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## Sustainability on the rise – and challenges & opportunities for management control

By [João](#) on September 22, 2014 at 9:00 am

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A recent [McKinsey report](#) highlights that executives at all levels increasingly consider sustainability as a top priority. Based on a large survey, McKinsey reports that “CEOs are twice as likely as they were in 2012 to say sustainability is their top priority” (13%) and now 36% of them rank it among their top 3 priorities.

Why do they do it? McKinsey further reports: “When asked about their companies’ reasons for pursuing sustainability, respondents most often cited cost cutting or reputation management. Now 43 percent (and the largest share) say their companies seek to align sustainability with their overall business goals, mission, or values” – up from 30 percent who said so in 2012”. Reputation management is mentioned by 36% of respondents and improving operational efficiency and lowering costs remains as a top 3 reason (26% of respondents), but less relevant than in 2012 (36%).

Interestingly, “As sustainability rises in significance, capturing its full value grows more challenging – perhaps because the more companies prioritize sustainability, the more it needs to be integrated into (and even change) the core business. At companies that are already taking action, respondents most often cite challenges related to execution: the absence of performance incentives and the presence of short-term earnings pressure that’s at odds with the longer-term nature of these issues”.

And what characterises companies leading sustainability practices, when compared to all other respondents? We find areas in which management accounting may be strongly involved, such as setting aggressive external and internal targets for sustainability initiatives and having a clear organization-wide understanding of the financial benefits of sustainability. Further characteristics are having a unified sustainability strategy, with clearly articulated priorities (eg, no more than 5 focus areas) and involving a broad leadership coalition.

Actually, execution is a major area where companies are struggling, and particularly in adequately integrating sustainability in performance evaluation, financial rewards and career opportunities. In fact, only 38% of the respondents reported that sustainability is well integrated with performance management, against 58% regarding integration with organizational culture. So, it seems that management accountants need to continue their efforts to embrace sustainability and integrate this increasingly crucial area into their traditional realms of action, such as performance measurement and management.

Check the [full report here](#).

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