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Getting Strategic About Sustainability

Use these four lenses to focus on what matters. by [Jason Jay](#), [Kate Isaacs](#) and [Hong Linh Nguyen](#)

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Summary.

Companies often overextend themselves when it comes to sustainability by addressing too many issues at once, leading to scattered efforts that fail to generate a meaningful impact. In this article the authors introduce a framework leaders can use to better focus their sustainability strategies. It consists of four lenses: the business value lens (What affects our bottom line?), the stakeholder influence lens (What are people trying to tell us?), the science and technology lens (What does the data tell us about our impact and future?), and the purpose lens (What do we stand for?). Each lens uses different types of data and methods of inquiry, and each brings a particular set of issues into focus. Companies should invest in, innovate around, and build strategic coalitions for issues that fall at the intersection of all four lenses. Applying these lenses will help leaders balance external pressures with internal priorities and objective data with stakeholder perceptions. The framework allows leaders to more effectively allocate resources to achieve meaningful sustainability outcomes. The authors use the example of Keurig Dr Pepper to illustrate the framework.

Strategy, it is often said, is about choosing what not to do. But when it comes to sustainability, many companies toss that advice aside and try to tackle too many issues at once. The result? Scattered efforts that fail to generate either business results or meaningful impact. In extreme cases, overpromising and underdelivering can even lead stakeholders and watchdogs to assume that the companies are greenwashing.

Why does corporate attention get spread so thin when it comes to sustainability? And how can companies get more focused when setting their sustainability strategy, just as they do for corporate strategy?

A materiality analysis is—on paper—the way a company winnows down environmental, social, and governance (ESG) issues to focus only on those that

have a material impact on its financial performance. Such analyses are designed to answer the question “What information do investors and other stakeholders need about the firm in order to make their decisions?” Oil and gas companies should disclose metrics on their greenhouse gas emissions, whereas clothing companies should focus on labor conditions in their textile factories, to use two simplified examples. However, given the diversity of stakeholders and the variety of reporting standards, exercises meant to uncover material issues often lead firms to measure and report on a wide swath of indicators. We’ve read materiality reports that include KPIs on seemingly everything, including diversity and inclusion efforts, greenhouse gas emissions, corruption, electromagnetic field pollution, and biodiversity.

Because reporting is costly, firms do try to reduce the number of issues they report, and they often resort to creating a materiality matrix with two axes, one listing the firm’s interests and the other those of stakeholders and society. The company’s leaders then invest the most attention and resources on the upper right quadrant of the matrix, though they continue to monitor what Jilde Garst and her colleagues call “tensioned topics”—areas that are material from one perspective but not the other (most often, issues that are socially material but lack a business case).

The trouble is that this approach does not provide focus. Materiality matrices become, as NYU’s Alison Taylor has argued, “everything is material” matrices. Indeed, our research examined 256 sustainability reports in 2022 that included materiality matrices or other displays that define top-priority topics. In that sample, the number of issues that were designated as highest priority was 11.8, on average (with a range from two to 43). That is far too many. Strategy experts—drawing in part from neuroscientists’ finding that the human brain can focus on only three to five pieces of information at a time—recommend that management teams concentrate on no more than six issues at once, lest their attention and ability to act become diluted.

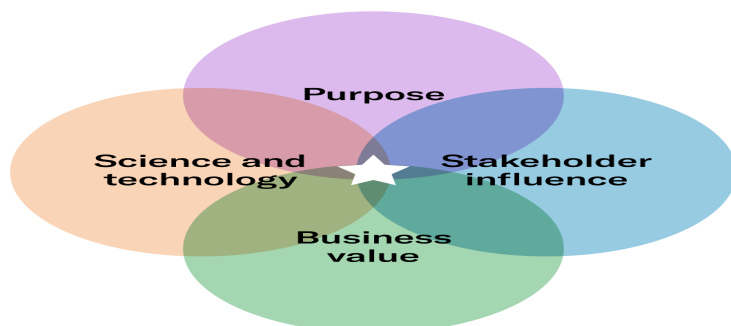
In this article we will describe a framework that executives can use to focus on what truly matters when formulating their sustainability strategy. It uses four lenses, or modes of inquiry, to help companies identify issues that merit their strategic attention. The issues that appear in all four lenses deserve the most significant resource allocation and innovation to drive real progress.

The Four Lenses Framework

Our core premise is that achieving a tighter focus requires a firm to hold two tensions. The first is between outside-in and inside-out perspectives: Leaders must understand the major social and environmental issues of our time and the perspectives of regulators, customers, investors, employees, and suppliers. Without it, they are operating within a bubble. However, focusing too much on external pressures can cause leaders to overreact to stakeholder demands. It's equally important to look inward, demonstrate leadership, and decide which ESG issues the company *won't* prioritize so that it can focus on the issues that align with its business model and purpose.

Finding Your Focus

When used skillfully, each lens in our framework will bring different sustainability issues into focus. Here are some of the questions to ask, as well as possible tools to use, to gain clarity about the issues most relevant to your firm. Concentrate your sustainability strategy on the ones that fall at the intersection of all four lenses.



	Key questions:	Tools:
Purpose  What do we stand for?	• What is our purpose, or put another way, why do we exist? • What are the values that guide the way we work? • What is our vision: What is our desired future for the company, industry, and world?	• Facilitated dialogue across the organization • Customer value analysis • Mining organizational history
Stakeholder influence  What are people trying to tell us?	• What do internal stakeholders—employees and close venture partners, for instance—care about? • What do immediate external stakeholders—current and prospective customers, creditors, investors, communities, and regulators—care about? • What do other stakeholders—media, influencers, NGOs, thought leaders, industry associations and competitors, and policymakers—care about? • How do we gather their input, and how could we do it more proactively?	• Customer and stakeholder roundtables • Surveys that require ranking or point allocation • AI sentiment analysis
Science and technology  What does the data say about our impact and future?	• Are there planetary boundaries (ecological thresholds) that our firm is contributing to crossing? • Are there net-positive impacts that we are generating? • Are there social needs that are unfulfilled in communities that are critical to our firm? • How will planetary changes affect our company? • What emerging technologies will change the trade-offs between our impacts and profitability?	• Life cycle analysis • Living-wage analysis • Climate physical-risk analysis • Technology learning-curve modeling
Business value  What affects our bottom line?	• How do fines, fees, waste disposal, turnover, and shrink affect our costs? • When and where are customers willing to pay a premium for better practices? • What risks do we face for reduced revenue or increased cost? • What intangible value can we create through leadership on issues?	• Cost/benefit analysis • Risk analysis • Market research

The second tension is between perception and reality, or the subjective and the objective. Although data-driven insights and financial metrics are crucial, a firm's success often hinges on stakeholders' perceptions, which are sometimes ill-informed. Take coffee pod waste, for instance. Life cycle analysis by Andrea Hicks shows that pod-based coffee is efficient: It offsets the carbon and water impacts of increased plastic waste by using precise amounts of coffee, water, and heat. A data-driven analysis would suggest that a company such as Keurig Dr Pepper (KDP) might ignore the issue of coffee pod waste and focus instead on improving coffee cultivation practices to conserve water, healthy soils, and forests. However, as Monique Oxender, KDP's chief corporate affairs officer, notes, stakeholder perception of pod waste as the main environmental issue demanded the company's attention. "As long as the perception is that waste is the biggest issue," she says, "then pod waste is important to address."

To manage these tensions and clarify which issues are most critical to address, companies need to apply four lenses: business value, stakeholder influence, science and technology, and purpose. Let's explore the lenses to see how they can help executives devise a focused sustainability strategy.

The Business Value Lens: What Affects Our Bottom Line?

For most companies, a key factor in focusing their sustainability strategy is answering the question "What issues relating to sustainability impact our bottom line?" This approach identifies win-wins that justify investment by improving the P&L. Investors, who are often most comfortable discussing sustainability in financial terms, are particularly supportive of this focus. Take Walmart's 2006 sustainability strategy, for example, which named "zero waste" as its first objective. The company could reduce costs by cutting wasted fuel in idling trucks, wasted electricity from hot incandescent light bulbs in its refrigerators, and wasted packaging in its warehouses. Those cost reductions helped Walmart deliver on its core value proposition of offering everyday low prices.

The business value lens can also help a company build consensus around sustainability strategy amid differences in ideology, because there is rarely controversy surrounding sustainability improvements that also drive profits. This approach is sometimes called "single materiality" because it attempts to quantify ESG issues that are important for the creation of shareholder value—that is, those issues that pose risks for a company. Because of its apolitical, purely financial nature, single materiality is the dominant perspective in the SEC's considerations of climate data in the United States, in most major

reporting frameworks, such as that of the Sustainability Accounting Standards Board (SASB), and in climate risk analysis that is now built into California and European law.

Skillful application of the business value lens involves mapping environmental and social issues to the drivers of enterprise value creation, capture, and preservation, such as cost structure, a customer's willingness to pay, pricing power, and the valuation of assets and liabilities. Sometimes these connections are obvious, as when a company has significant energy expenses and regulatory exposure. Sometimes they require exploring what the sustainability thought leader Daniel Aronson calls "submerged value"—value that is not immediately obvious and is harder to measure but can be substantial. For example, the SASB recognizes that pharmaceutical companies depend on top scientific talent, and so it lists employee recruitment, development, and retention as a material ESG issue in its own right. Making a marginal improvement in that area can be worth billions to a firm.

The Stakeholder Influence Lens: What Are People Trying to Tell Us?

The business value lens tends to focus attention on near-term win-wins. But if executives use only that lens, they won't develop the situational awareness they need to detect issues that are on the horizon. Laurent Bouvier, a managing director at UBS Investment Bank, explains how the bank uses ESG criteria to assess potential investments in companies: "We are not looking at 'nonfinancial information,' we are looking for 'prefinancial information.'" A critical way that smart firms learn about emerging issues is by engaging with outside voices, such as NGOs, social scientists, natural scientists, journalists, politicians, and activists who are working to elevate issues such as species extinction, forced labor, and corruption that might touch a company's value chain. These stakeholders have a large impact on the operating environment for business. They help define the "soft law" of norms, standards, and certification schemes that can become the "hard law" of business requirements. They can also influence the preferences and decisions of firms' immediate stakeholders—their current and prospective investors, customers, employees, suppliers, and community hosts.

Ultimately, stakeholder attitudes affect business value, but there's one important caveat: Firms have to anticipate what stakeholders will do, not just what they will say. For instance, will customers care enough about human rights and working conditions in garment factories to boycott cheap clothes? Will prospective employees care enough about a company's carbon footprint to turn

down job offers? Surveys of stakeholders can help distinguish between stated preferences and actual behavior, but there are even better market research methods, such as forced-ranked questions and A/B testing of advertising messages, that produce more-reliable data.

It's important to see stakeholders as more than critics who focus on what a company should stop doing. Their campaigns can also inspire innovation. For example, the New England utility Eversource had believed that it was effectively managing gas leaks through its focus on stopping confined-space leaks, which pose immediate safety risks in enclosed areas. It didn't consider high-volume outdoor leaks to be a major issue until Mothers Out Front, a climate activist group, highlighted the significant methane emissions from these leaks. Instead of resisting, Eversource engaged in dialogue with the activists. Their collaboration led to multiple innovations, including advanced methods for measuring methane leaks, legislation to incentivize leak prevention, and novel district geothermal systems to heat and cool homes without relying on gas at all.

The Science and Technology Lens: What Does the Data Tell Us About Our Impact and Future?

Despite its promise as a source of insight, the stakeholder ecosystem can be noisy, and companies need data to help cut through the clamor. Nike once asked a council of advisers to help it prioritize the information requests it received from stakeholders about its ESG performance, as well as the issues covered in those requests. The list included 49 dense and labor-intensive surveys that NGOs, journalists, investor groups, and industry coalitions had asked the company to respond to, within which Nike identified 24 high-level issues. Even within the area of diversity, equity, and inclusion, Nike had to prioritize 11 subissues. There was a kind of centrifugal force at work here, as each stakeholder championing a cause worked to pull the company toward it. The unintended effect was to spread the firm thin.

Furthermore, stakeholders don't always have their facts straight. Take genetically modified organisms (GMOs), for example. Popular opinion has demonized them, but the scientific literature suggests they can play a role in improving climate resilience and reducing pesticide usage. Nuclear power kills and sickens fewer people per kilowatt than any fossil energy yet provokes far more concern. In other cases, stakeholders are not yet vocal about issues that are nevertheless important to the business. For example, climate resilience is a significant issue for coffee cultivation, with high temperatures, fires, and rainfall

changes putting farmers and coffee supply at risk—yet few stakeholders have raised it as a major concern.

That's why companies need to employ a science and technology lens, using rigorous data and modeling techniques to inform themselves about issues. Environmental science tools such as climate physical-risk analysis (a process for determining the potential impact of climate change on a community or organization) can evaluate how changing environmental conditions will affect a firm's value chain. Life cycle analysis can reveal whether its activities exceed environmental limits or cross planetary boundaries—the ecological thresholds that define the safe operating space for humanity in areas such as climate, biodiversity, and resource use. Social science tools can assess whether a firm and its suppliers meet the social requirements of corporate citizenship in key communities, such as paying a living wage to vulnerable workers.

In addition, tools such as technology learning-curve modeling can help a company anticipate how emerging technologies will alter the trade-offs between environmental impacts and profitability. As technologies evolve, they might offer more-sustainable options that balance both concerns. For example, renewable energy sources and low-impact agricultural practices are becoming more cost-effective and could reshape business strategies.

The science and stakeholder domains are interdependent, of course. Often, a company won't investigate an issue until an external group highlights it. But firms can also use scientific insights to mobilize stakeholders around important topics. In the artificial turf industry, for example, some companies that produce natural infills have raised awareness about the dangers of crumb rubber, which contains carcinogenic chemicals and microplastics that enter waterways. (Jason Jay is on the board of directors of Brock USA, a company that produces a wood-based infill for fields and is pursuing this strategy.) When companies are presented with noisy and often conflicting stakeholder perspectives, having a neutral and objective fact base to support the conversation can be useful. And that's exactly what the science and technology lens delivers.

The Purpose Lens: What Do We Stand For?

The first three lenses will bring many issues into focus for a company. But the last one helps companies identify the ESG issues that jump off the page as “this is ours to do.” The purpose lens involves asking why a company exists and how it

wants to operate. It looks at the impacts that are most meaningful to a company's purpose and the values it strives to uphold.

For instance, Costco prides itself on investing in and taking good care of its workers. It is what MIT professor Zeynep Ton calls a “good jobs” company, famous for providing long careers and solid pay and benefits, including opportunities for learning and development. When Costco began thinking about sustainability in the late 2000s, the first question leaders asked was “Are we taking care of people in our supply chain the way we are taking care of our own people?” That question drove a series of studies and improvement efforts focused on livelihoods and working conditions in its supply chain, particularly in the production of commodities that are prone to exploitation, forced labor, and other abuses.

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Firms that prioritize the issues that the purpose lens brings to the fore will have the conviction and patience it takes to reshape markets. Novo Nordisk repeatedly revolutionized diabetes care, Tesla spearheaded electric vehicles, Grameen Bank pioneered microfinance, Patagonia defined responsible apparel, and Stonyfield Farm established the organic dairy category. These purpose-driven firms all have one thing in common: They refused to accept existing market and institutional conditions. They influenced stakeholders, educating and inspiring customers to think and act in new ways. They shaped public policy and industry norms to make them more favorable to responsible business and society. They innovated new technologies and management practices that changed cost/benefit equations in the market. In doing so, they changed the markets and created a space for their own firms to thrive.

Applying the Lenses

As we have described, the types of data and the methods of inquiry are different for each of the lenses. And each lens will bring a particular set of issues into focus. Companies should invest in, innovate around, and build strategic coalitions for issues that fall at the intersection of all four lenses. Doing so will help them balance the tensions between an outside-in and an inside-out approach and between the subjective or intangible and the objective or quantifiable modes of inquiry.

Let's look at the way KDP responded to concerns about its coffee pods as an example of how to use the four lenses framework.

Stakeholder influence.

Concern about the environmental toll of coffee pod waste led some stakeholders to threaten to ban the K-Cup pod. "Proximity plays a huge role when it comes to ESG materiality," says Neha Thatte Mallik, KDP's director of product management. "People care most about what they can touch, feel, and taste. You touch the pods, you drink the coffee, and people feel guilty about throwing pods away." Consumers also want to know that what they are drinking is responsibly sourced.

Science and technology.

Life cycle analysis of the value chain revealed the efficiency of single-serve coffee (in its use of coffee, water, and energy) but also the difficulty of recycling and composting packaging in ways that reduce emissions—a key innovation challenge for the industry. This science lens also revealed a business continuity issue: Because climate change was making coffee a vulnerable crop, it was beginning to be hard for coffee growers to make a living, and some were starting to exit the business.

Purpose.

The origin story of Green Mountain Coffee Roasters (which bought Keurig and later merged with Dr Pepper Snapple Group) reveals a company deeply committed to investing in efforts to take care of coffee-growing communities. In 1999, for example, it started funding the nonprofit Root Capital to support farmer livelihoods and sustainable growing practices. Its commitments evolved into KDP's purpose of "Drink Well. Do Good." It combines the notion of responsibility with that of positive impact.

Business value.

Nespresso's success with foamy high-end espresso and a pod take-back and recycling program, as well as the emergence of semiautomatic espresso machines, suggested there were untapped business opportunities in the single-serve coffee market. Inspired by competitors' premium positioning and sustainability initiatives, KDP began exploring ways to elevate its own offerings rather than retreat from the category.

Finally, it's important to note that M&A activity can complicate the picture. A company might develop a strategic focus on sustainability with its product portfolio and then have to reevaluate that strategy when a merger brings new products and markets into the picture. The 2018 Keurig merger with Dr Pepper, Snapple, and its beverage portfolio brought the sweetener value chain to KDP, along with its parallel set of issues, particularly obesity concerns around sugar consumption.

When we look at the intersecting territory of the four lenses, we see three key strategic priorities in sustainability for KDP: eliminating waste while maintaining the convenience of single-serve coffee; responsible sourcing that considers environmental and social issues in coffee farming; and health and well-being given the ingredients in Dr Pepper's beverages. Thus, the four lenses bring into focus three priorities as a rough first pass—a lot fewer than the 21 medium- and high-impact issues considered in KDP's 2023 report. And if we did our issue prioritization at the product category level (where business strategy often belongs), the coffee business could narrow down to just the first two strategic priorities.

In fact, this analysis describes KDP's real allocation of innovation effort. In 2024 the company announced K-Rounds, plastic-free pods that are a compressed coffee serving protected by a plant-based coating that can handle the high water pressure of espresso extraction. "The innovation is expected to be plastic-free, compostable, and plant-based," says Mallik, who spearheaded the product's development. KDP hopes that the technology will become the new dominant single-serve coffee platform in the market.

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Sustainability is a messy and dynamic terrain. Companies face constant shifts in the prominence and concerns of stakeholders, the scientific consensus, and the supply costs and customer preferences that drive business value. Firms can even reinterpret their own purpose after changes in leadership or mergers. So the four lenses cannot provide a fixed view of corporate sustainability strategy. But they can offer some focus and clarity in complicated times and give firms the confidence to persevere, lead, and innovate on what matters most to them.



Jason Jay is a senior lecturer at the MIT Sloan School of Management and the director of its Sustainability Initiative.



Kate Isaacs is a senior lecturer at the MIT Sloan School of Management and a cofounder of its Business for Inclusive Local Thriving Lab.



Hong Linh Nguyen is a lecturer at Frankfurt University of Applied Sciences.