Briefing paper

Sustainability first

What role can culture change play in helping public utilities in their journey towards sustainability?

This briefing summarises a short literature review of culture and organisational change in private firms and public bodies (government departments and regulators), and in public utilities. It includes insights from four in depth interviews with culture change and sustainability experts.

Context

This research is part of our Sustainability Principles Project, which is looking at how a principles-based approach to change can support public utilities, and potentially actors in other sectors, in the move to a more sustainable future.

It is clear that sectors such as energy, water and communications are in a process of transition and are changing to become more environmentally, socially, and economically sustainable. This change requires a fundamental shift in organisational culture.

Top themes from our research

- Energy, water, and communications companies operate within policy and regulatory frameworks so differences in culture between different groups of actors can be important when it comes to seeking to align outcomes and goals.
- There is notably more research on culture change within the private sector than there is among policy makers or regulators; there are no consistent definitions of organisational culture.
- Regulators and government bodies have their own cultures, which can be overly focused on detailed solutions/specific disciplines (e.g., economics or engineering) and do not always see the big picture. This can make wider cultural change harder.
- Public sector structures can often be hierarchical and can be coupled with top-down communication; leaders may lack the necessary collaborative communication skills for change.
- Change efforts within government and regulators often span across multiple organisations whereas private organisations are more able to focus solely on themselves.
- The regulatory framework in energy, water and comms involves multiple levels and actors, which can lead to incoherence with rules potentially being interpreted differently by different actors. Approaching regulation and culture using a system thinking lens can therefore be useful.
- A regulator's culture influences the relationship they have with those they regulate and the culture of those regulated.
- Regulators are increasingly aware of the importance of culture in the sectors and firms that they regulate. However, they have traditionally been nervous about 'regulating for culture' pointing out that: culture cannot be imposed from the outside on those regulated; and responsibility for delivering culture change lies with those entrusted with governance/ leadership.
- In financial services, post 2008, culture is recognised as a key influence on corporate conduct. In water, Ofwat's work on board leadership has covered purpose, values, and culture. And the energy crisis is now leading Ofgem to consider question of governance and accountability.
- The information asymmetry that arises from a regulator's necessarily restricted view into the culture of the companies they regulate is a challenge, as is measuring culture.
- Consumer and stakeholder engagement activities provide opportunities for new regulatory insights into the culture of regulated firms. There is scope to make more of this intelligence.
- Sustainability is often seen as an add-on or a specific process rather than something that needs to be embedded in all decision-making and culture change work, within and between organisations.
- A collaborative culture in essential services would help decision making for sustainability. The UK Regulators Network (UKRN) and the Regulators' Alliance for Progressing Infrastructure Development (RAPID) in water and are examples of collaboration but more focus on this, and the culture needed to support it, would be beneficial.
- Sustainability is an ongoing balancing act. A learning culture plays a vital role in achieving this.
- Learning within a network as part of a complex system (as opposed to learning within an organisation) inevitably requires organisations to be flexible, collaborative and willing to avoid hierarchical cultures.

Requirements for culture change to ensure sustainability

- Integrated or aligned approaches between different actors to span decision making silos
- New skills to manage change, navigate trade-offs, identify co-benefits, and make choices
- Flexibility and iteration – delivering sustainable outcomes is an ongoing process
- Recognition of wider levers for change, often externally (NGOs, supply chain)
- Greater focus on collaboration and partnerships
- New metrics and assurance processes
- Leadership and "walking the talk"

Key actions for fostering organisational cultural change for sustainability

1. Ensure values and principles reflect sustainability, are real and linked to compelling narratives and tangible stories
2. Use values and principles to help align the cultures and approaches of different actors
3. Foster an open learning culture within organisations and across the wider system (with a focus on mindsets, relationships, processes, and structures)
4. Ensure engagement and governance are inclusive and meaningful
5. Develop safe spaces to encourage an innovation and experimentation culture
6. Recruit leaders who can work out who is best placed to lead on what and know how to develop a facilitative, collaborative culture that enables change and learning

There is a real opportunity to think about how a set of principles could be used to drive Sustainability in the utilities sectors as part of a wider cultural and organisational change. A full copy of the report on which this briefing is based is on our website.

Sustainability First is a think tank and charity focused on developing practical approaches to promote social, environmental and economic wellbeing in essential services.

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