

Step 3

Align the operating model

Configure your business for climate-led transformation

Acting on your climate strategy will impact all layers and aspects of your organization and how it is configured. A comprehensive and holistic approach should be taken to design a resilient, sustainable future state operating model.

Contents

Cover image: Rice terrace at Yuanyang, China. (Image: Getty Images)

Yuanyang City is about 326km south away from Kunming, famous for its rice terraces, which was once crowned as one of the China's most attractive scenic places. The Yuanyang Rice Terraces also regarded as one of the largest and most spectacular in the world.

Drone point of view at the solar power station on the top of the mountain at sunset. (Image: Getty Images)

Dive deeper into the practical guides for each step to move from ambition to action



The 5-Step Climate-led Transformation Framework



Understand your organization's current state, identify and prioritize the material climate-related issues facing your business, and define and commit to a climate aspiration/target that suits your business.

Step 1 will allow your organization to understand how to set ambitious yet achievable climate targets for your organization.

[Read Step 1:](#)
[Commit to a climate aspiration](#)

Assess the strategic impacts of the climate on your organization, the importance of engaging key stakeholders, identifying the best response options and opportunities, and create a detailed climate implementation roadmap.

Step 2 will help to ensure your organization has an integrated strategy to reduce your carbon footprint and climate risks and create value through climate-related opportunities.

[Read Step 2:](#)
[Develop a climate strategy](#)

Identify the operating model changes required to realize your climate aspirations and execute your climate strategy.

Step 3 will support your organization to reflect on its current state, design the future state operating model and determine the steps needed to achieve success.

[Read Step 3:](#)
[Align the operating model](#)

Identify capability gaps and barriers in your organization, understand your capability requirements, and implement initiatives, tools and metrics to increase your capabilities to deliver your climate strategy.

Step 4 will empower your organization to help achieve your climate goals through targeted and effective capability development.

[Read Step 4:](#)
[Enhance organizational capability](#)

Identify what your organization needs to monitor and report and the capabilities and operational changes required.

Step 5 will help enable your organization to disclose according to stakeholder needs, ensure your management has the information needed to adjust strategy over time, identify savings and costs and be accountable for performance.

[Read Step 5:](#)
[Regularly monitor and report](#)

Step 3 Align the operating model

The Climate-led Transformation Framework can help your organization begin, progress or advance its journey to implement its climate strategy, orchestrating change to positively impact business outcomes.

The application of this framework is not necessarily linear or singular and Step 3 'Align the operating model' refers to the various considerations needed to help ensure your business structures and operations are configured to effectively guide the delivery of your organization's integrated climate strategy.

Driven by the Paris Agreement and the plans to cut greenhouse gas (GHG) emissions by half within a decade and hold the rise in global temperature "well below" 2°C by 2050¹, a rapidly growing number of organizations are committing to net-zero targets and embracing the importance of sustainability in their day-to-day business.

Organizations are defining their Environmental, Social and Governance (ESG) and net-zero goals, and climate-proofing their strategies. While setting climate targets could be perceived as, to some extent, straightforward, ensuring that your operations and business structures are configured to support this is the more challenging task.

Regardless if your organization is taking a fresh look at your efforts or framing the operating model for the first time, this [five-step climate-led transformation framework](#) can help your organization to unlock positive change across your business and harness the future green economy, reducing your carbon footprint and associated risks.

Step 3 refers to the design or redesign of your organization's future state operating model—how your organization will be configured in the future to deliver on your climate strategy.

Sustainability remains a top priority for Boards and Executives across Asia Pacific, and globally.

The Deloitte Global 2023 CxO Sustainability Report shows that climate change is an enduring part of the business agenda and remains one of the top priorities for C-suite leaders (CxOs) globally.² In Asia Pacific, 60% of CxOs interviewed said climate change will have a 'very high/high' degree of impact on their organization's strategy and operations over the next three years, with 74% of them feeling pressure from their board members/management to act on climate change.³

For many organizations, positively impacting the environment, community, and society has been largely influenced or enforced by social and regulatory pressures and is often viewed as 'doing good' for philanthropic or brand-elevating purposes.

However, over the past decade, organizations have experienced the creation of both societal and commercial value, by embedding sustainability and climate into their business strategy and core operations.

A successful climate-led transformation requires an operating model to enable the application of your organization's climate aspirations and strategy.

The operating model is a high-level representation of how an organization can be best organized to deliver and execute the organization's climate strategy more efficiently and effectively.

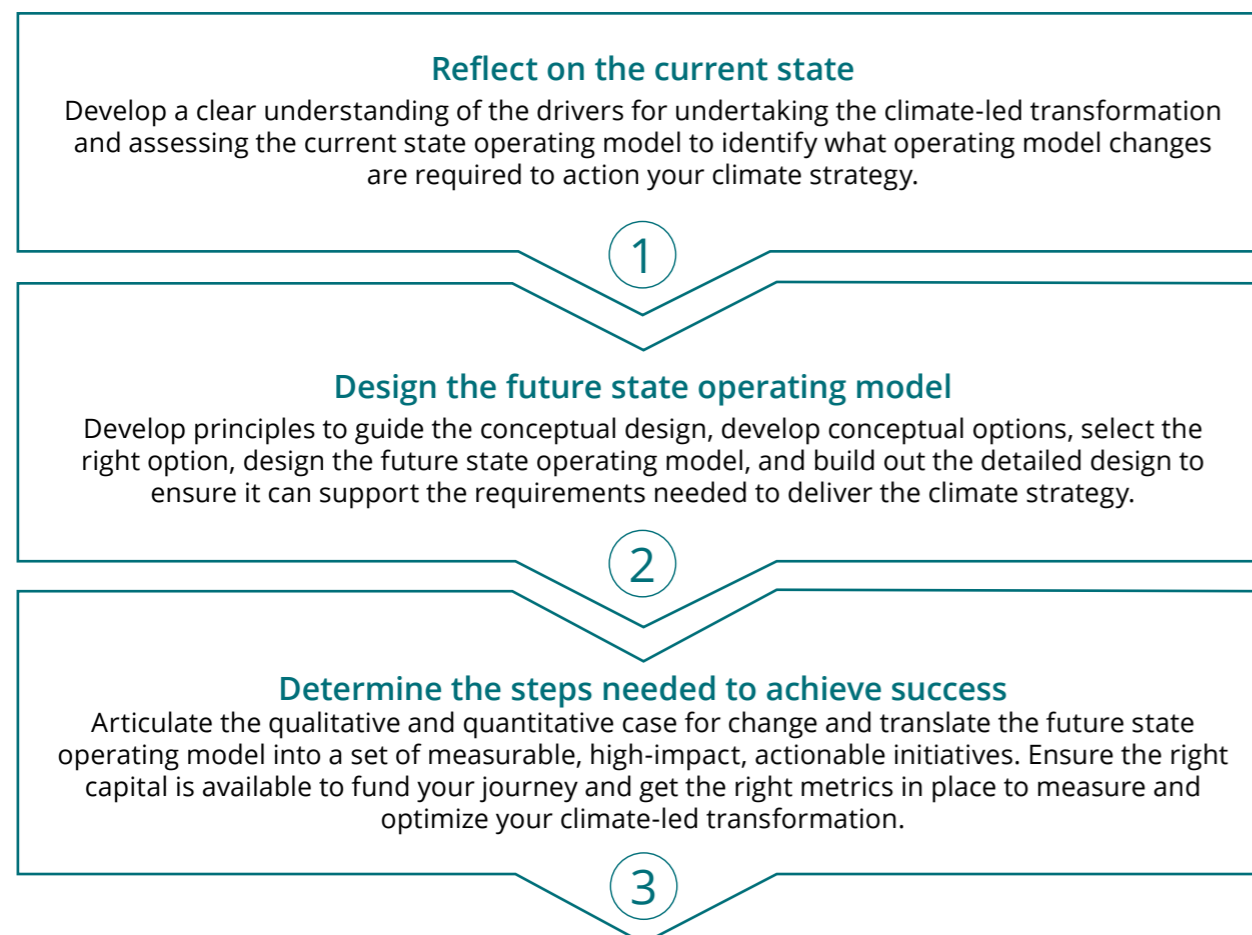
Your organization's climate-led transformation strategy should be rooted in your ability to commit to credible, achievable, time-bound, and value-creating targets. For more information on how to set your climate targets, see [Step 1](#).

A comprehensive and integrated climate-led transformation strategy can help you to transform ambition into action and unleash positive change across your business. For more information on how to create such a strategy, see [Step 2](#).

So, what actions are required to design a robust and fit-for-purpose operating model as part of your climate-led transformation?

The principles and definitions of Deloitte's operating model framework and methodology remain consistent for every type of transformation—whether your organization is undertaking a climate-led transformation, on a digitization journey, or a business transformation driven by a merger.

Acting on your climate strategy will impact all layers and aspects of your organization and how it is configured, so a comprehensive and holistic approach should be taken to design a resilient, sustainable future state operating model.



Alignment of your operating model to your climate and business strategies will enable your organization to realize the strategy's effectiveness and longevity, positioning your organization for future resilience and success.

Often, operating model transformations are associated with cost reductions or patterns of interconnected organizational boxes and lines.

While these can be elements of an operating model, the scope is too narrow. It does not address the complexity, breadth, and depth of the scope of an operating model. Before addressing the alignment of an operating model to the climate strategy, it must be acknowledged that there is no widely adopted universal definition of an 'operating model', and the use of the term itself may mean different things to different organizations, teams and individuals.

For the purposes of this publication, 'operating model' is intended to describe how an organization is configured to deliver on its strategy. It turns the 'why' and 'what' of a climate strategy into 'how' an organization will go about achieving its climate objectives. An operating model is usually an abstract representation of how the functions and capabilities in an organization are arranged, and ultimately how an organization operates to create value.

An operating model turns the 'why' and 'what' of a climate strategy into 'how' an organization will go about achieving its climate objectives—how value is created and by whom within the organization.

Examples of organizations reinventing themselves and their operating model to deliver a more sustainable and climate-led operation to secure competitive advantage are fast emerging.

An operating model redesign journey can range from a progressive maturing of climate capabilities and developments or tweaks to existing operating models to a full-scale reinvention of the business. In some instances, this reinvention might be driven by pivoting a core product or services portfolio (for example, a petroleum company moving into Electric Vehicle charging). Regardless of the degree of change anticipated, redesigning your operating model is a key step in your climate-led transformation journey.

By deconstructing the organization (or part of the organization) into nine constituent layers, current and future operations can be systematically mapped and analyzed. This is a way to understand how an organization creates value and how it could work differently in the future to deliver your business and climate targets.

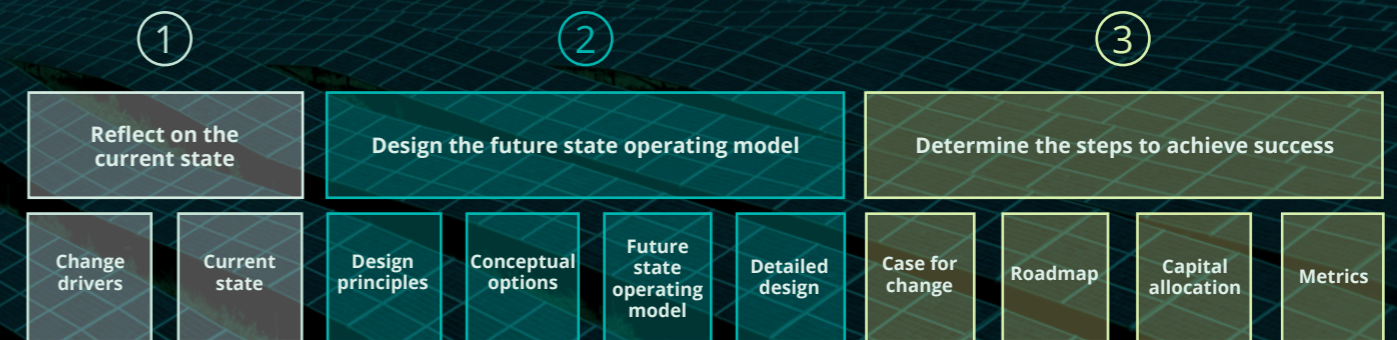
Figure 1: Nine constituent layers of an operating model



Every organization is unique in how it operates, there is no one-size-fits-all operating model.

In defining your future state operating model, executives should follow a structured approach with three key actions—reflecting on the current state, designing the future state operating model, and finally, determining the steps to achieve success in your operations.

Figure 2: Three key actions to help define your future state operating model



Reflect on the current state

Assessing and understanding your current state operating model will help you to understand what changes and modifications are required to align with your climate strategy.

The future state operating model needs to address the strategic choices made within the climate aspiration ([Step 1](#)) and strategy ([Step 2](#)) and remove blockers or pain points within the existing, current state model which are preventing you from realizing your climate aspiration.

The framework outlined in this section will help your organization:

- **Understand the drivers of change:** Understand and clarify the (new) climate strategy and recognize the catalysts required for change.
- **Assess the current state:** Assess the organization's current state operating model and the components that will enable your climate strategy, as well as the pain points or potential barriers to success which should be managed or overcome in the future state.

Understand the drivers of change

As identified in [Step 1 'Commit to a climate aspiration'](#), the starting point to set the goals of your climate strategy is to understand your current emissions profile, risks, and vulnerabilities to climate change.

[Step 2 'Develop a climate strategy'](#) refers to the various considerations needed to develop a comprehensive climate strategy that will serve as the guide for your organization's climate change response. Without a clearly articulated and well-understood climate strategy ("outward-facing choices"), the target state operating model will have no foundation for making inward-facing choices.

Therefore, it is key to:

- **Understand the (new) climate strategy:** Clearly articulate the outward-facing choices, such as your value proposition, target customer segments, channels, products and services. For example, a consumer-centered organization developing a more sustainable alternative to a new, more eco-conscious customer segment, who are willing to pay a premium for a sustainable and transparent supply chain.
- **Recognize the catalysts for change:** Clarify the external and internal influences that will prompt or trigger change in your organization. Mapping this will help you understand the reasons why you require a future state operating model and what it needs to deliver. For example, external policies, standards, regulations, and initiatives like the Science Based Targets Initiative (SBTi), shareholder pressure and access to capital, or internal drivers such as the potential for increased employee engagement, operational efficiency, or customer loyalty.

Assess the current state

With a clear understanding of the catalysts for change that will impact your organization's operating model, the second step is to assess the organization's current state.

Once the climate targets are set and the climate strategy has been drafted, you will use these as guides to assess your operating model and how its current configuration is fit for purpose to deliver against the climate targets and strategy. This will need to include a critical lens across the structures, roles, processes, and technologies that exist to support the climate strategy and those that, in their current form, might create barriers to you delivering a successful climate strategy. A basic understanding of your current state operating model is a critical first step in business design.

To assess the current state operating model, you might:

- **Gather current state data:** Including organizational, financial, and operational knowledge to inform the assessment of the current state operating model. For example:
 - What is your emissions profile and energy, waste, buildings, vehicles and product footprint?
 - Where are you currently in your ESG management maturity curve today—ranging from a focus on minimal legal requirements, well-established behavior towards sustainability, or maturity to use ESG data to transform, or somewhere in between? This will help provide an indication as to the current state of climate consideration within different operating units.

- **Develop a functional view of the current state operating model:** Illustrate how your operating model layers are currently organized, such as your Governance (management systems); People and organization (capabilities, functions); Technology and infrastructure (systems); Data and information, and Location and facilities. For example:
 - What activities and processes are currently in place to drive climate initiatives, and what systems are there to support this?
 - Which function or team is responsible and accountable for this?
 - How is sustainability and climate or ESG integrated into the existing functions?
- **Identify potential pain points:** Understand the sustainability vulnerabilities, pain points or barriers that exist within your current state operating model that might obstruct progress toward your climate strategy. These pain points can relate to the misalignment of expectations and accountability for climate targets or could lie within any element of the organization. This could range from policy and governance to technical systems, funding, and communications. These current barriers to success should be acknowledged, appropriately planned for, and managed in the future state operating model.

Examples of common pain points

Absence of a climate strategy or having a climate strategy that is inconsistent with the organization-wide strategy or direction

A Deloitte Global report, The Audit Committee Frontier – addressing climate change, found that 65% of the over 350 respondents across over 30 geographies said that the biggest challenge is having a clear and agreed carbon reduction strategy, an action plan with milestones, and a way to hold management accountable for it.⁴

Lack of communication regarding the climate strategy, opportunities and impacts on the business

A Deloitte Global report, The Audit Committee Frontier – addressing climate change, found that nearly 60% of respondents indicated that they do not discuss climate regularly, and over half do not consider themselves “climate literate”.⁵ You should consider ways to embed the purpose of your organization's climate strategy within the business values and overall business strategy. Work to equip stakeholders, employees, and partners to be well-versed in what the climate strategy aims to achieve and how it can be successfully executed. This could be done by embedding updates in regular leadership communications, applying them across the sector and department-level KPIs, and holding regular events and learning initiatives that can engage and help educate your people.

Lack of awareness and training regarding the importance of a sustainable culture or climate-conscious mindset

For your climate strategy to be successful, it must be understood and embraced by key stakeholders across business verticals. It should not be limited to the outward impact of your organization's GHG emissions. It should underscore the vital role your organization's climate strategy is playing in addressing climate change, helping prepare your organization for a low-carbon future, creating opportunities to create value through climate-led transformation, and building business resilience. Key stakeholders should also understand the various impacts the climate strategy could have on the organization and the shifts required to help enable the delivery of the climate strategy as an embedded part of the business strategy.

Ineffective information technology (IT) capabilities and difficulty integrating processes

ESG data are commonly not well integrated throughout the organization. It is often updated manually on spreadsheets, incomplete, outdated, not utilized in decision-making, or a combination of these examples. Although a common challenge, many systems and tools exist, and more are emerging, to help the integration of ESG data within the organization's existing data management systems.

Limited investment or support

For many organizations, the alignment of their climate strategy and organizational model ([Step 4](#)) may be the first instance where they decide to allocate capital to climate initiatives. The Deloitte Global 2023 CxO Sustainability Report – Asia Pacific found that 13% of the CxOs identified investor pressure to focus on near-term business issues/demands as one of the largest barriers to progressing climate-related transformation activities.⁶

In summary

Numerous organizations recognize climate as a strategic topic by setting ambitious climate targets, 'climate proofing' their strategy, and extending their product range to eco-friendly substitutes (for example, traditional car manufacturers entering the Electric Vehicle market).

However, sustainability is both a strategic and operational imperative, whereby solely rethinking your business model (customer, channels, and products and services) is not sufficient for long-term, sustainable success. Incorporating sustainability and climate-related considerations into your business is not about just offering "green" products or services, it also means changing your operations and the way your organization is configured.

After defining your climate strategy and business model, your organization needs to bridge the gap between ambition and action. Start with understanding your drivers of change: what is your burning platform instigating change toward your climate-led transformation? Secondly, assess the current state and ask yourself, are we set up for success? What is working and what is currently hindering us from realizing our climate ambitions?

Case study



Global Energy Corporation, a renowned multinational energy company operating in the petroleum industry with a strong presence in multiple countries, has established itself as a leader in the global energy sector. However, in light of the pressing global challenges posed by climate change and the increasing demand for sustainable energy solutions, Global Energy Corporation embarked on a transformative journey to redefine its operating model.

Following the steps in this first phase, Global Energy Corporation achieved the following outcomes:

- **Climate strategy:** Global Energy Corporation developed a comprehensive and well-defined climate strategy to guide its transition to a sustainable energy company. Global Energy Corporation undertook a rigorous analysis to gain a deep understanding of the key components of its new climate strategy, outlining goals and aspirations to reduce carbon emissions, embrace renewable energy sources, and minimize negative environmental impact.
- **Catalysts for change:** Key drivers for the transformation were identified, including stricter climate regulations worldwide compelling Global Energy Corporation to comply with carbon emission limitations and promote renewable energy sources, a decline in demand for petroleum-based products, and an increase in demands from consumers, investors and stakeholders for concrete actions to mitigate climate change.
- **Current state assessment:** An analysis of the energy portfolio, carbon emissions, supply chain, technology infrastructure and stakeholder relationships provided insights into Global Energy Corporation's existing operating model.
- **Functional view of the current state:** Enablers already in place for the transition to a sustainable energy company were identified, such as technological advancements, partnerships with renewable energy providers, research and development initiatives and an engaged employee base.
- **Pain points analysis:** Potential barriers to implementation were identified, including regulatory constraints, outdated infrastructure, limited expertise in renewable energy technologies and financial challenges associated with the transition.

With a strong foundation established through these reflections on the current state, Global Energy Corporation is now ready to proceed to the next step: designing the future state operating model.

Design the future state operating model

The future state is the lighthouse for how your organization would ideally function and be configured in a way that serves the business model and achieves the embedded climate targets and aspirations.

This future state accounts for how your organization can continue to deliver products and services while embedding processes, policies, capital allocation, technology, and systems that also support your climate strategy.

The framework outlined in this section will help your organization:

- **Define clear design principles:** Provide a consistent framework to guide design decisions when developing and assessing future state operating model options.
- **Develop conceptual options:** Define potential options for how your organization can be configured in line with your overarching climate strategy, to address current state pain points hindering the realization of your climate aspiration.
- **Choose the right option and define the future state operating model:** Articulate the components of the chosen option to inform the detailed model, such as the required functions working towards your climate initiatives, high-level activities and responsibilities of each function, and the top-level accountability and organization structure.
- **Design details of the future state:** Determine the necessary elements, impacts and implications across your organization required to support the implementation of the climate-led future state operating model, including elements such as a detailed assessment of the required climate capabilities and governance to manage accountability for the climate initiatives.

Define clear design principles

Clearly defined principles serve as the foundation for operating model design, providing concrete and clear design guidance to teams and leadership.

The design principles should provide sufficient clarity to shape operating model options and guide decision-making between different options, but are not an attempt to articulate the solution, nor a way to repeat the strategy in different terms. Agreeing on a set of design principles supports stakeholder alignment, as it can help eliminate the potential for internal politics to influence the design of an operating model that may not align with the organization's climate strategy and transformation objectives.

Examples of design principles:

- The delivery model should be sufficiently flexible to support future adjustments to relevant environmental legislation, policies, and guidelines
- Sustainability and climate should be at the core of the organization, but should not disrupt critical business-as-usual activities
- Prioritize sustainability and climate-related partnerships effectively to source capabilities

Develop conceptual options

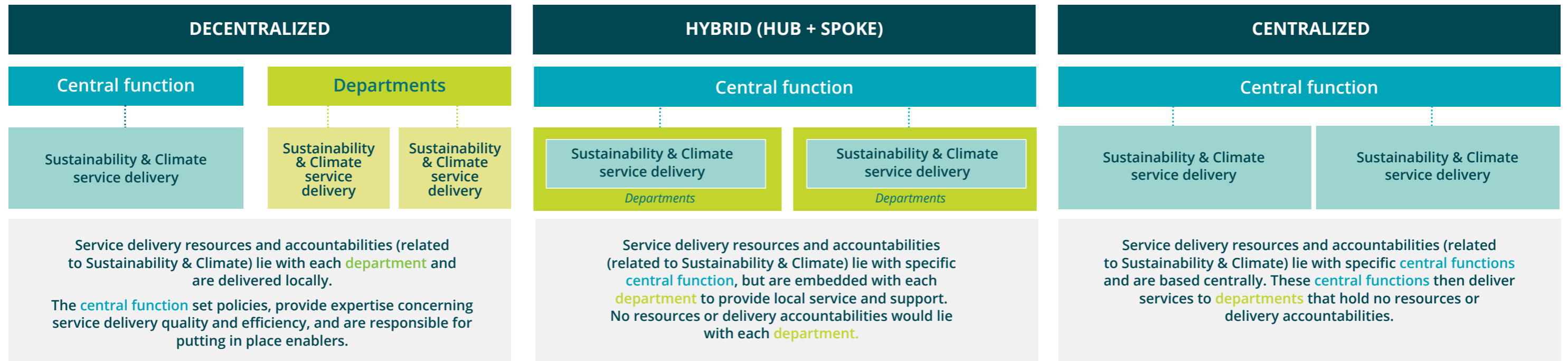
After defining a clear set of design principles, the next step is to develop high-level, conceptual options for how the organization could be configured.

The conceptual options provide a view of how products and services could be delivered in the future state but at this stage, may not provide an in-depth design or detail of underlying structures and capabilities. The conceptual options should help enable the discussion of the trade-offs between different options.

Figure 3 shows a spectrum for allocating the delivery of climate efforts and initiatives—from a decentralized to a centralized model. An example of a trade-off is the allocation of climate capabilities to a certain organizational level.

Decentralized integration of climate capabilities can lead to increased decision-making power at mid- and lower levels; more creativity and authority are given to those who are closer to stakeholders. On the other hand, the centralization of climate capabilities ensures executive sponsorship and accountability, controlled governance and delivers a consistent approach across the organization.

Figure 3: Conceptual options for delivery of sustainability and climate services



Autonomy, tailoring and local oversight

Continuum of operating model options

Efficiency, consistency and central oversight

Choose the right option and define the future state operating model

The next action is to compare the conceptual options by assessing the extent to which each option aligns with the design principles, and the considerations to take into account for each option (for example, likely ease of implementation, degree of change and implications on current management systems).

After selecting the preferred model, the future state operating model should be defined—the high-level blueprint for how the organization and its functions will be configured to realize the organization's climate strategy and objectives.

Key components of a high-level future state operating model inform the detailed design and may include:

- The required functions and the high-level activities and responsibilities of each function
- The future state capabilities (see [Step 4 'Enhance organizational capability'](#))
- A high-level interaction and governance model (bodies and forums)
- The top-level organizational structure



Detailed design of the future state

The final step in defining the future state is to define the detailed design of the future state operating model. Detailed design of the nine constituent layers of an operating model (see Figure 1) will help enable your organization to determine the necessary changes and implications required to support the implementation of the future state operating model and help realize your climate ambitions.






Key activities to design a detailed future state might include:

- **Define the operational blueprint:** For the relevant operating model layers, define how these will be configured and interact within the future state operating model (see Figure 4 for examples of key considerations) and determine the changes required across the organization to shift from the current to the future state. For example, setting up a dedicated Sustainability & Climate Centre of Excellence, which sets policies and standards for the entire organization, across all local branches or changing the governance model to increase accountability for meeting climate targets.

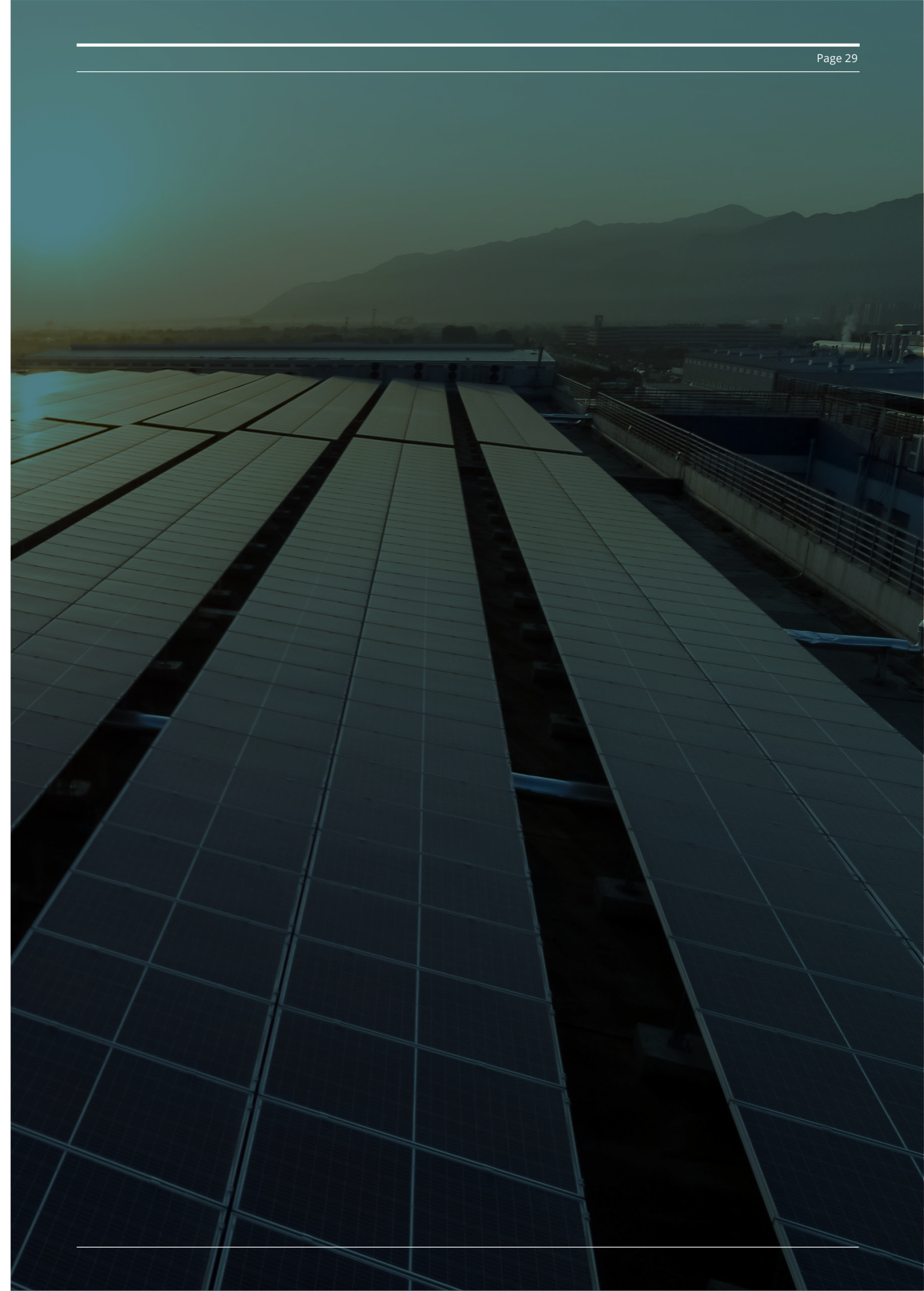
- **Develop functional blueprints:** Clarify the key future state capabilities required within each function. For example, climate data strategy and management, predictive modelling, and sustainable portfolio strategy.
- **Design organizational structure:** Design the detailed organizational structure (including teams within functions, roles and reporting lines) which will support the delivery of the model. For example, set up a central sustainability and climate team, report to the C-suite, and give them the decision-making rights to execute change and integrate sustainability and climate initiatives across the organization.

For more information on methods and considerations to assess, define, and enhance your organizational capabilities, see [Step 4](#).

Figure 4: Operating model layers and examples of related considerations to design your future state operating model:

OPERATING MODEL LAYER	CONSIDERATIONS
 Customer	<ul style="list-style-type: none"> • Will your target customer group remain the same, or will your organization target new customer segments (for example, more eco-conscious customers)? If yes, what are their needs?
 Channel	<ul style="list-style-type: none"> • How can you transition from traditional channels (for example, brick and mortar) to other channels with a smaller carbon footprint (for example, online)? • How might you optimize the existing operations to reduce your carbon footprint?
 Products and services	<ul style="list-style-type: none"> • Are the products and services you offer aligned with your climate targets and strategy? If not, how will your product or service portfolio change? • Can an eco-friendly product or service portfolio provide your organization with a market advantage or unique value proposition? • How can you (if a financial institution) ensure that you are financing low-carbon investments to reduce your Scope 3 emissions? • How can your organization transition from protecting your products using plastic packaging to a more sustainable material?
 Governance	<ul style="list-style-type: none"> • At what organizational level will you organize your climate-related assets, capabilities and resources? In a decentralized, hybrid or centralized operating model structure? • What KPIs must be in place to effectively deliver your climate initiatives? How do you cascade sustainability and climate-related KPIs into the organization?
 People and organization	<ul style="list-style-type: none"> • Is there sufficient knowledge and resources within your organization to deliver the climate strategy? • Do you have any partnerships to ensure that your organization has the required climate capabilities and/or can develop talent in the organization?

OPERATING MODEL LAYER	CONSIDERATIONS
 Processes	<ul style="list-style-type: none"> • What are the critical processes for achieving your climate strategy and vision? • How will your procurement processes ensure that low-carbon materials are sourced and only approved suppliers are utilized? • How can you decarbonize your supply chain (and related processes) by reducing embedded carbon in procured components and raw materials to reduce Scope 3 emissions? • How can you source from local producers to minimize emissions while helping to improve livelihoods and nurture local talent?
 Technology and infrastructure	<ul style="list-style-type: none"> • Can your organization use the current tools and systems in place to help drive the initiatives needed to deliver your climate strategy? • How do your systems and solutions need to be organized to capture GHG emissions data via integrated reporting tools, to enable tracking while also supporting ongoing, data-driven decision-making? • How can the system that measures mileage and cost of energy to service a fleet of long-haul trucks also generate the data and measure the GHG emissions related to that energy? • How can your organization leverage partners who are offering advanced climate-related data technologies and integrated data management and analytics services?
 Data and information	<ul style="list-style-type: none"> • What data sets are needed to measure, monitor and report on climate activity to deliver on your climate strategy (for example, data related to carbon pricing, ESG metrics, or the economic impacts of climate events and social and people considerations that might affect the supply chain and cost of critical products)? • How are those data sets modeled and used to inform strategic choices and adaptation and mitigation strategies? • How nuanced does this data need to be and how frequently does it need to be updated?
 Locations and facilities	<ul style="list-style-type: none"> • How can you best balance physical and virtual work locations to decrease the travel-related carbon footprint from your employees and thus your Scope 3 emissions, while still maintaining a strong work culture? • How can your organization future-proof its buildings and facilities so that they can carry solar panels or renewable energy sources to reduce the energy required on the grid and your Scope 2 emissions?



In summary

Based on your organization's strategic priorities and current state, the next step in designing the future state operating model is to translate these into design principles—a set of simple and tangible statements that can help guide the development of operating model options and provide criteria for weighing the different options.

Then it is time to make some big decisions—choose the right option, define the future state operating model, and redesign your climate-led organization. It is important to realize that there is no one size fits all. Developing operating model options should be unique to every organization, and it must address your organization's pain points and strategic objectives.

Research shows that initially, embedding ESG accountability in the leadership levels is one of the most effective tools and improves profits. Start small with a centralized approach, with the right level of senior sponsorship, but scale as you progress through your climate-led transformation journey.⁷ As maturity builds and the organization becomes more familiar with climate initiatives and capability, it might make sense to decentralize some of these responsibilities and cascade knowledge from the top to the wider organization, to ensure buy-in from across the business.

Critically evaluating, understanding, and defining the operating model layers can help ensure that your climate strategy aligns with the future state, fit-for-purpose operating model required. This evaluation will help provide a secure way to articulate the future state to stakeholders and mobilize a program to deliver it.

Case study



Equipped with the insights gained from the current state assessment, Global Energy Corporation moved forward to design the future state operating model.

Following the steps in this second phase, Global Energy Corporation achieved the following outcomes:

- **Design principles:** Through extensive collaboration with key stakeholders, including senior leadership, employees and external climate experts, Global Energy Corporation established clear design principles to guide the development of its operating model. These principles, such as the "integration of sustainability as a core value", emphasized the deep embedding of sustainability in Global Energy Corporation's culture, strategies and operations.
- **Conceptual options:** Global Energy Corporation explored a range of conceptual options for delivering sustainability and climate initiatives. These options spanned from decentralized to centralized operating models, with each option assessed based on its alignment with the design principles, ease of implementation and implications for existing management systems. Trade-offs were considered, including decision-making power, creativity, authority, sponsorship, accountability and governance control.
- **Preferred model:** The decentralized model emerged as the preferred choice, aligning best with design principles and strategic objectives. In the new climate strategy, Global Energy Corporation focused on strategic sustainability and climate priorities throughout its full scope of products, services and internal operations, such as prioritizing electrification initiatives, including expanding electric vehicle (EV) charging infrastructure and offering incentives to customers for EV adoption, exploring low-carbon solutions such as biofuels and hydrogen as alternative fuels, investing in carbon offset projects to compensate for carbon emissions and optimizing the supply chain through local sourcing to reduce transportation-related emissions. The decentralized model was deemed most appropriate due to its ability to effectively address the wide-ranging impact of these strategic decisions across multiple departments and organizational layers.
- **Detailed design:** With the decentralized model as the foundation, Global Energy Corporation proceeded to design a detailed blueprint for its future state operating model. Global Energy Corporation established a dedicated Sustainability & Climate Centre of Excellence to set policies and standards for sustainable practices. Additionally, within each department, specific roles were created to focus on areas such as renewable energy development, carbon reduction strategies, sustainable supply chain management, and partnerships. By clearly delineating responsibilities and updating the governance model, it ensured that sustainability and climate targets were integrated into the day-to-day operations of all departments, with individuals or teams being held accountable for driving progress. Furthermore, functional blueprints were developed to identify critical climate capabilities needed, such as climate data management, predictive modeling and sustainable portfolio strategy.

This resulted in a clear and comprehensive design of Global Energy Corporation's future state operating model. Looking ahead to the final step in the operating model transformation, Global Energy Corporation needs to determine the specific steps and initiatives required to ensure its successful transition to a sustainable energy company.

Determine the steps needed to achieve success

Once your climate-led future state operating model has been defined, the next step is to determine the actions needed to implement your operating model, realize the required shifts, and get the future state operating model into motion.

In this step toward integrating sustainability and climate into your organization, it is important to articulate the case for change, translate the future state operating model into a set of measurable, high-impact, actionable initiatives (a roadmap), ensure capital allocation, and define the right metrics to measure success.

The framework outlined in this section will help your organization:

- **Articulate the case for change:** Articulate the qualitative and quantitative evidence (internal and external climate pressures, anticipated benefits) behind the future state operating model to justify the impacts and changes required.
- **Develop a roadmap:** Define initiatives to implement the climate-led future state operating model and convert these into a feasible, viable, and detailed implementation roadmap, including resource, timing, risk and dependency considerations.
- **Define the capital allocation:** Ensure the required capital is available and utilized effectively to help realize your climate ambitions and associated climate-led future state operating model.
- **Define the metrics:** Ensure the right metrics and supporting systems and processes are in place to track performance against the future state to assess whether the operating model change is effective.

Articulate the case for change

Drawing on the evidence from your current state operating model assessment, clearly articulate the rationale for the future state operating model.

Detail the story and rationale of why the future state operating model is required for your organization's climate-led transformation journey. This may include elements such as clarifying costs as well as defining the qualitative and quantitative benefits that the future state operating model will deliver.

Adapting to a more climate-led future state operating model helps your organization to better respond to climate change and simultaneously deliver value to your organization. The Deloitte Global's 2023 CxO Sustainability Report shows that the five main benefits associated with an organization's sustainability efforts are increased brand recognition and reputation, customer satisfaction, innovation around offerings and operations, employee morale and well-being, and addressing climate change.⁸

Develop a roadmap

Climate initiatives require the same diligent planning, review and implementation processes as any other significant capital allocations and product development projects.

It is important to establish a clear implementation roadmap with project management and stage gate processes to help ensure successful execution.

Key activities to help develop your roadmap are:

- **Define and prioritize initiatives:** Define the key initiatives required to help your organization transition to the future state. Additionally, define the underlying complexity, resources, costs, effort, and risks associated with the implementation of the initiatives and prioritize the initiatives.
- **Develop the implementation roadmap:** The implementation roadmap will describe each initiative and activity, their risks and dependencies, and the resources required to deliver them. These initiative and activity descriptions will be used to establish the timelines required to complete each activity and assign resource efforts.

Define the capital allocation

Your organization will need capital to fund the various decarbonization projects, green products and services, and climate adaptation initiatives required from your climate strategy.

Climate investments often have different risk-return profiles and greater uncertainty than more traditional types of investment. Organizations commonly set aside a separate pool of funds dedicated to climate initiatives and incorporate well-considered financial and sustainability and climate-related criteria to facilitate capital allocation.

To ensure that the required capital is available and utilized effectively, the following considerations should be made:

- What investments are required? It might be required to invest capital to acquire the systems, materials, tools, knowledge, and resources required to deliver your climate strategy.
- What funding will be required in the short-, medium-, and long-term to action your climate strategy and reach the future state? Can any climate projects or initiatives be run concurrently for maximum cost efficiency?
- Should a carbon price be implemented within your organization to fund the related climate projects? If so, what pricing model should be employed (i.e., shadow, dynamic, trading or fee)?
- Are there any financial grants, subsidies, or other incentives offered by industry bodies, legislative bodies, or governments that can be applied to support or accelerate any required changes?

Define the metrics

Once your organization's future state operating model has been defined, you will be suitably positioned to drive the delivery of that vision.

To facilitate this process, it is important to allocate appropriate measures and KPIs to track the delivery of the climate strategy, measure success and identify whether the operating model changes are effectively meeting organizational goals. Measurement is important to ensure that the systems and processes in place are equipped to track performance towards the future state and ensure capital and investment is well allocated.

Examples of common climate metrics are:

- Percentage of suppliers reviewed in the context of sustainability (%)
- Percentage of non-renewable materials (%)
- Product recycling rate (%)
- Packaging materials recycling rate (%)
- GHG emissions from business travel per employee
- Scope 3 absolute emissions reduction versus the baseline (in line with science-based target)
- Net GHG emissions in Scope 1 and 2
- Waste reduction rate (%)
- Return on Sustainability Investment (ROSITM)⁹

The identified performance metrics should be assigned to individual roles within the organization to ensure accountability for the initiatives and targets for example, the Chief Sustainability Officer for climate-related activities and KPIs.

However, accountability of the climate-led transformation should not be limited to leadership. An effective climate strategy will incorporate components of climate-related KPIs throughout the organization in ways that are suitable for the varying positions. For example, it might be appropriate to add metrics to the sales teams to prioritize the sale of low-carbon goods and services. By setting appropriate metrics, you will empower your people and position your organization for success.

Having a tailored metric for monitoring the relationship between your climate strategy and operating model is critical regardless if you are implementing a climate strategy for the first time or going through a strategy refresh. The review process should be conducted over the performance metrics and KPIs established, through to the outcome of the planning and implementation stages toward your organization's future state. For more information on monitoring and reporting against your climate strategy and sustainability and climate-related regulations, see [Step 5](#).

In summary

The final step in your operating model journey is to bring it to life. Articulate the quantitative and qualitative evidence behind the future state operating model and develop feasible initiatives to implement the future state operating model over an agreed period. Plan these carefully, with risks, timing, resources and dependencies in mind, and consider the broader operational context.

For example, how to work on these new initiatives while continuing business-as-usual operations.

Another important element of this phase is to ensure sufficient capital is allocated to fund your climate-related investments, as well as the right performance metrics to measure success.

It is sensible to identify and measure what is working well within your organization at the early stages, as well as what is not being implemented as effectively as hoped so that you can pivot where needed.

Regardless of a decentralized, hybrid or centralized approach, internal stakeholder engagement is an important part of this stage of your operating model alignment as your stakeholders are best positioned to drive implementation. They will play a key role in realizing your climate strategy and bringing your future state operating model to life.

Critically consider:

- How will your organization need to work together to achieve your climate targets?
- What is expected of different functions, teams, leaders and processes?
- How is this communicated, measured and managed?

Change management and communications play an important role in this realignment. Create a compelling narrative for your internal stakeholders to understand the future state operating model, why your organization needs to adopt it and what the benefits will be. Take your internal stakeholders with you on the journey—make sure they are aware of your climate aspirations and realignment impacts, understand them, and are committed and motivated to help deliver them.

Case study



As the final step in redesigning its operating model as part of the climate-led transformation journey, Global Energy Corporation focused on determining the steps needed to achieve success.

Following the steps in this final phase, Global Energy Corporation achieved the following outcomes:

- **Clearly articulated case for change:** Global Energy Corporation articulated a compelling case for change. Besides highlighting the increasing internal and external climate-related pressures, it focused on articulating the potential benefits of sustainable operations. For example, by prioritizing electrification initiatives and expanding EV charging infrastructure, Global Energy Corporation anticipated capturing a growing market share in the electric transportation sector and an opportunity to reposition itself with customers. Additionally, exploring low-carbon solutions as alternative fuels presents opportunities to diversify its energy portfolio and meet evolving customer preferences. This clear case for change gained buy-in from stakeholders, including senior leadership and external climate experts.
- **Detailed implementation roadmap:** Global Energy Corporation conducted a comprehensive analysis of its operations and design of its future state operating model. It assessed key initiatives based on factors such as complexity, resources, costs, effort and risks, prioritizing those aligned with its sustainability and climate objectives. This evaluation process informed the creation of a detailed implementation roadmap, which included timelines, dependencies and resource considerations. For example, the expansion of EV charging infrastructure was assessed by considering factors such as installation complexity, technology availability, grid integration and regulations. The roadmap phased the expansion over 10 years, taking into account projected EV demand and specified annual installations, target areas and infrastructure upgrades. Global Energy Corporation incorporated project management processes, milestones, metrics and reviews to monitor progress and address risks. By following this roadmap, it effectively allocated resources and ensured the achievement of its sustainability and climate targets.
- **Capital allocation planning:** Global Energy Corporation conducted a comprehensive assessment of the investments required for its sustainability and climate initiatives, such as for the installation and maintenance of EV charging stations (including the purchase of charging equipment, electrical infrastructure upgrades and potentially securing partnerships with commercial property owners for charging station deployment), research and development of low-carbon solutions, and training and capacity building of the workforce. Global Energy Corporation carefully evaluated short-, medium- and long-term funding needs and explored cost-efficient project combinations to maximize resources.
- **Metrics for accountability:** To ensure accountability, Global Energy Corporation established metrics and KPIs for measuring its climate strategy's success. Metrics included installed EV charging stations, carbon emission reduction in internal operations and the value chain (in metric tons of CO₂ equivalent and percentage reduction from baseline) and a supplier sustainability scorecard assessing environmental impact, social responsibility and ethical business practices. These metrics were allocated to individual roles within Global Energy Corporation, ensuring clear responsibilities and alignment with sustainability and climate initiatives and targets.

Step 3

Summary

A critical part of your climate-led transformation journey is to ensure that the climate aspiration and strategy are well aligned with your organization's operating model.

An optimal alignment will help your organization prepare for climate-related risks and capitalize on emerging value-creation opportunities with visibility over the capabilities, resources, and capital required.

The climate-led transformation journey needs the operating model of an organization to be designed with top-down and bottom-up considerations. While leadership and high-level strategic intent at the top often will lead the transition, a base-level understanding of the current operations and potential existing pain points at all levels is essential for developing options for and ultimately designing your future state operating model.

Organizations succeed when their aspiration, purpose and strategic goals are supported by the necessary people, processes, and culture. When aligning your operating model and climate strategy, note that these areas should work in unison to successfully reach your organization's future state.

See [Step 4 'Enhance organizational capability'](#) to discover how to equip your organization and future state operating model with the capabilities to deliver your climate strategy and achieve your climate aspirations.

Step 3 in action

Global Energy Corporation case study

Case study



This case study is based on Global Energy Corporation, a renowned multinational energy company operating in the energy industry and holding a strong global presence that has demonstrated its leadership in the energy sector.

With the pressing challenges posed by climate change and the increasing demand for sustainable energy solutions, Global Energy Corporation recognized the need to redefine its operating model. It embarked on a transformative journey to transition to a sustainable energy company. Through the three phases in Step 3, including reflecting on the current state, designing the future state operating model and determining the necessary steps for success, Global Energy Corporation laid a strong foundation for its climate-focused transformation. This strategic, phased approach ensured a holistic integration of sustainability principles throughout the company, guiding its operations, decision-making and stakeholder engagement. Through this transformation, Global Energy Corporation aims to drive positive environmental impact, capture market opportunities and meet evolving customer demands while embracing a sustainable future.

Step 3

Global Energy Corporation's actions and commitments

Reflect on the current state

In the first phase of this transformative journey, Global Energy Corporation developed a comprehensive and well-defined climate strategy that served as a guiding framework for its transition into a sustainable energy company. The climate strategy outlined specific goals and aspirations, including reducing carbon emissions, embracing renewable energy sources and minimizing environmental impact.

Subsequently, Global Energy Corporation identified various catalysts for change that drove its transformation. These catalysts included stricter sustainability and climate-related regulations imposed globally, which compelled Global Energy Corporation to comply with carbon emission limitations and promote renewable energy sources. Additionally, it acknowledged the declining demand for petroleum-based products and recognized the increasing demands from consumers, investors and stakeholders for concrete actions to mitigate climate change.

To better understand the existing operating model, Global Energy Corporation conducted a thorough assessment of its current state. This assessment encompassed an analysis of the energy portfolio, carbon emissions, supply chain, technology infrastructure and stakeholder relationships. By gaining insights into these areas, Global Energy Corporation was able to identify enablers already in place for the transition to a sustainable energy company. These enablers included technological advancements, partnerships with renewable energy providers, research and development initiatives and an engaged employee base.

Simultaneously, Global Energy Corporation conducted a pain points analysis to identify potential barriers to implementation. It recognized regulatory constraints as a significant hurdle, alongside outdated infrastructure, limited expertise in renewable energy technologies and the financial challenges associated with the transition.

Design the future state operating model

In the second phase of transforming its operating model, Global Energy Corporation focused on designing its future state. Through extensive collaboration with key stakeholders, Global Energy Corporation established clear design principles that would guide the development of its future state operating model. Subsequently, Global Energy Corporation explored a range of conceptual options, considering both decentralized and centralized models, and assessed based on its alignment with the design principles, ease of implementation and implications for existing management systems.

After careful evaluation, the decentralized model emerged as the preferred choice for Global Energy Corporation. This model aligned best with the established design principles and strategic vision. The new strategy focused on integrating sustainability and climate priorities throughout Global Energy Corporation's full scope of products, services and internal operations. This involved prioritizing electrification initiatives, expanding EV charging infrastructure, exploring low-carbon solutions such as biofuels and hydrogen, investing in carbon offset projects and optimizing the supply chain through local sourcing to reduce emissions.

Building upon the decentralized model, Global Energy Corporation designed a detailed blueprint for its future state operating model. To ensure the effective implementation of sustainability and climate targets, a dedicated Sustainability & Climate Centre of Excellence was established to set policies and standards for sustainable practices. Within each department, specific roles were created to address critical areas such as renewable energy development, carbon reduction strategies, sustainable supply chain management and partnerships. Clear delineation of responsibilities and updates to the governance model ensured seamless integration of sustainability and climate targets into day-to-day operations, with individuals or teams being held accountable for driving progress. Additionally, functional blueprints were developed to identify and foster critical climate capabilities needed, such as climate data management, predictive modeling and sustainable portfolio strategy.

Step 3

Global Energy Corporation's actions and commitments

Determine the steps needed to achieve success

In the final phase of this step in its climate-led transformation journey, Global Energy Corporation focused on determining the necessary steps to achieve success in redesigning its operating model.

Firstly, Global Energy Corporation crafted a compelling case for change, emphasizing the urgent climate pressures and the potential benefits of sustainable operations. This garnered support from stakeholders, including senior leadership and external climate experts. By prioritizing electrification initiatives and expanding EV charging infrastructure, Global Energy Corporation aimed to capture a growing market share in the electric transportation sector and reposition itself with customers. Exploring low-carbon solutions provided an opportunity to diversify its energy portfolio and meet evolving customer preferences.

Secondly, a detailed implementation roadmap was developed through a comprehensive analysis of its operations and the future state operating model. Key initiatives were evaluated based on complexity, resources, costs, effort and risks, with priority given to those aligned with the sustainability and climate-related objectives. The roadmap included timelines, dependencies and resource considerations. The phased expansion of EV charging infrastructure over 10 years, aligned with projected EV demand and infrastructure upgrades, was incorporated. Project management processes, milestones, metrics and reviews were included to monitor progress and address risks.

Capital allocation planning was conducted to assess the investments required for sustainability and climate initiatives, considering short-, medium- and long-term funding needs. This allowed for the optimization of resources through cost-efficient project combinations.

To ensure accountability, metrics and KPIs were established. These included the number of installed EV charging stations, carbon emission reductions in internal operations and across the value chain and a supplier sustainability scorecard. Clear responsibilities were assigned to individuals to track progress and align with sustainability and climate initiatives and targets.

Key terms

List of the key terms used in this publication and their definitions.

Key terms	Definition
The Paris Agreement	The Paris Agreement, or Paris Accord, is an international agreement which was ratified in 2015 by almost 200 nations. The agreement was a commitment by member nations to address the impacts of climate change and attempt to limit average surface temperature warming to below 2°C by the end of the century, and ideally below 1.5°C.
Net-zero	<p>Net-zero refers to the balance between the amount of GHG produced and the amount removed from the atmosphere. Your organization reaches net-zero when the amount you add is no more than the amount taken away.</p> <p>SBTi defines it as setting corporate net-zero targets aligned with meeting societal climate goals means (1) achieving a scale of value chain emissions (i.e., Scope 1, 2 and 3) reductions consistent with the depth of abatement at the point of reaching global net-zero in 1.5°C pathways and (2) neutralizing the impact of any residual emissions by permanently removing an equivalent volume of CO₂.¹⁰</p>
Science-based targets	Targets that are in line with what the latest climate science says is necessary to meet the goals of the Paris Agreement—to limit global warming to well below 2°C above pre-industrial levels and pursue efforts to limit warming to 1.5°C.
ESG approach	An ESG approach is applied to business activities and decisions to consider the wider, non-financial impacts of an organization's actions on its shareholders. This approach is often used to encompass social welfare, climate-conscious, and community-focused metrics in decision-making processes.
GHG emissions categories	<p>Scope 1: Direct organization-owned or controlled emissions occurring at the source.</p> <p>Scope 2: Emissions associated with the production of energy consumed by your organization.</p> <p>Scope 3: Indirect emissions associated with your organization's activities from sources not owned or controlled by your organization.</p>
Carbon footprint	A carbon footprint, otherwise known as a carbon inventory, is the GHG emissions attributable to that organization. This may include the organization's Scope 1, 2, or 3 emissions for a given year.
Decarbonization	Decarbonization is the process of reducing the carbon intensity of an activity or organization or eliminating the carbon footprint. An example of reducing intensity includes using E10 fuels over regular petrol/gasoline, whereas elimination could include using renewable electricity over fossil fuel-based electricity.
Carbon price	A carbon price can be either an internal or external pricing tool. For example, governments may tax carbon emissions as an external form of carbon pricing for the organization. Whereas an internal approach could be for an organization to assign a "shadow" price of carbon to certain organization projects to account for the expected climate impact of that project. There are many methods of pricing carbon, and some may be more suitable than others for your organization and needs.

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