



Lean for sustainability

Embedding ESG principles
into businesses

KPMG New Zealand



Lean for sustainability

Rising stakeholder expectations and scrutiny mean that embedding ESG principles in business process is increasingly urgent and important.

However, you need to make sure changes are genuine and sustainable – ‘greenwashing’ is not a term you want to be associated with.

Taking a Lean for Sustainability approach can help ensure your ESG Transformation is authentic, tangible, and meets these expectations.

An alignment of principles

Although Lean was not designed to achieve sustainability, the goal of eliminating waste to increase efficiency and improve employee and customer outcomes is well aligned with the principles of ESG. Each of the Lean wastes, once reduced or eliminated, is likely to bring about positive environmental outcomes including reductions in pollution, waste disposal (and related costs), emissions, and reduced use of resources. Other Lean tools such as 5S and just-in-time approaches reduce the risk of spills, contamination and over production which has negative environmental or social outcomes.

Both Lean and ESG also place high importance on people – Lean respects the real experts of the process and strives to engage and collaborate with the people who actually do the work. Lean also keeps customer needs at the centre of problem solving and design. Similarly the ‘S’ in ESG refers to the relationships a business holds with its stakeholders – reducing negative effects that operating as a business has on people (namely customers, suppliers, employees and communities in which the business operates) is key.

Thirdly, Lean and ESG both require and encourage a fact-driven approach to decision making. Both sets of principles promote transparency and accountability through clearly defined goals, controls and ownership of responsibilities.

Changing mindsets and challenging the status quo

Lean provides a great framework to move from reduction to elimination of waste, from resource intensive to resource sensitive processes and from high carbon to low carbon models.

When waste is reduced, environmental and social outcomes are likely with some improvement to your bottom-line however, chances are you are still doing the same thing – albeit with lower costs and less negative impact.

When waste is *eliminated*, bottom and top-line growth is infinitely possible through identification of new ways of working and businesses can build a competitive advantage.

The distinction between reduction and elimination is an important one. The key is to challenge the status quo and consider how to work differently, not just incrementally better.

Instead of asking ‘how can I do the same thing with less impact?’...

...businesses embedding Lean for sustainability are asking ‘why do we even need this in the first place, is there a different way?’.

Taking action at a process level

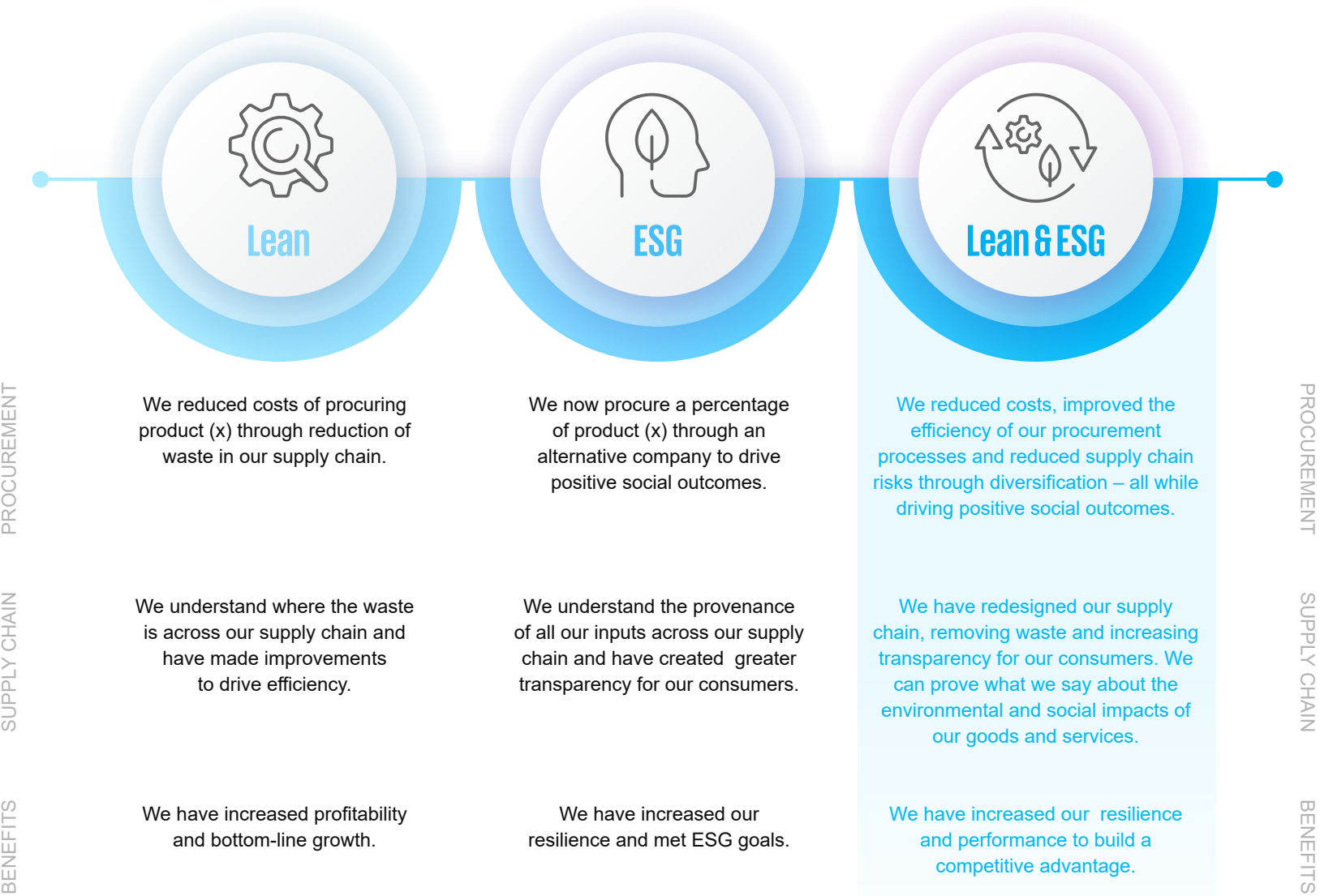
To create genuine change and real benefits, ESG principles need to be embedded at a process level.

Lean, used alongside your ESG efforts, as a framework for identifying and eliminating unsustainable practices that cost your business and the environment, will enable your people to challenge ‘how things are done around here’. And shifting the status quo will help ensure you aren’t simply painting current ways of doing things ‘green’.

KPMG IMPACT partners with organisations to help them drive sustainability, prosperity and growth. We can support you with a holistic approach to embedding sustainability through:

- **Strategy:** defining a convincing ESG strategy for successful business transformation.
- **Transformation:** designing effective and sustainable ways of doing business in the future and a deep understanding of your operating model and interactions across the business.
- **Process and supply chain:** identifying and capitalising on opportunities to reduce or eliminate waste, reuse and recycle for a more circular economy.
- **Ownership:** taking responsibility for your supply chain and embedding good practice - especially with regard to human rights, equity and environmental outcomes.
- **Continuous improvement:** embedding sustainability and Lean frameworks, building capability to drive change bottom-up.

Changing mindsets



Contact us

We are a multi-disciplinary team drawn from across KPMG, united by our mission, and offering a unique range of complementary skills.



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