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LESSONS IN DRIVING BUSINESS SUSTAINABILITY

SKANSKA UK

Skanska is a multinational construction and development company. Its UK business unit has established a company-wide project to measure and value their social, economic and environmental contribution. 'The key objective,' said Chris Treleaven, Head of Finance Operations, 'is to embed natural and social capital into our financial reporting systems. This is around making more informed, smarter decisions, so ultimately we can be more sustainable.'

The project directly aligns to the company's purpose to build for a better society. The intention is to initiate a culture shift in how the company uses information. 'It is about bringing environmental and social measures alongside the financials,' said Richard Hirst, Sustainability Technical Director. 'Our ambition is that our CFO in the future won't just be reporting operating margin, revenue and profit, but will be talking about our environmental and social performance too.' Collaboration between the finance and environment teams has been fundamental in engaging the international Skanska finance community and the wider business. A five-year strategy has been developed to focus on the economic, environmental and social impacts, with clear milestones and a well-developed plan of action.

This is a company-wide project to measure and value our social, economic and environmental contribution.

'The first key thing was to get leadership buy-in from the CFO and the executive management team,' said Hirst. 'We've embedded the project into our 2020 business plan so you will see accounting for sustainability in the finance business plan as well as the environment one. It's about embedding it in the right parts of the business. It's not about the green team doing it. It's about finance, the people that are making key decisions and have a bigger impact on the business. It's about them leading.' Culturally it remains a difficult issue. 'There is a challenge around keeping that buy-in from the company,' said Treleaven. 'We are constantly challenged in terms of overheads and what we should spend our time on. We believe this is something that is really important to the company and we have to keep driving that message and getting that support as much as we can.'

The current focus is on reviewing and building robust data systems to form the foundation of the assessments. 'The challenge is data,' said Hirst. 'You have to go through the hard yards, the painful data collection process, and get the architecture right in terms of systems, so you can make better decisions because you have the right data to inform them.' Chris Treleaven summed it up: 'It's all about buy-in, the data, and getting the right people together to do it,' he said. Once the foundations are laid, it is about the cultural changes which come about and the value and benefits they bring. 'The reason it is important,' said Treleaven, 'is that as a company we talk about our purpose, to build for a better society, but this can be hard for us to demonstrate. Our project is all about how we can demonstrate that value to society as a whole. It is important to us because if we can make that link I think we will find that clients want to work with us and the best people will want to work for us and we will have a virtuous cycle where it will be great for Skanska in the long-run as well.' Hirst summed it up: 'It is about three things,' he said. 'Making us a more sustainable business, attracting the best talent, and winning work.'

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Skanska is a multinational construction and development company

It is the right time. 'We are seeing finance graduates coming in now,' said Hirst, 'who have done dissertations on triple-bottom-line reporting. So they are off and running with it and then coming back to us and saying "I had a look at environmental profit and loss and I have put this piece of work together." It's the next generation coming through.'

This too is accelerating the cultural change. 'It's not all about salary any more for people coming into the business,' said Treleaven. 'This is about our reputation with clients and with getting the right people in the business.' The finance function has a very powerful role to play in all these changes. 'Finance,' said Hirst, 'can provide the robust governance and reporting credibility that gives it a certain kudos and brings gravitas to the whole project. It is about using their skill-set and their expertise.' Collaboration is essential. 'It's been a real collaboration working together,' said Treleaven. 'But in terms of reporting, if we are putting data and information out into the outside world then people need to know that it has gone through the normal financial rigours to give it that credibility. Finance are key in driving this forward.'

It is clear that the emergence of the concept of accounting for sustainability requires communicating the benefits of the approach to multiple stakeholders and establishing robust data to enable better decision-making. And Skanska is now collaborating externally with organisations to leverage knowledge and share best practice. Richard Hirst thought there were three key lessons from their experience. 'The first is having the right people from board-level sponsorship through to the graduates involved in the project,' he said. 'The second is data. You have painful hard yards to go through in collecting data. And the third is external collaboration. Who are the partners you are looking to work with? You can't do it alone. You need consultants, institutions, groups like Accounting For Sustainability. You need to be learning from those external organisations.' Communications and how you put the ideas and achievements across both internally and externally are key. 'You have to think how you communicate this to the business,' said Treleaven. 'It is not an easy thing. People understand profits but trying to understand the value of social capital is a more difficult concept.' Another lesson is that of transparency. 'Being transparent with your assumptions is key,' said Hirst. 'When you are starting to claim your benefit to society, the social return on your investment, especially as a corporation, people can shoot you down pretty quick. So I think that transparency is key. And again the finance function is key to give it credibility in terms of the numbers.' Overall the collaboration to align sustainability and finance is an important part of the change in culture.

'Our CFO went to a Prince of Wales's Accounting for Sustainability event,' said Hirst, 'and came back and told us that Prince Charles had pointed at all the CFOs and said that they needed to do more for sustainability. It's funny, what seemed to be a simple event has had a really longstanding impact on the project. It helped to give it gravitas and credibility.' The finance team understand the effect of the collaboration as well. 'This is something that finance can really push,' said Treleaven, 'This is the chance for finance to step forward, with the environment team as well, to lead this. There is a real chance for us to make a difference.'



Skanska representatives and LSE students around Battersea power station who are contributing to the company's Social Return on Investment project

WHAT THE JUDGES SAID

From graduate to CFO, the judges were all impressed by the infectious energy and enthusiasm of the Skanska UK team and were not surprised that they have managed to get the rest of the business on board with the project to value the business's full social, economic and environmental contribution.