

SUSTAINABILITY CONSULTING IN THE UK

SIX TRENDS IN A FAST-GROWING INDUSTRY

UCL
SCHOOL OF
MANAGEMENT

AUTHORS

Professor Paolo Taticchi, OMRI –
UCL School of Management
Tom Weston, Founder and President –
UCL Sustainability Lab,
UCL School of Management

REVISION

April 2023

ABSTRACT

This white paper provides insights into the growing industry for sustainability consulting in the UK. Data was gathered by reviewing publications and interviewing Partners at leading consulting firms. The analysis identifies six key trends shaping what is a fast growing industry.

CONTEXT

Sustainability consulting has become an increasingly critical service in the UK, with spending in the market set to almost double over the next 5 years.¹ Companies seek to integrate environmental, social, and governance (ESG) considerations into their operations due to mounting pressure from investors, consumers, and regulators and driven by the desire to explore market opportunities. The UK government has set ambitious targets for reducing carbon emissions and transitioning to a more green and circular economy, and the financial community is pressing companies to be more transparent and accountable in relation to their ESG performance.

One of the challenges faced by companies today is that they do not have the know-how in-house to engage with sustainable transformation which is complex and impacts every function of the organisation. Therefore, firms are rapidly developing and acquiring new capabilities on one side, and on the other, buying sustainability expertise from consulting firms.

This white paper aims to provide insights into the growing market for sustainability consulting in the UK. For this purpose, the authors have interviewed Partners at leading consulting firms including Bain & Company, Deloitte, Ernst & Young, KPMG, McKinsey & Company, and Pricewaterhouse Coopers.

The analysis identifies six key trends shaping the industry, including the resilience of sustainability consulting in times of economic uncertainty; the increasing seniority of engagements; diverse client profiles; alignment challenges; interest in the broader sustainability ecosystem; and capacity-building through hiring and acquisitions.

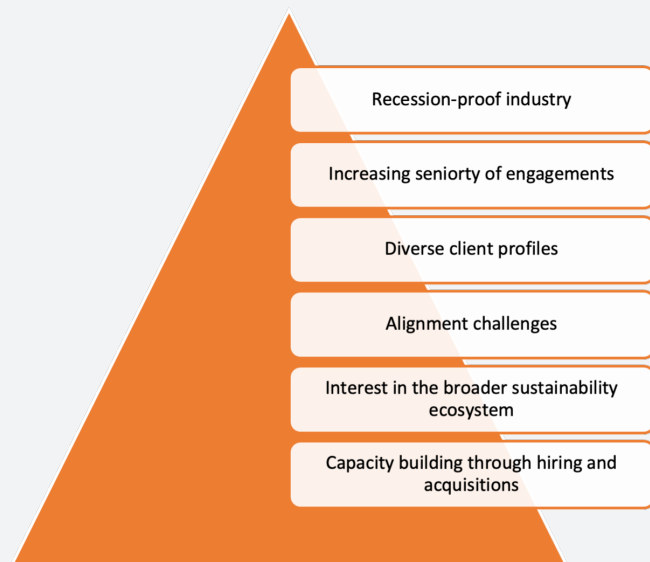


Figure 1: Six trends shaping the sustainability consulting industry in the UK

TREND 1: RECESSION- PROOF INDUSTRY

A recession-proof market is one that remains relatively stable and resilient, even during times of economic downturn or uncertainty. Sustainability consulting has emerged as such a market, with solid demand for related services persisting through various economic cycles. More than a third of the world's largest organisations, have made commitments to reach net-zero emissions by 2050 or sooner² and are seeking guidance from sustainability consultants to achieve this goal. The COVID-19 pandemic has strengthened this priority, as companies continue to recognize the importance of addressing climate change even during times of crisis.

There appear to be three key reasons for the increasingly recession-proof nature of sustainability consulting. First, many clients require strategic realignment of their long-term portfolio and business to ensure they are better positioned for a more sustainable future.

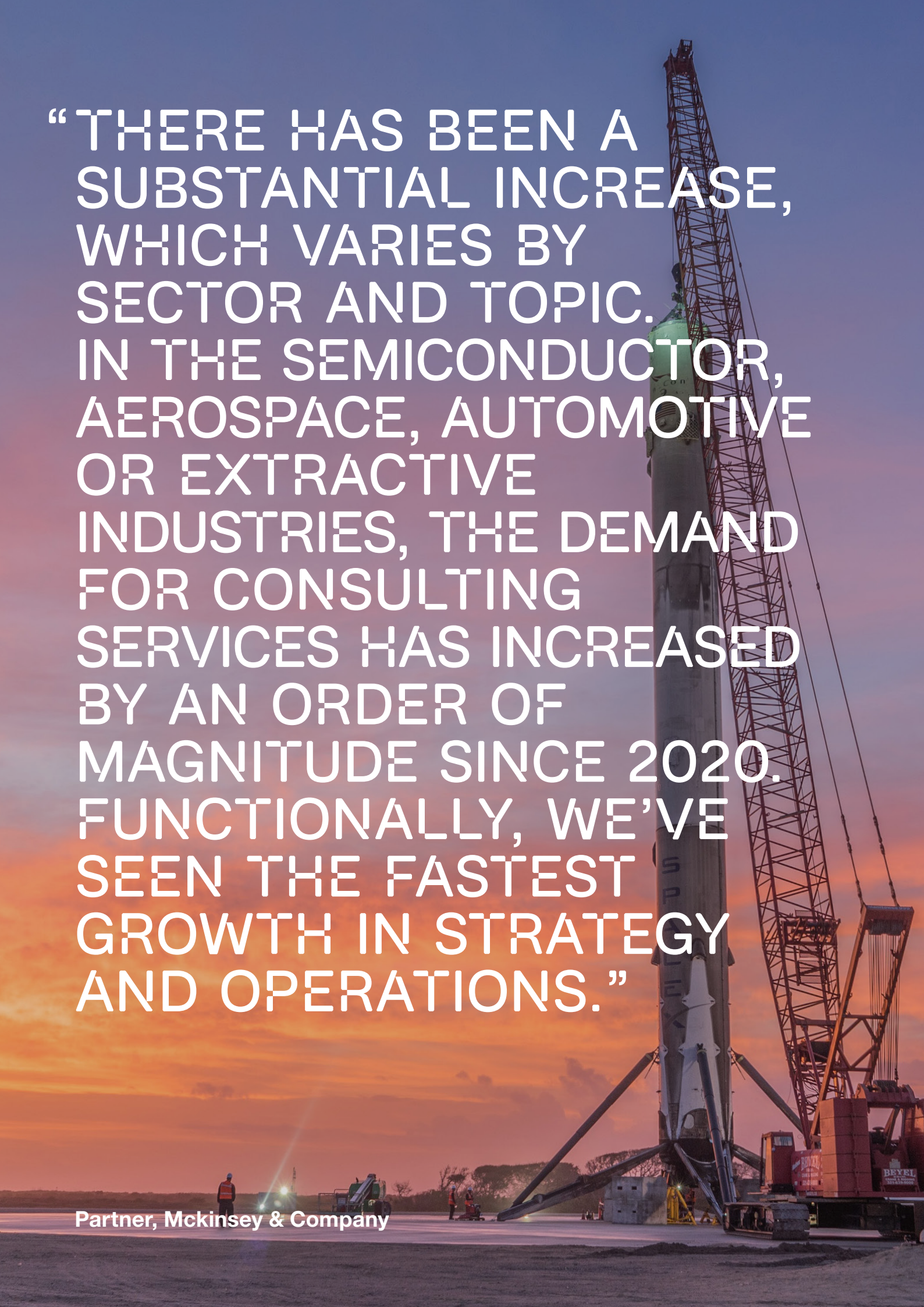
In this context, sustainability consultants are uniquely equipped to provide guidance on how to integrate sustainable practices throughout the value chain, into every aspect of the business model.

Second, clients are under increasing pressure to meet regulatory and disclosure requirements from governments and industry bodies. This gives the opportunity to sustainability consultants to help clients navigate complex reporting regulations and standards, ensuring they meet their obligations and communicate their sustainability efforts effectively and transparently to stakeholders.

Third, sustainability consulting requires a high level of technical expertise and knowledge, which can be difficult for companies to develop in-house. In fact, sustainability consultants bring specialized skills and knowledge to the table, helping clients answer complex technical questions and find innovative solutions to sustainability-related challenges.

The implications of sustainability consulting's increasingly recession-proof status are significant for the industry. Sustainability consulting firms are becoming better positioned to weather economic downturns and continue providing valuable services to clients. However, this also suggests that sustainability is becoming increasingly important to companies, that recognise the need to prioritise environmental, social, and governance factors even in times of economic uncertainty.

The recession-proof nature of sustainability consulting can be attributed to its importance to companies seeking to align their business strategies with a more sustainable future, the need to meet regulatory and disclosure requirements, and the technical expertise required to implement sustainable practices effectively. As companies face increasing pressure to prioritise sustainability, the demand for sustainability consulting services is likely to grow.

A large rocket is being lifted by a crane at a launch site during sunset. The rocket is white with black and green accents. The crane is a large lattice boom crane. The background is a bright orange and yellow sunset sky. The text is overlaid on the left side of the image.

“THERE HAS BEEN A
SUBSTANTIAL INCREASE,
WHICH VARIES BY
SECTOR AND TOPIC.
IN THE SEMICONDUCTOR,
AEROSPACE, AUTOMOTIVE
OR EXTRACTIVE
INDUSTRIES, THE DEMAND
FOR CONSULTING
SERVICES HAS INCREASED
BY AN ORDER OF
MAGNITUDE SINCE 2020.
FUNCTIONALLY, WE’VE
SEEN THE FASTEST
GROWTH IN STRATEGY
AND OPERATIONS.”

Partner, Mckinsey & Company

TREND 2: INCREASINGLY SENIOR ENGAGEMENTS

Sustainability consulting engagements are increasingly being led by senior executives, indicating a growing recognition of the importance of sustainability at the highest levels of organisations. This trend towards seniority can be seen across a range of sustainability-related initiatives, from climate change mitigation to social impact.

Specific examples of senior-level engagements in the sustainability consulting industry include the appointment of chief sustainability officers (CSOs) and the creation of sustainability committees at the board level. For instance, in 2020, oil and gas major BP announced the appointment of a new EVP of Strategy, Sustainability & Ventures, Giulia Chierchia, to lead its sustainability efforts³. Similarly, in 2020, retailer Walmart created a sustainability steering committee, led by the CSO, to guide its environmental, social, and governance initiatives⁴. The UK currently leads the trend of appointing board members with sustainability experience⁵.

The implications of this trend towards seniority are significant for sustainability consulting firms. It means that consultants are increasingly engaging with senior decision-makers and must have a deep understanding of business strategy, operations, and governance.

Consultants must also be able to communicate sustainability issues in a language that resonates with executives and must be able to connect sustainability initiatives to broader business objectives.

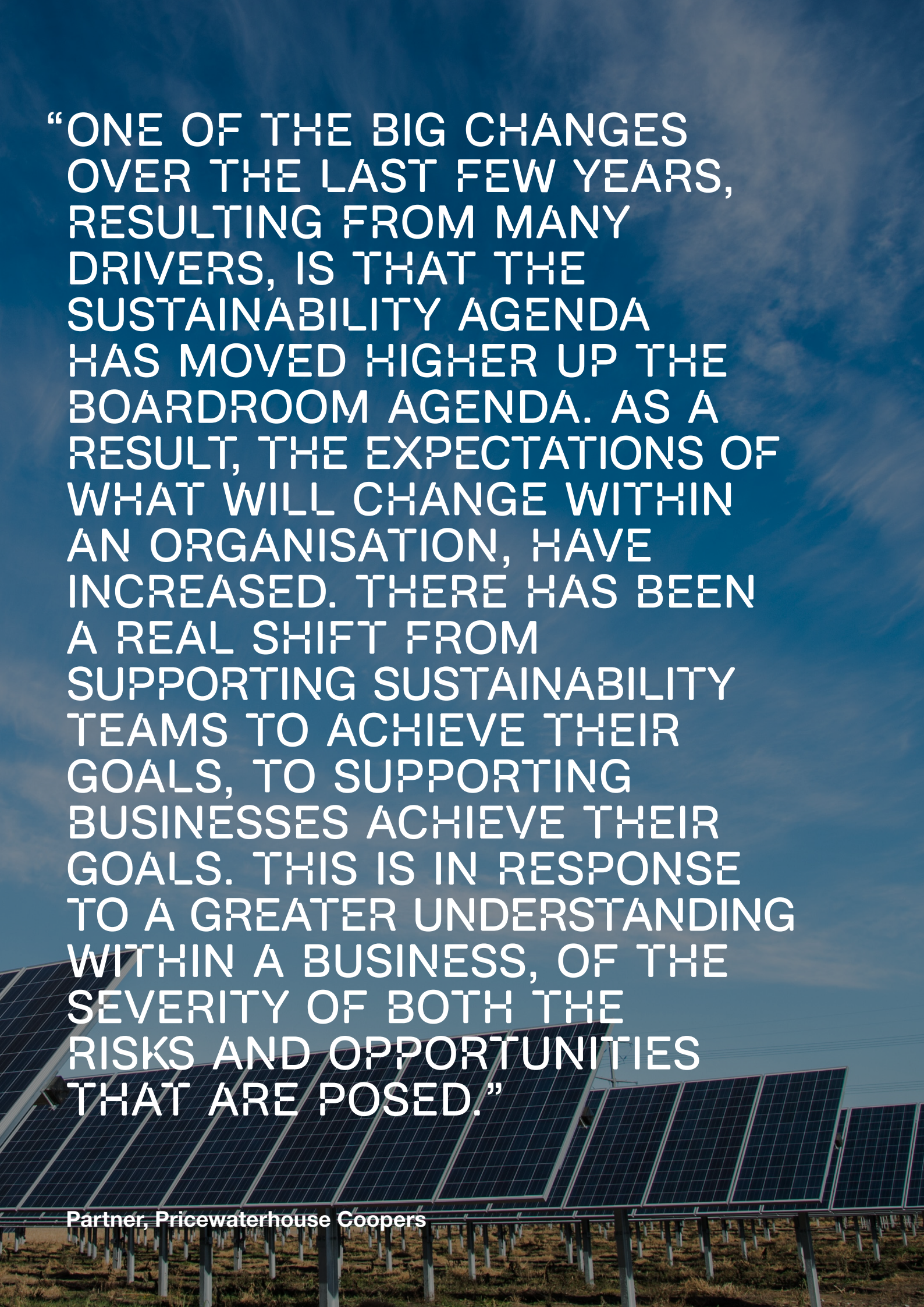
This trend also presents opportunities for sustainability consulting firms to expand their services and expertise. For example, firms may need to develop specialized services to meet the needs of senior executives, such as sustainability strategy development or integrating ESG factors throughout the value chain. Consultants may also need to expand their knowledge in areas such as finance, risk management, and supply chain management to better integrate sustainability considerations into business decision-making.

The trend towards seniority in sustainability consulting engagements reflects the growing importance of sustainability at the highest levels of organisations. This presents both challenges and opportunities for sustainability consulting firms, as they adapt to the needs of senior decision-makers and expand their services and expertise to meet evolving demands. By doing so, sustainability consultants can help drive meaningful change and create long-term value for their clients.

^{3/} BP, 2020. Giulia Chierchia: EVP, Strategy, Sustainability & Ventures. Available at: <https://www.bp.com/en/global/corporate/who-we-are/board-and-executive-management/leadership-team/giulia-chierchia.html>

^{4/} Walmart, 2020. ESG Oversight and Management. Available at: <https://corporate.walmart.com/esgreport/esg-oversight-and-management>

^{5/} EY, 2023. UK Financial Boardrooms Lead Europe in Acceleration of Female and Sustainability Appointments. Available at: https://www.ey.com/en_uk/news/2023/01/uk-financial-boardrooms-lead-europe-in-acceleration-of-female-and-sustainability-appointments



“ONE OF THE BIG CHANGES OVER THE LAST FEW YEARS, RESULTING FROM MANY DRIVERS, IS THAT THE SUSTAINABILITY AGENDA HAS MOVED HIGHER UP THE BOARDROOM AGENDA. AS A RESULT, THE EXPECTATIONS OF WHAT WILL CHANGE WITHIN AN ORGANISATION, HAVE INCREASED. THERE HAS BEEN A REAL SHIFT FROM SUPPORTING SUSTAINABILITY TEAMS TO ACHIEVE THEIR GOALS, TO SUPPORTING BUSINESSES ACHIEVE THEIR GOALS. THIS IS IN RESPONSE TO A GREATER UNDERSTANDING WITHIN A BUSINESS, OF THE SEVERITY OF BOTH THE RISKS AND OPPORTUNITIES THAT ARE POSED.”

Partner, Pricewaterhouse Coopers

TREND 3: DISTINCT CLIENT PROFILES

Sustainability consulting clients can be broadly categorized into three distinct profiles: industry leaders, companies seeking to match competitors, and companies seeking to comply with regulations. Each profile has different motivations and priorities when addressing sustainability, and consulting firms must understand these differences in order to effectively serve their clients.

Industry leaders in sustainability are companies that have made a commitment to sustainability as a core business strategy. These companies often set ambitious targets and invest significant resources in sustainability initiatives. For example, Unilever has set a target of achieving net-zero emissions across its value chain by 2039 and has made sustainability a key pillar of its business strategy⁶. Other examples of sustainability leaders include IKEA, Patagonia, and Interface.

Companies seeking to match competitors are those that recognise the importance of sustainability but are not necessarily leaders in the space. These companies often look to their competitors for guidance on sustainability practices and seek to match or exceed their efforts. For example, in 2019, McDonald's announced that it would source 100% of its coffee, palm oil, and fish from sustainable sources by 2020, following in the footsteps of competitors such as Starbucks and Dunkin' Donuts⁷.

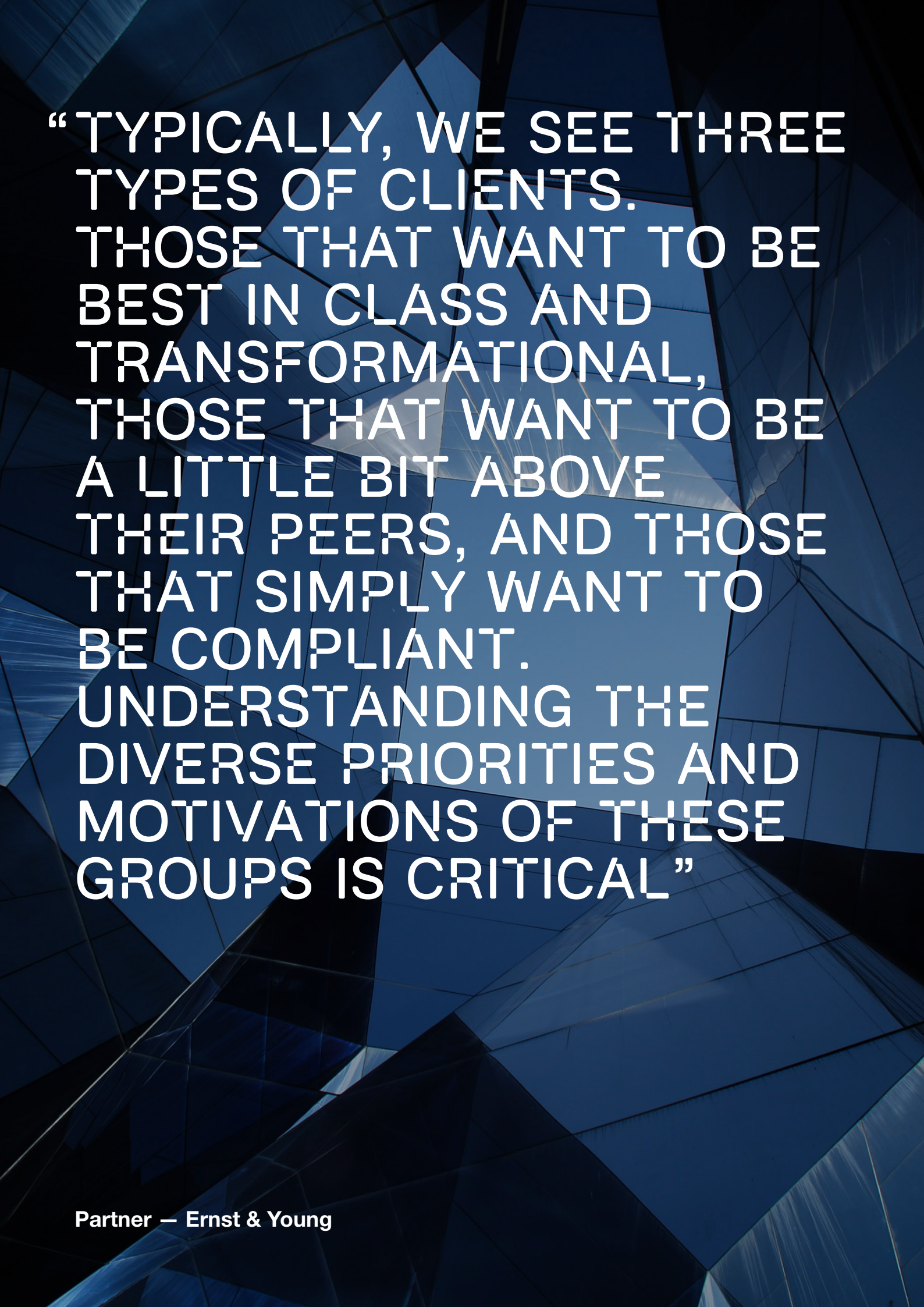
Companies seeking to comply with regulations are those that are primarily motivated by legal or regulatory requirements related to sustainability. These companies may be required to report on their environmental or social impact and may be subject to emissions or waste reduction targets. For example, in the UK, all companies with a turnover of more than £36 million are required to report on their greenhouse gas emissions and energy use under the Streamlined Energy and Carbon Reporting (SECR) regulations.

Despite these distinct profiles, there is significant diversity within each category of sustainability consulting clients. For example, industry leaders may have different priorities depending on their sector, geographic location, or stakeholder expectations. Similarly, companies seeking to comply with regulations may have different levels of readiness or understanding when it comes to sustainability reporting.

For sustainability consulting firms, understanding these client profiles and their diverse needs, is critical in developing effective sustainability strategies and initiatives. Consulting firms need to tailor their services to meet the specific needs of each client profile, by providing for example benchmarking data for companies seeking to match competitors or by helping companies seeking to comply with regulations, develop robust sustainability reporting and risk-management systems throughout the value chain. By doing so, sustainability consultants can help their clients achieve their sustainability goals and create long-term value for their businesses.

^{6/} Unilever, 2021. Climate Transition Action Plan. Available at: https://www.unilever.com/Images/unilever-climate-transition-action-plan-19032021_tcm244-560179_en.pdf

^{7/} McDonald's, 2019. McDonald's USA Achieves 100% Sustainably Sourced McCafé Coffee Goal, A Year Ahead of Schedule. Available at: <https://corporate.mcdonalds.com/corpmcd/our-stories/article/coffee-sustainable.html>



“TYPICALLY, WE SEE THREE
TYPES OF CLIENTS.
THOSE THAT WANT TO BE
BEST IN CLASS AND
TRANSFORMATIONAL,
THOSE THAT WANT TO BE
A LITTLE BIT ABOVE
THEIR PEERS, AND THOSE
THAT SIMPLY WANT TO
BE COMPLIANT.
UNDERSTANDING THE
DIVERSE PRIORITIES AND
MOTIVATIONS OF THESE
GROUPS IS CRITICAL”

TREND 4: DIVERSITY IN ALIGNMENT BETWEEN METRICS AND GOALS

Sustainability consulting engagements frequently involve metrics and goals that must be met to achieve desired outcomes. However, these metrics and goals are often non-deterministic, meaning they are influenced by a variety of factors beyond the control of the company. As such, **there is often a diversity in the alignment between the metrics and goals that companies aim to achieve.**

Firstly, metrics and goals may be misaligned due to differences in how companies approach sustainability. For example, a company may prioritise reducing their carbon footprint while another may focus on water conservation. These differences in priority can lead to divergent metrics and goals that cannot be easily compared.

Secondly, metrics and goals may be misaligned due to external factors such as regulations, market demand, or technological advancements.


For example, a company may set a goal to reduce its carbon emissions by 50% over the next five years, but new regulations or market demand could make that goal unattainable.

Thirdly, there may be a disconnect between the metrics and goals set by sustainability consultants and the broader goals of the company.

A consultant may suggest a specific sustainability goal based on industry best practices, but the company may not see the value in pursuing that goal.

These misalignments between metrics and goals can have significant implications for sustainability consulting firms. They may necessitate additional effort to reconcile different priorities and goals among stakeholders, and consultants may need to adjust their recommendations to ensure alignment with the company's overall strategy and specific value chain. Additionally, consulting firms must be prepared to adapt to changing external factors and help companies stay ahead of emerging sustainability trends.

In recent years, the diversity in alignment between metrics and goals has become increasingly apparent in the sustainability consulting industry. For instance, some companies have focused on reducing carbon emissions, while others have prioritised reducing waste. This has led to a growing need for customised sustainability solutions that are tailored to the specific needs and priorities of individual companies. As such, sustainability consulting firms must be able to adapt to these varying priorities and provide customised solutions that can effectively address the unique challenges of each company.

A hand is shown at the bottom left, holding a single green leaf. The leaf is positioned in front of a background of many other green leaves, which are out of focus, creating a bokeh effect. The text is overlaid on the image in a white, sans-serif font.

“THERE IS MORE FOCUS NOW ON WHAT SPECIFIC ASPECTS OF SUSTAINABILITY ARE IMPORTANT FOR COMPANIES AND THEIR BROADER STAKEHOLDERS, AND THIS IS LARGELY COMING THROUGH MATERIALITY ASSESSMENTS. THE NEXT CHALLENGE WILL LIKELY BE THE CONNECTION BETWEEN SUSTAINABILITY PERFORMANCE METRICS, BROADER SUSTAINABILITY GOALS, AND FINANCIAL STATEMENTS.”

TREND 5: GROWING INTEREST IN THE BROADER SUSTAINABILITY ECOSYSTEM

Interest in sustainability consulting has extended beyond traditional corporate sustainability metrics, such as energy efficiency and carbon emissions.

There is an increasing focus on the broader sustainability ecosystem, which encompasses a variety of actors, such as industry, academia, and NGOs. This trend is being driven by an increasing recognition that achieving sustainability goals requires a co-creative, collaborative approach that engages a broad range of stakeholders.

One example of this trend is the growing number of partnerships between industry, academia, and NGOs aimed at advancing sustainable development. For example, in 2021, Unilever partnered with several NGOs and the UK government to launch a new initiative aimed at protecting and regenerating forests around the world⁸. At UCL, the UCL Sustainability Lab was established in 2022 to provide a collaborative, sustainability-focused platform for students and industry partners to tackle grand business challenges and build an impactful link between academia and industry⁹.

These types of partnerships demonstrate the growing interest in a holistic approach to sustainability that encompasses not only individual companies but also broader ecosystems. **Sustainability consulting firms have a key role to play in facilitating these partnerships and supporting companies in engaging with a wide range of stakeholders.**

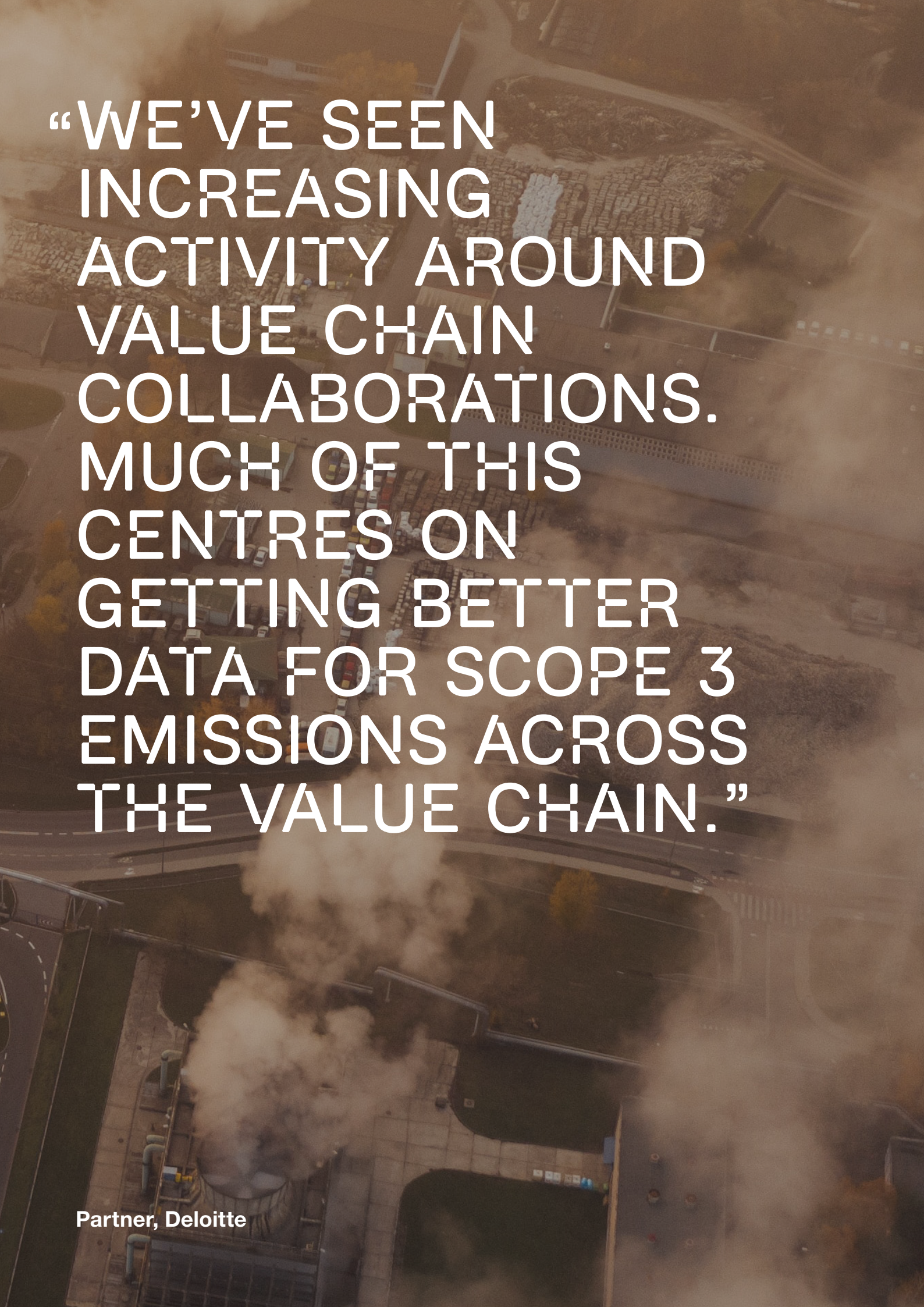
Furthermore, sustainability consulting firms must be equipped with the skills and knowledge to help companies navigate the complex landscape of sustainability partnerships. This requires a deep understanding of sustainability issues, as well as an ability to work collaboratively with a range of stakeholders across diverse value chains.

In addition, there is a need for sustainability consulting firms to engage with and learn from the wider sustainability community. This can involve participating in events and conferences, as well as engaging with academic research and publications. By doing so, sustainability consulting firms can remain at the forefront of the latest thinking on sustainability issues and provide their clients with the most up-to-date and effective advice.

The growing interest in the broader sustainability ecosystem presents both opportunities and challenges for sustainability consulting firms. Those firms that can adapt to this changing landscape and provide innovative solutions that address the needs of a broad range of stakeholders are likely to be the most successful in the years to come.

⁸/ Unilever, 2021. Working Together to Protect Nature. Available at: <https://www.unilever.co.uk/news/2021/working-together-to-protect-nature/>

⁹/ UCL, 2022. UCL Sustainability Lab. Available at: <https://www.mgmt.ucl.ac.uk/ucl-sustainability-lab>



“WE’VE SEEN
INCREASING
ACTIVITY AROUND
VALUE CHAIN
COLLABORATIONS.
MUCH OF THIS
CENTRES ON
GETTING BETTER
DATA FOR SCOPE 3
EMISSIONS ACROSS
THE VALUE CHAIN.”

TREND 6: BUILDING CAPACITY

The growing demand for sustainability consulting services has created a need for consulting firms to expand their capacity. Two primary methods of capacity-building that have emerged in the industry are hiring and acquisitions. As the demand for sustainability consulting services continues to increase, consulting firms must expand their capacity to deliver these services to clients. Capacity-building can be achieved through various methods, such as hiring additional staff or acquiring other companies with complementary expertise.

Many sustainability consulting firms have been expanding their teams by hiring new staff with specialized skills and experience. This happened not only in traditional management consulting, but also for example in infrastructure professional services where firms like Jacobs, AECOM and WSP¹⁰ have been actively hiring sustainability professionals to expand their capabilities in areas such as climate risk management and ESG strategy. This trend towards hiring is expected to continue, as sustainability consulting firms look to meet the growing demand for their services.

Another method of capacity-building in the sustainability consulting industry has been through acquisitions. By acquiring other companies with complementary expertise, sustainability consulting firms can expand their service offerings and increase their market share. For example, in 2021, McKinsey & Co. acquired three sustainability organisations, to expand their support of businesses in their green transitions¹¹.

The trend towards capacity-building through both hiring and acquisitions is expected to continue as the demand for sustainability consulting services grows. However, there are potential challenges associated with this growth strategy, such as integrating new staff or companies into existing operations. Sustainability consulting firms will need to carefully manage these challenges to ensure that their expansion efforts are successful.

¹⁰/ Environment Analyst, 2022. Top 100 Environmental & Sustainability Consultancy Firms Unveiled. Available at: <https://environment-analyst.com/global/108419/top-100-environmental-sustainability-consultancy-firms-unveiled>

¹¹/ Sustainability Mag, 2021. McKinsey & Co. Acquires Third Sustainability Organisation. Available at: <https://sustainabilitymag.com/diversity-and-inclusion-dandi/mckinsey-and-co-acquires-third-sustainability-organisation>

A photograph of a wind farm at sunset. The sky is a mix of orange, pink, and blue. Several white wind turbines are visible, with their blades and towers silhouetted against the colorful sky. The foreground is a dark, flat landscape.

“THERE IS NO SHORTAGE OF PEOPLE WITH TECHNICAL EXPERTISE, BUT WE APPROACH THESE QUESTIONS FROM A VERY COMMERCIAL, STRATEGIC PERSPECTIVE. OUR CLIENTS EXPECT US TO BRING A CORE COMMERCIAL CONSULTING APPROACH THAT IS INFUSED WITH SUSTAINABILITY. IT’S QUITE IMPORTANT FOR US TO HAVE PEOPLE THAT ARE EXCELLENT CONSULTANTS FIRST, WHO REALLY UNDERSTAND HOW BUSINESSES WORK, AND WHO ALSO KNOW ABOUT SUSTAINABILITY.”

CONCLUSION

As sustainability becomes an increasingly important consideration for companies navigating complex societal megatrends, sustainability consulting is becoming more integral to their operations.

The growth and development of the UK sustainability consulting industry over the past five years have revealed six key trends.

First, the industry has proven to be recession-proof, indicating its importance to companies even during challenging economic periods of time. Second, engagements are becoming more senior, indicating that companies are taking sustainability more seriously and are investing more heavily. Third, there are three distinct client profiles, which illustrates the need for a tailored approach by sustainability consulting firms. Fourth, there is diversity in the alignment between metrics and goals, which indicates the complexity of sustainability challenges. Fifth, there is significant interest in the broader sustainability ecosystem, highlighting both the interconnectedness of sustainability challenges and the benefits of collaboration and co-creation practices. Sixth, sustainability consulting firms are building capacity through both hiring and acquiring other companies, enabling them to meet growing demand.

These trends reflect a growing recognition of the importance of sustainability among companies, as well as the increasing complexity of sustainability challenges, that impact the value chain of all organisations. As such, sustainability consulting is set to remain an essential service for companies seeking to navigate this complex landscape. With the industry continuing to evolve, it will be interesting to see how sustainability consulting firms adapt and respond to these trends in the years to come.

AUTHORS

Professor Paolo Taticchi, OMRI

Paolo Taticchi is Professor in Strategy and Sustainability & School Deputy Director (MBA, Global Engagement, Executive Education) at UCL School of Management.

Highly active in executive education, Paolo has trained thousands of managers and executives of Fortune Global 500 companies; and is a sought-after speaker regularly invited to give keynote talks at world-class academic, governmental and industry events.

Paolo's research on corporate sustainability and performance measurement is internationally recognised. Paolo's latest books include "Corporate Sustainability in Practice", which was published in January 2021, and "Sustainable Transformation Strategy", published in June 2023.

Outside of the academy, Paolo has significant consultancy experience in the fields of strategy, education, and sustainability. He has worked in this capacity for firms of various sizes, and in a range of different industries. Today, he advises (or serves in the advisory board) influential organisations and is one of the scientific advisors of the Ministry of Environment and Energy Security in Italy.

He has received numerous awards for the impact of his work. His projects, quotes and opinions have been featured over 350 times in international media outlets. In the last three years, Paolo was indicated by Italian's leading business daily Sole 24 Ore as the most influential Italian under the age of 40.

Contact: p.taticchi@ucl.ac.uk
www.paolotaticchi.com

Tom Weston

Tom Weston is an MBA candidate at the UCL School of Management, and Founder and President of the UCL Sustainability Lab.

With multi-industry expertise, Tom has led complex international projects and programmes in digital technology, sustainability and the built environment. Along cross-sectoral consulting experience in strategy, innovation and transformation initiatives, Tom is experienced in knowledge development and thought leadership, having led and supervised research activities throughout the whole project lifecycle.

Tom founded the UCL Sustainability Lab in 2022 – a sustainability-focused platform for students and industry partners to tackle grand business challenges. Building an impactful link between academia and industry, through collaboration and co-creation practices, is of central importance to the Lab, which currently has ongoing projects with 6 industry partners, ranging from start-ups to large multinationals, with over 100 students involved from across UCL.

Contact: thomas.weston.17@ucl.ac.uk
<https://www.linkedin.com/company/ucl-sustainability-lab>

ACKNOWLEDGEMENTS

The authors gratefully acknowledge for their valuable contribution to this white paper the Partners at Bain & Company, Deloitte, Ernst & Young, KPMG, McKinsey & Company, and Pricewaterhouse Coopers who agreed to be interviewed for this research.