-worldviews-principles-and-behaviours-for-delivering-sustainability-guide/standard.

[‡] Adapted from BSI, *PAS 808:2022: Purpose-driven organizations.*

[§] Forum for the Future, *Value, unchained* (Forum for the Future, 2014), https://forumforthefuture.eu.rit.org.uk/Handlers/Download.ashx?IDMF=798038de-43bf-46bc-bd6e-7aa251d9f462.

[**] Adapted from International Organization for Standardization (ISO), *ISO 37000:2021E Governance of Organizations* (Switzerland: ISO, 2021).

The content of the BTF builds on CISL's research into the organisational enablers of corporate sustainability, and the framework will be further informed by a pilot currently underway with members of the Business Transformation Group under CISL's guidance.

The BTF identifies four business typologies, distinguished by different levels of alignment to sustainability and purpose. The first two broadly represent the current baseline of mainstream business, while the latter two represent forms more aligned with sustainable outcomes. A business may find itself in any of these typologies, and its progression towards becoming purpose-driven may be iterative, as the business and its operating context change. The typologies are described in Table 1.

Table 1: Descriptions of four business typologies used in the BTF

Short-term self-interest	Long-term self-interest (developing)	Long-term self-interest (mature)	Purpose-driven organisation
→ Goal: short-term financial value maximisation. → Sustainability is peripheral to core business activity. → Placate stakeholders' concerns about unsustainability through public relations (PR), reactive initiatives and philanthropy. These are subject to deprioritisation if stakeholder pressure wanes. → Approach sometimes classified as Corporate Social Responsibility (CSR).	→ Goal: long-term financial value maximisation, though in practice, more focused on short-term financial value. → Understand the risks that social and environmental dependencies pose to long-term financial value maximisation. → Some management of these impacts and dependencies, but only when directly linked to cash flows/profits. When they conflict, profit takes priority over sustainability.	→ Goal: long-term financial value maximisation. → Consider wellbeing of society and the environment as critical enablers. → Understand the risks that social and environmental dependencies pose to long-term financial value maximisation and the impacts that their business has on these; therefore operate within clear parameters to ensure wellbeing of society and the environment. → Approach sometimes classified as Enlightened Shareholder Value (ESV).	→ Purpose: a distinctive, optimal and unique contribution to sustainability. This is deeply embedded in values and culture. → Align all decision-making with purpose. Aim to create a suite of values for society. → Ensure that business actively contributes to protecting and enhancing natural and social value across whole the value network. → Recognise that optimising financial value is a vital enabler for pursuing purpose, paying bills and meeting stakeholder expectations.

The BTF sets out four tasks for business from CISL's *Rewiring the Economy* report – each comprising two to three organisational enablers – and a cross-cutting theme: individual and collective leadership. These tasks, enablers and theme are shown in Figure 1 below. The BTF maps likely indicators for each enabler onto the four different business typologies, so that businesses can self-diagnose their sustainability performance.

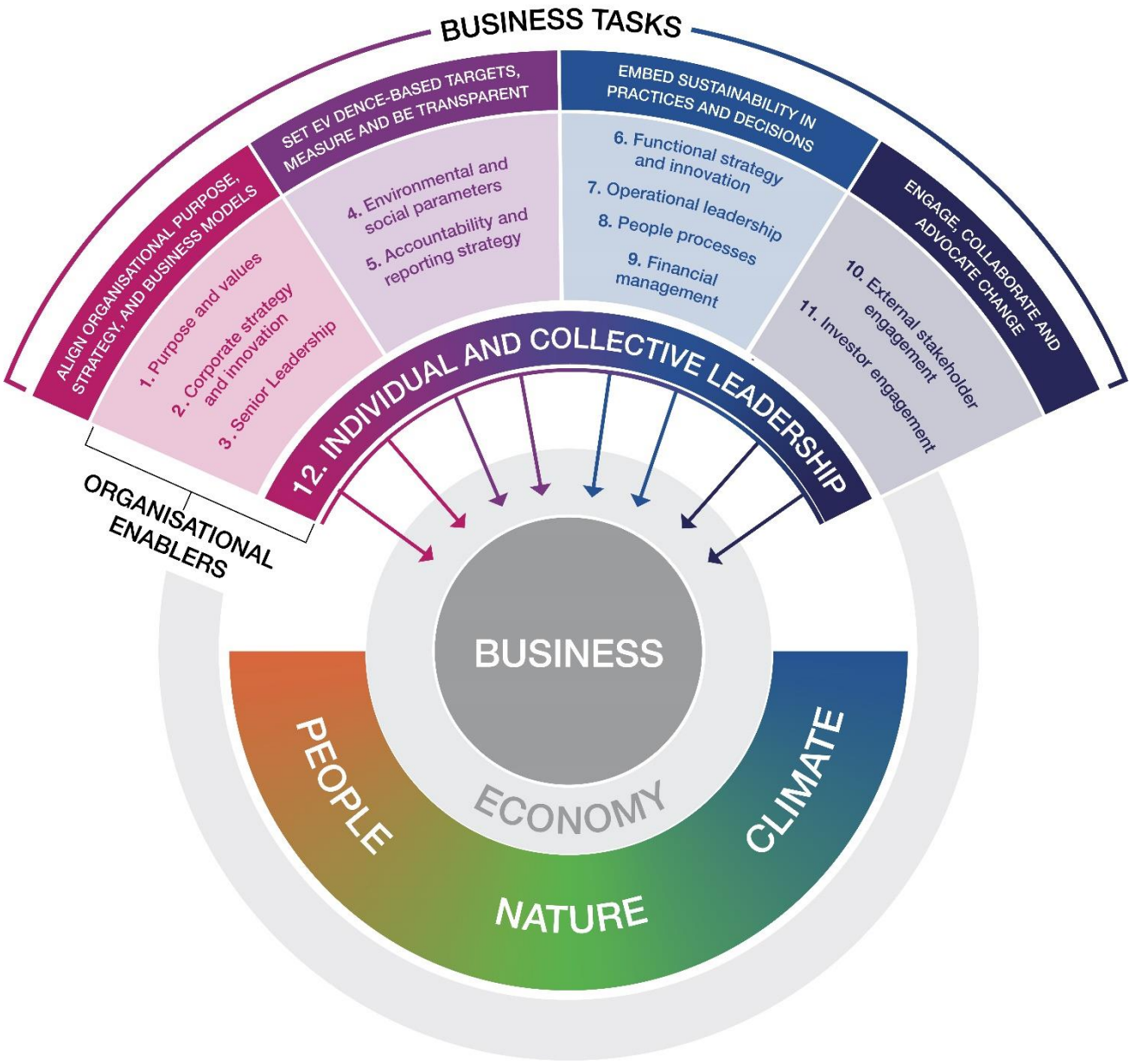


Figure 1: Summary of the Business Transformation Framework structure

How to use the Business Transformation Framework

The BTF can be used prior to developing a purpose and strategy, during strategy development, or to assess the effectiveness of the implementation of purpose and strategy.

The completed assessment can be used in several ways, including:

- creating awareness of the business's current level of sustainability performance
- prioritising individual aspects or geographies to move to a different business typology
- identifying which 'change levers' could be pulled to move towards the desired typology
- setting long-term goals and aspirations.

Outcomes could include re-oriented strategy towards a longer-term approach; a more sustainability-focused and skilled workforce; and greater adherence to social and environmental parameters, within the business and its value chain.

Note that the BTF is designed to determine the level at which the business is performing and where opportunities for improvement lie. Movement from one typology to another will require full attainment across all the business aspects explored in the BTF. In practice, it is likely that most businesses will span multiple typologies across the different aspects assessed in the BTF – this is to be expected and reflects the fact that sustainable business forms are still developing.

Assessment process overview

The leadership team should set the scope of the analysis (eg individual business unit or country of operation) and identify stakeholders to consult on the BTF (likely to include functional leads and external stakeholders who would be most closely impacted by the business's operations and purpose).

If they wish to do so, senior leadership or the chief sustainability officer can perform an initial light-touch analysis using the Preliminary Diagnostic tool, to set the broad ambition, identify who needs to be involved and guide the more detailed assessment. Alternatively, businesses can go straight to the full diagnostic phase using the BTF.[††] This is likely to be delegated to a cross-functional 'delivery team' comprising an individual or group of subject matter experts, who will consult across the business to find the necessary evidence.

The delivery team will assess the business against the 12 aspects outlined in the BTF to determine which typology best characterises the current status of their business, for each aspect. The results should be validated with the stakeholder reviewers, before being fed back to senior leadership. The senior leadership team will review the findings and implications of the assessment, with a view to determining the need to accelerate and improve implementation of, or to revise, their purpose and strategy.

[††] The full diagnostic detailed in Step 2 is an extended version of the Preliminary Diagnostic that covers the same areas but in more depth and provides examples of artefacts or practical manifestations of the behaviours described. CISL intends to publish the full diagnostic in 2024 following further testing of the framework. However, the absence of the full diagnostic should not prevent businesses from undertaking the Preliminary Diagnostic and diving into Steps 3-5.