The Business of Sustainability

Findings and Insights from the First Annual Business of Sustainability Survey and the Global Thought Leaders’ Research Project
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Preface

Sustainability is garnering ever-greater public attention and debate. The subject ranks high on the legislative agendas of most governments; media coverage of the topic has proliferated; and sustainability issues are of increasing concern to humankind.

However, the business implications of sustainability merit greater scrutiny. Will sustainability change the competitive landscape and reshape the opportunities and threats that companies face? If so, how? How worried are executives and other stakeholders about the impact of sustainability efforts on the corporate bottom line? What, if anything, are companies doing now to capitalize on sustainability-driven changes? And what strategies are they pursuing to position themselves competitively for the future?

To begin answering those questions, the MIT Sloan Management Review and knowledge partner The Boston Consulting Group, with sponsorship support from business analytics provider SAS, are collaborating on a project called the Sustainability Initiative. As part of that effort, we recently launched a global survey of more than 1,500 corporate executives and managers about their perspectives on the intersection of sustainability and business strategy. (We plan to make this an annual survey.) Prior to the survey, to form hypotheses and shape its questions, we conducted more than 50 in-depth interviews with a broad mix of global thought leaders. Our interviewees included executives whose companies are at the cutting edge of sustainability (including General Electric, Unilever, Nike, Royal Dutch Shell, and BP) and experts from a range of disciplines such as energy science, civil engineering, and management. The insights of these two groups yielded a fascinating glimpse of sustainability's current position on the corporate agenda—and where the topic may be headed in the future.

This report presents high-level findings from those surveys and interviews and offers interpretation and analysis of the results, along with a diagnostic tool. We hope that it provides executives food for thought as they consider how they can take their sustainability efforts to the next level.

For more about this work in sustainability, including exclusive in-depth interviews and additional feature articles, please see the online exploration at MIT Sloan Management Review's Sustainability Initiative Web site, http://sloanreview.mit.edu/sustainability/.
Executive Summary

There is a strong consensus that sustainability is having—and will continue to have—a material impact on how companies think and act.

▼ More than 92 percent of survey respondents said that their company was addressing sustainability in some way.

▼ There was also a strong consensus that the underlying drivers of sustainability are highly complex, interrelated, and secular, and that the corporate sector will play a key role in solving the long-term global issues related to sustainability.

Sustainability is surviving the downturn.

▼ Fewer than 25 percent of survey respondents said that their company had decreased its commitment to sustainability during the downturn.

▼ Respondents in some segments, such as the automotive industry and the media and entertainment industry, have reported an increased company commitment to sustainability, on average.

Although almost all the executives in the survey thought that sustainability would have an impact on their business and were trying to address this topic, the majority also said that their companies were not acting decisively to exploit the opportunities fully and mitigate the risks that sustainability presents.

▼ The majority of sustainability actions undertaken to date appear to be limited to those necessary to meet regulatory requirements.

▼ More than 70 percent of survey respondents said that their company has not developed a clear business case for sustainability.

A small number of companies, however, are acting aggressively on sustainability—and reaping substantial rewards.

▼ Once companies begin to act aggressively, they tend to unearth more opportunity, not less, than they expected to find, including tangible bottom-line impacts and new sources of competitive advantage.

▼ The early movers’ approaches have several key characteristics in common, offering some helpful ideas on how to proceed.
Thought leaders and executives with experience in sustainability interpreted sustainability concerns (and their management implications) far more broadly than did executives lacking such experience. This understanding can open sometimes surprising opportunities for capturing advantage.

While sustainability’s so-called novice practitioners thought of the topic mostly in environmental and regulatory terms, with any benefits stemming chiefly from brand or image enhancement, practitioners with more knowledge about sustainability expanded the definition for sustainability well outside the “green” silo. They tended to consider the economic, social, and even personal impacts of sustainability-related changes in the business landscape. Simply put, they saw sustainability as an integral part of value creation.

Self-identified experts in sustainability believed more strongly in the importance of engaging with suppliers across the value chain. Sixty-two percent of these respondents considered it necessary to hold suppliers to specific sustainability criteria; only 25 percent of novices felt the same. There was a high correlation between the depth of a business leader’s experience with sustainability and the drivers and benefits that he or she perceives. For example, 68 percent of business leaders with sustainability expertise indicated the financial logic for their organization’s investments in sustainability initiatives was either “advantage—material financial returns” or “attractive—incremental financial returns.” This suggests that the more people know about sustainability, the more thoughtfully they evaluate it and the more opportunity they see in it—and the more they think it matters to how companies manage themselves and compete.

According to survey respondents, the biggest drivers of corporate sustainability investments—that is, the forces that are having the greatest impact on companies—are government legislation, consumer concerns, and employee interest in sustainability.

Government legislation was cited as the principal driver by nearly all the industries we analyzed—with the exceptions of agriculture, mining, and water companies, which cited environmental pollution as the issue having the greatest impact on their companies, and companies in both the media and entertainment industry and the technology and telecommunications industry, which identified global political security as having the greatest impact.

Consumer concerns were viewed as a relatively more critical force in sustainability among companies based outside of the United States and Europe.

Sustainability will become increasingly important to business strategy and management over time, and the risks of failing to act decisively are growing.

Our research indicates that companies need to develop a better understanding of the implications of sustainability for their business—and that the companies already doing so are being rewarded.

Companies will need to develop new capabilities and characteristics, including the ability to operate on a systemwide basis and collaborate across internal and external boundaries; a culture that rewards and encourages long-term thinking; capabilities in the areas of activity measurement, process redesign, and financial modeling and reporting; and skills in engaging and communicating with external stakeholders.
Survey and Interview Findings

First and foremost, our survey revealed that there is no single established definition for sustainability. Companies define it in myriad ways—some focusing solely on environmental impact, others incorporating the numerous economic, societal, and personal implications. Yet while companies may differ in how they define sustainability, our research indicates that they are virtually united in the view that sustainability, however defined, is and will be a major force to be reckoned with—and one that will have a determining impact on the way their businesses think, act, manage, and compete.

I think that the world has reached a tipping point now. We’re beyond the debates over whether [addressing sustainability] is something that needs to be done or not—it’s now mostly about how do we do it. And from an ecomagination perspective, it’s not about altruism, it’s about creating value.

Steve Fludder
vice president, ecomagination, GE

The Consensus: Sustainability Matters

Indeed, the overwhelming majority of the corporate respondents in the broader survey group—as well as nearly all the corporate executives interviewed in the smaller thought leader group—told us that sustainability-related issues were having or will soon have a material impact on their business. For example, 92 percent of the survey respondents told us that their company was already addressing sustainability in some way. Furthermore, there was a strong consensus that the underlying drivers of sustainability are highly complex, interrelated, and secular, and that the corporate sector will play a key role in solving the long-term global issues related to sustainability.

In the last year or two, everything has changed. People are starting to suspect that these are really strategic issues that will shape the future of our businesses. The specifics are different depending on industry and context, but we’re in the beginning of a historic wake-up.

Peter Senge
faculty member MIT Sloan School of Management, and founding chair, Society for Organizational Learning

1. For a discussion of the many ways in which companies are defining sustainability, see the Sustainability Initiative Web site.
Sustainability Is Not a “Topic du Jour”

A good indication that sustainability is here to stay is the fact that fewer than one-fourth of the survey respondents told us that their companies have pulled back on their commitment to sustainability during the downturn. (See Exhibit 1 on page 17.) Respondents in some segments, such as the automotive industry or the media and entertainment industry, have reported an increased company commitment to sustainability, relative to the average.

A number of corporate executives in the thought leader group also shared their belief that the downturn has accelerated a shift toward a greater corporate focus on sustainability—particularly toward sustainability-related actions that have an immediate impact on the bottom line. At the same time, several respondents in the broader survey group lamented having to meet higher-than-normal criteria for sustainability investments. They told us that it was increasingly difficult to maintain investments in the current financial environment because of limited access to capital.

Opinions Diverge on Some Aspects of Sustainability

Although the points above reflect a strong convergence of views on the overarching question of sustainability’s impact on business, significant divergence in opinion arose regarding particular aspects of sustainability. We highlight some of the most noteworthy differences below.

Self-identified sustainability experts viewed the topic differently than those who considered themselves novices in the area. We asked corporate respondents in the broader survey group to rate their experience with sustainability by classifying themselves as either a sustainability expert, an individual with some experience, or a novice. In a number of cases, the perspectives held by these three groups were at odds.

▼ Experts defined sustainability more comprehensively than novices did. While a significant proportion (40 percent) of novices defined sustainability simply as “maintaining business viability,” nearly two-thirds (64 percent) of experts used one of two widely accepted definitions: the so-called Brundtland Commission definition or the Triple Bottom Line definition, both of which incorporate economic, environmental, and social considerations.\(^2\)

▼ Whereas 50 percent of the experts we surveyed said that their company had a compelling business case for sustainability, only 10 percent of the novices we surveyed did. Further, when asked about the logic underlying their organization’s investments (or lack thereof) in sustainability initiatives, 68 percent of experts cited improved financial returns compared with only 32 percent of novices.

▼ Experts believed more strongly in the importance of engaging suppliers across the value chain. Sixty-two percent of the experts surveyed considered it necessary to hold suppliers to specific sustainability criteria; only 25 percent of surveyed novices felt the same.

2. The Brundtland Commission wrote in its 1987 report, Our Common Future, that “sustainable development seeks to meet the needs and aspirations of the present without compromising the ability to meet those of the future.” The Triple Bottom Line, also known as “people, planet, profit,” is a term coined by John Elkington in 1994. It expands traditional financial reporting frameworks to include ecological and social performance.
It is noteworthy that experts’ views on the points above were largely consistent with those of the interviewees in the thought leader group, with experience being the common denominator among the groups. Simply put, we conclude that the more people know about sustainability, the more thoughtfully they evaluate it and the more opportunity they see in it—and the more they think it matters to how companies position themselves and operate.

The essence of environmental strategy is to make it an issue for your competitor—not for your own company—...because you’ve already made sustainability an integral part of your business.

Amory Lovins  
chairman and chief scientist, Rocky Mountain Institute

All the benefits of sustainability are only possible if you tackle the issues on the supply chain. If not, it’s greenwashing.

Dierk Peters  
former international marketing manager, Unilever

As an overall group, the corporate respondents in the broader survey group held different opinions from those of the thought leaders we interviewed. Perhaps because of their comparatively greater experience with sustainability, the thought leaders’ views on several aspects of sustainability diverged from those of the survey respondents—particularly with regard to the topic’s drivers and benefits. The major points of contention included the following:

▼ Government Legislation. Overall, corporate respondents in the broader survey group deemed government legislation the sustainability-related issue with the greatest impact on their business. (See Exhibit 2 on page 18.) Sixty-seven percent said that this issue had a significant impact on how their organization was approaching sustainability. By contrast, the thought leader group placed far less emphasis on government legislation as a driving force in sustainability. Further, many of the thought leaders we interviewed cited instances in which companies had played a role in shaping the regulatory framework rather than simply reacting to it. (For more about one company that actively shapes the regulatory environment and partners with government and other stakeholders, see the Mini-Case on page 24, “A Better Place: Charging Ahead in Favorable Regulatory Climates.”)

▼ Consumer Concerns. Fifty-eight percent of respondents in the broader survey group cited consumer concerns as having a significant impact on their companies. By contrast, although interviewees in the thought leader group acknowledged that consumer awareness is a reality that businesses must confront, they cited other drivers—such as climate change and other ecological forces—as more pressing.

3. When we examined sustainability drivers by industry, we found that government legislation also led among nearly all the industries we analyzed, with just three exceptions. Survey respondents from agriculture, mining, and water companies cited environmental pollution as the issue having the greatest impact; for the media and entertainment industry and the technology and telecommunications industry, respondents identified global political security as having the greatest impact.

4. Interestingly, consumer concerns were viewed as a relatively more critical force in sustainability among companies based outside of the United States and Europe. In Australia and New Zealand, Africa and the Middle East, and Latin America, 73 percent, 68 percent, and 67 percent of survey respondents, respectively, identified consumer concerns as an issue having a significant impact on their company.
Employee Interest. Rounding out the top three drivers was employee interest in sustainability; 56 percent of respondents in the broader survey group selected it as an issue having a significant impact on their company. Yet among the thought leader group, employee interest was deemed a far less significant issue. This group, however, consistently cited enhanced recruitment, retention, and engagement—and other employee-related issues—as major benefits of addressing sustainability.

People (in our company) are thrilled when they feel like they can be part of the solution.

Chris Page
director of climate and energy strategy, Yahoo!

I think the first reward is around the ability to attract and motivate the very best people. It is extraordinary how attractive BP’s alternative energy business is for people coming into the company. And where—certainly up until very, very recently—many good graduates would not consider a career in the oil industry, they will consider a career in an alternative energy business, even if it is inside an oil company.

Vivienne Cox
former executive vice president, BP, and former chief executive officer, BP Alternative Energy

By a wide margin, respondents in the broader survey group identified the impact on a company's image and brand as the principal benefit of addressing sustainability. (See Exhibit 3 on page 19.) But interviewees in the thought leader group rarely cited this factor (or when they did, they described it as a second-order benefit), emphasizing instead a broad continuum of rewards that were grounded more in value creation—particularly sustainability's potential to deliver new sources of competitive advantage. Several thought leaders offered other provocative ideas about the potential benefits of addressing sustainability. For example, some thought leaders suggested that leadership in sustainability might be viewed as a proxy for management quality. The majority of the respondents in the broader survey group did not share the views espoused by a small core of skeptics. Most survey respondents were convinced that sustainability is currently relevant to their companies. But depending on the questions asked, approximately 5 to 10 percent of the survey respondents expressed doubts. Those doubts were centered largely on the following three basic arguments:

- **Sustainability issues are not real or material.** “All groups talk about the issue, but solely from a politically correct viewpoint,” said an executive at a medium-size multinational company. “Behind the sustainability ‘chatter,’ no one is willing to take any action or invest any time in the matter.”

5. The topic was markedly more significant to respondents from Africa and the Middle East (where it was cited by 70 percent of respondents) and Australia and New Zealand (where 76 percent of respondents cited it, deeming it the region’s top driver overall).

6. This percentage may underrepresent the number of skeptics and critics in the market since there could be an inherent self-selection bias among survey respondents. That is, those who took the time to respond to our survey may be more likely to believe that sustainability is having or can have an impact.
Business does not have a role, in general, in addressing sustainability issues. The chairman of a Latin American consumer retail company told us, “My only objective is [a high] return on equity, and I hope that the CEOs who manage the companies in which I invest my savings reason just as I do.”

Sustainability poses no material opportunities (or threats) to the company. A related argument we heard was that even if sustainability poses opportunities or threats, they are minor, particularly when compared with those related to other investments companies could make. An executive at a European financial services company explained simply, “Sustainability has no impact on our business.”

These views may reflect legitimate doubts; they may also reflect a misunderstanding or misinterpretation of sustainability. For example, we have observed several companies that express many of the arguments listed above—but that are redesigning their products and business processes to have a lighter environmental footprint because it “makes good business sense.”

Some Companies Are Acting Decisively and Winning

While the vast majority of companies have yet to commit aggressively to sustainability, our survey and interviews confirmed that there are noteworthy exceptions. The group of so-called first-class companies in sustainability, as identified by survey respondents, is populated by the usual suspects often highlighted in business articles, reports, books, and sustainability indexes. The top five cited most often by survey respondents were GE, Toyota, IBM, Shell, and Wal-Mart. But some lesser-known names also surfaced, such as Rio Tinto, Better Place, and IWC (International Watch Company). In aggregate, these companies are demonstrating that a sustainability strategy can yield real results. (For more about Nike—one of the companies that our survey respondents cited most often as a first-class company—and the steps that it has taken in sustainability, see the Mini-Case “Nike: From Labor-Practice Compliance to Design Offensive” on page 25.)

Most Companies Either Are Not Acting or Are Falling Short on Execution

Our survey and interviews demonstrated that there is a large degree of consensus regarding the potential business impact of sustainability. Our research further confirmed that there are stirrings of activity throughout the business realm. But we found a material gap between intent and action at most of the companies we examined. On the one hand, more than 60 percent of the respondents in the broader survey group said that their company was building awareness of its sustainability agenda. On the other hand, most of these companies appeared to lack an overall plan for attacking sustainability and delivering results. Many of their actions seemed defensive and tactical in nature, consisting of a variety of disconnected initiatives focused on products, facilities, employees, and the greater community. While these efforts might be impressive on some levels, they largely represented only incremental changes to the business.

Clearly, companies can do more to connect their stated intent in sustainability with business impact—and they can do it in a way that maintains explicit links to the bottom line over both the short and long term. But why aren’t they, given that they believe sustainability will materially affect their business?

7. See the Sustainability Initiative Web site for the full list of organizations identified by survey respondents as first-class companies in sustainability.
Why Decisive—and Effective—Corporate Action Is Lacking

The thought leader group and the survey respondents alike viewed sustainability as a unique business issue, both strategically and economically. They embraced the following principles:

▼ Sustainability has the potential to affect all aspects of a company’s operations, from development and manufacturing to sales and support functions.

▼ Sustainability also has the potential to affect every value-creation lever over both the short and longer term. Rarely has a business issue been viewed as having such a broad scope of impact.

▼ There is mounting pressure from stakeholders—employees, customers, consumers, supply chain partners, competitors, investors, lenders, insurers, nongovernmental organizations (NGOs), media, the government, and society overall—to act.

▼ The solutions to the challenges of sustainability are interdisciplinary, making effective collaboration with stakeholders particularly critical.

▼ Decisions regarding sustainability have to be made against a backdrop of high uncertainty. Myriad factors muddy the waters because of their unknown timing and magnitude of impact. Such factors include government legislation, demands by customers and employees, and geopolitical events.

These principles make sustainability a uniquely challenging issue for business leaders to manage and address effectively.

Three Major Barriers Impede Decisive Corporate Action

There are many reasons why companies are struggling to tackle sustainability more decisively. But our research points to three root causes. First, companies often lack the right information upon which to base decisions. Second, companies struggle to define the business case for value creation. Third, when companies do act, their execution is often flawed.

Richard Locke
deputy dean and professor of entrepreneurship,
MIT Sloan School of Management
Some companies don’t understand what sustainability is—and what it means to the enterprise. Our survey revealed that many business leaders lack a complete understanding of what sustainability really means to their company, largely because of some key underlying information gaps.

• Managers lack a common fact base about the full suite of drivers and issues that are relevant to their company and industry. More than half of the respondents in the broader survey group stated a need for better frameworks for understanding sustainability.

• As mentioned earlier, companies do not share a common definition or language for discussing sustainability—some define it very narrowly, some more broadly, others lack any corporate definition.

• The goal or “prize” of concerted action is often defined too loosely and not collectively understood within the organization. And there’s often no understanding of how to measure progress once actions are undertaken.

All of these issues point to a critical need for a thorough and structured gathering and sharing of basic facts about sustainability as a first step toward helping managers to be more decisive in the choices they face. To aid managers in this difficult task, we have developed a simple framework for understanding the drivers and impacts of sustainability efforts and for helping to add clarity to the boardroom discussion on the appropriate actions for each company. (See Exhibit 4 on page 20 for one view on framing sustainability for business.)

[Pursuing sustainability] opens up a broader set of options. For example, there are places where the fact that we have a solar business—or are involved in carbon capture and storage—changes the conversations even around the oil and gas business. And therefore, sustainability efforts are opening up a different dialogue than the one that would occur if we were just a traditional oil and gas company.

Vivienne Cox
former executive vice president, BP,
and former chief executive officer, BP Alternative Energy

Some companies have difficulty modeling the business case—or even finding a compelling case—for sustainability. Most survey respondents who considered themselves experts in sustainability, as well as most of the interviewees in the thought leader group, said that their company had found a compelling business case—one that reflected multiple tangible and intangible costs and benefits—for sustainability. (See Exhibit 5 on page 21 for a summary of sustainability’s potential impact when viewed through the lens of shareholder value creation.)

The majority of survey respondents overall, however, disagreed: almost 70 percent said that their company did not have a strong business case for sustainability. Of these respondents, 22 percent claimed that the lack of a business case presented their company with its primary barrier to pursuing sustainability initiatives.
Why do companies struggle in their efforts to develop the business case for sustainability? Our survey uncovered three main challenges that trip up companies. The first challenge is forecasting and planning beyond the one-to-five-year time horizon typical of most investment frameworks. It is easy to assert that sustainability is about taking a long-term view. But in practice, calculating the costs and benefits of sustainability investments over time frames that sometimes span generations can be difficult with traditional economic approaches. This is further exacerbated by the short-term performance expectations of investors and analysts. The framework mentioned above can provide a company’s board, shareholders, employees, and investors with a starting point for assessing the potential of short- and long-term moves in sustainability to create value.

The second challenge is gauging the systemwide effects of sustainability investments. Companies find it difficult enough to identify, measure, and control all of the tangible facets of their business systems. So they often do not even attempt to model intangibles or externalities such as the environmental and societal costs and benefits of their current business activities and potential moves in sustainability. This hinders their ability to get a true sense of the value of investments in sustainability.

The third major challenge is planning amid high uncertainty. Factors contributing to uncertainty include potential changes in regulation and customer preferences. Strategic planning, as traditionally practiced, is deductive—companies draw on a series of standard gauges to predict where the market is heading and then design and execute strategies on the basis of those calculations. But sustainability drivers are anything but predictable, potentially requiring companies to adopt entirely new concepts and frameworks.

In general, the thought leader group and also the survey respondents with experience in sustainability believe that clarifying the business case for sustainability may be the single most effective way to accelerate decisive corporate action, since it gets to the heart of how companies decide where they will—and will not—allocate their resources and efforts.

Green can save you a lot of money—not two or three years from now, but now.

Catherine Roche
partner and managing director, The Boston Consulting Group

Execution is often flawed. Even if companies surmount the first two hurdles, they often stumble over the third hurdle: execution. While it is still early days in terms of judging the effectiveness of execution in sustainability, our interviews and survey highlighted three main challenges in executing sustainability initiatives. The first is overcoming skepticism in organizations. Indeed, corporate respondents in the broader survey group cited outdated mental models and perspectives as the top internal roadblock to addressing sustainability issues. (See Exhibit 6 on page 22.) Examples of entrenched mind-sets that respondents cited include views that sustainability is solely “an additional cost” or “a green utopia.”

The second challenge in execution is figuring out how to institutionalize the sustainability agenda throughout the corporation. Survey respondents and the thought leader group alike were adamant that top-down vision, commitment, and leadership were critical for success—and that the absence of a top-down commitment was one of the greatest impediments to successful execution. Further, companies were often uncertain about where responsibility for achieving sustainability strategies should or did reside.
The third major challenge cited is measuring, tracking, and reporting sustainability efforts. These tasks are especially difficult in light of the fact that consumers and other stakeholders are increasingly demanding complete transparency on sustainability. Companies are often expected to share such information as their carbon footprint and the specifics of their manufacturing practices.

Several of these barriers, it should be noted, will accompany any major change effort in corporate strategy and operations. But they are intensified in the case of sustainability, given the topic’s unique economic and strategic challenges and companies’ limited experience with it.

Sustainability must be an integral part of strategy—not an add-on.

Ramón Baeza
senior partner and managing director and topic leader in the sustainable development sector,
The Boston Consulting Group

We have specific metrics because in a culture of execution, which is what GE is all about, the only way that ecomagination could survive is if we put some hard metrics around it.

Steve Fludder
vice president, ecomagination, GE

Necessary Capabilities Are in Short Supply

Interestingly, most of the respondents in the broader survey group expressed relatively limited concern about their companies having distinct gaps in technical or operational capabilities needed to address sustainability. We believe, however, that those executives might have underestimated the challenge. According to interviewees in the thought leader group, companies will need to develop and master a multitude of new capabilities and tools—and take a number of actions—if they are to execute their sustainability strategies successfully. We highlight a few of the critical capabilities below:

▼ Adopting a broad, systems-thinking approach to their business. Actions could range from deploying frameworks that allow for the modeling of systemwide effects of sustainability initiatives over the long term to forming more-effective partnerships and alliances and working in more concerted ways with stakeholders, regulators, and other influencers.

▼ Adding scenario-planning capabilities that allow the company effectively to build resilience to unpredictable future environments and external shocks, such as sharp swings in commodity prices.

▼ Developing tracking, measuring, and reporting capabilities, particularly as the bar for transparency continues to rise.

▼ Retooling R&D, product development, and sales and marketing to reimagine how products are designed, made, used, and recycled.

▼ Enhancing capabilities in innovating organizational models and management practices. This includes reorienting incentive and reward systems to promote long-term strategic and tactical thinking and multidisciplinary collaboration. It also includes knowing how and when to partner to achieve maximum advantage.
In the near future, these capabilities and tools may represent table stakes for managers and organizations. Already, many best-in-class companies possess these skills.

We need to educate people about systems thinking and help them understand how all of these activities are interdependent and affect each other.

Jeffrey Hollender
chief inspired protagonist and cofounder, Seventh Generation

Anticipating what’s coming, such as new greenhouse-gas regulations, is vital. Key energy technologies need to move through the 4Ds: discover, develop, demonstrate, and deploy.

Graeme Sweeney
executive vice president of future fuels and CO2, Royal Dutch Shell

Masdar’s typical engagement model is to partner with more experienced organizations. Torresol Energy, London Array, or our Masdar Clean Tech Fund with Credit Suisse are typical examples of such partnerships. Our investment strategy is centered on “People, Planet, Profit.” Besides the obvious commercial benefits that we expect to achieve, we also consider the social and environmental impact of new investments.

Ziad Tassabehji
director of utilities and asset management, Masdar
Looking Ahead: Seizing Opportunities and Mitigating Risks

As they confront the barriers to pursuing and achieving sustainability, many—if not most—business managers are struggling to understand where their companies are, where they need to go, and how to get there. The examples of leading companies offer a blueprint for how to proceed.

Lessons from First-Class Companies

There is much that can be learned about how to overcome the managerial obstacles to sustainability by examining the companies that are leading the way and—even more important—creating value while doing so. We asked corporate executives in the broader survey group which companies they consider to have first-class capabilities in sustainability and why. We also gathered deep perspectives on these—and other—leading companies’ practices and key success factors through in-depth interviews with executives. (In The Sustainability Audit on page 29, we synthesize the lessons from leading companies into a tool that companies can use to assess their own progress.)

While the particulars of each of these companies’ respective sustainability campaigns are unique, all first-class approaches have several key characteristics in common.

First-class companies understand and articulate sustainability’s impact on their organization. Leaders in sustainability gather the full set of facts and incorporate this knowledge into how they frame and define sustainability strategically and economically. They also adopt a systemwide view in understanding the relevant issues and needs of all their stakeholders. For example, they push suppliers to be better stewards of sustainability—often even selecting them on that basis. And they form partnerships and alliances with critical influencer groups (such as regulators, NGOs, experts, communities, and other companies) so that they can learn about and jointly develop innovative solutions. Mining firm Rio Tinto, for example, leads an industrywide initiative in sustainable development and has ties to the International Council on Mining and Metals. (See the Mini-Case on page 26, “Rio Tinto: Mining the Social Dimensions of Its Vast Operations.”)

They create a robust business case for sustainability. In developing the financial case for sustainability, first-class companies speak the language of business: value creation. They assess their sustainability strategies as they would any investment, systematically evaluating each value-creation lever—including the intangibles, which are more difficult to model.

These companies also make effective trade-offs between short-term expectations and longer-term impact, bringing the same long-term mind-set to sustainability investment decisions as they do to other routine long-term bets. They take into account in all external factors and system effects when analyzing the business case for sustainability, assessing the full set of costs and benefits.

Grounded in the facts and a solid business case, they publicly commit to ambitious goals that they measure and report—and they demonstrate that sustainability investments produce real business results.

They holistically integrate their sustainability strategy throughout the business. First-class companies believe that sustainability is a source of value creation rather than merely a legal imperative. They therefore work to integrate it deeply into their culture and embed it holistically into their strategy and all relevant aspects of their operations, while supporting it through strong, top-down commitment from the executive leadership team.
In sum, the companies that are winning with their sustainability approaches are embracing aggressive strategies, adapting their organizations, and creating new sources of advantage to deliver measurable business results.

You cannot implement these kinds of programs bottom-up—it’s impossible. It’s always top-down, always. Because it’s such a cultural change, you cannot do it organically.

Georges Kern  
CEO, IWC

Peering over the Horizon
Sustainability will have an increasingly large impact on the business landscape going forward. Companies that recognize this fact and position themselves at the forefront stand to reap sizable competitive advantages. Consider the following emerging realities:

▼ Prices for food, water, energy, and other resources are growing increasingly volatile. Companies that have optimized their sustainability profile and practices will be less exposed to these swings—and more resilient.

▼ Stakeholders—including consumers, customers, shareholders, and the government—are paying more attention to sustainability and putting pressure on companies to act.

▼ Governments’ agendas increasingly advocate for sustainability. Companies that are proactively pursuing this goal will be less vulnerable to sudden regulatory changes. They will also be better positioned to have a voice in shaping policy—rather than simply reacting to it.

▼ Capital markets are paying more attention to sustainability and using it as a gauge to evaluate companies and make investment decisions.

▼ First movers are likely to gain a commanding lead, and it may become increasingly difficult for competitors to catch up.

The experiences of executives already wrestling with sustainability-driven business issues suggest that companies need not make large, immediate investments in new programs. The findings reveal instead that what is essential is that companies start to think more broadly and proactively about sustainability’s potential impact on their business and industry—and begin to plan and act.

The time to take risks is when you’re successful, not when you’re sliding down the slope.

Tim Mohin  
principal consultant, Environmental and Occupational Risk Management;  
former senior manager for supplier responsibility, Apple;  
former director of sustainable development, Intel
Exhibit 1. At Respondents' Companies, the Downturn Has Had Little Effect on the Commitment to Sustainability

How has the current economic downturn affected your organization's commitment to addressing sustainability issues?

<table>
<thead>
<tr>
<th>Industry</th>
<th>Overall</th>
<th>Commitment decreased significantly</th>
<th>Commitment decreased somewhat</th>
<th>Business as usual, no changes</th>
<th>Commitment increased somewhat</th>
<th>Commitment increased significantly</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, mining, and water</td>
<td>10</td>
<td>15</td>
<td>35</td>
<td>17</td>
<td>7</td>
<td>11</td>
</tr>
<tr>
<td>Automotive</td>
<td>8</td>
<td>12</td>
<td>45</td>
<td>18</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Conglomerate</td>
<td>18</td>
<td>9</td>
<td>35</td>
<td>21</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>Construction</td>
<td>4</td>
<td>14</td>
<td>35</td>
<td>24</td>
<td>12</td>
<td>10</td>
</tr>
<tr>
<td>Consumer products and retail</td>
<td>7</td>
<td>16</td>
<td>33</td>
<td>27</td>
<td>7</td>
<td>8</td>
</tr>
<tr>
<td>Energy</td>
<td>11</td>
<td>7</td>
<td>52</td>
<td>9</td>
<td>6</td>
<td>12</td>
</tr>
<tr>
<td>Financial services</td>
<td>7</td>
<td>14</td>
<td>31</td>
<td>16</td>
<td>7</td>
<td>16</td>
</tr>
<tr>
<td>Health care</td>
<td>9</td>
<td>11</td>
<td>38</td>
<td>13</td>
<td>10</td>
<td>17</td>
</tr>
<tr>
<td>Industrial goods and services</td>
<td>8</td>
<td>18</td>
<td>32</td>
<td>19</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>Media and entertainment</td>
<td>7</td>
<td>18</td>
<td>35</td>
<td>16</td>
<td>8</td>
<td>12</td>
</tr>
<tr>
<td>Technology and telecommunications</td>
<td>35</td>
<td>17</td>
<td>13</td>
<td>8</td>
<td>6</td>
<td>3</td>
</tr>
</tbody>
</table>

Note: Due to rounding, the percentages for some industries do not total 100 percent.
Exhibit 2. Companies Are Influenced by a Wide Range of Sustainability-Related Issues

Respondents who rated an issue as having a significant impact

1 Respondents were asked to rate the issues on a scale of 1 (no impact) to 5 (major impact); this exhibit reflects the percentage of respondents who rated each issue with a 4 or 5.
Exhibit 3. Respondents Cited–by a Large Margin–an Improved Image as the Principal Benefit of Addressing Sustainability

What are the greatest benefits to your organization in addressing sustainability issues?

- Improved company or brand image
- Cost savings
- Competitive advantage
- Employee satisfaction, morale, or retention
- Product, service, or market innovation
- Business model or process innovation
- New sources of revenue or cash flow
- Effective risk management
- Enhanced stakeholder relations
- Other

Note: Data reflect the top-ranked response from the 1,560 business leaders who participated in our survey.
## Exhibit 4: A Framework to Help Companies Categorize Their Sustainability Objectives and Then Align Sustainability Efforts to Achieve Those Objectives

<table>
<thead>
<tr>
<th>Drivers and impacts of a sustainability effort</th>
<th>Time horizon of a sustainability effort</th>
</tr>
</thead>
<tbody>
<tr>
<td>Specific to a company (or industry)</td>
<td>Short term</td>
</tr>
<tr>
<td>Shared universally among all companies</td>
<td>Long term</td>
</tr>
<tr>
<td>I. Table stakes</td>
<td></td>
</tr>
<tr>
<td>II. Good business practices</td>
<td></td>
</tr>
<tr>
<td>III. Competitive differentiation</td>
<td></td>
</tr>
</tbody>
</table>

### I. Table stakes
- Public relations
- Compliance
- Efficiencies

### II. Good business practices
- Transparency
- Supply chain productivity

### III. Competitive differentiation
- Product redesign
- New market entry
- New organizational models

### IV. Game-changing innovation for the future
- Reframed economic models
- Partnerships with stakeholders

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**One View on Framing Sustainability for Business**

Many companies lack a clear, cohesive view of what sustainability is and how they should approach it. Exhibit 4 offers a visual framework that can help these companies conceptualize their efforts.

The framework looks at sustainability through two lenses: the time horizon for the sustainability effort and the degree to which the drivers and impacts of the effort are specific to a company or are shared more broadly among the corporate community. This framework categorizes sustainability efforts into one of four quadrants.

In the first quadrant are short-term actions that we call table stakes: the minimum, lowest-cost sustainability actions that all companies can—and in many cases must—take, such as complying with regulatory demands or capturing easily attainable cost efficiencies. In the second quadrant are actions that go beyond the broad, basic steps companies can take; these sustainability efforts make good business sense because they capture unique opportunities or mitigate unique threats posed by near-term sustainability issues. Examples in this category include the $500 million energy-efficient retrofit of the Empire State Building in New York City, along with improving resource productivity and eliminating waste across the supply chain, as Unilever and Wal-Mart have sought to do.

In the third quadrant are actions geared toward capturing competitive advantage via sustainability. These efforts include innovations and longer-term bets that are difficult for competitors to imitate and that often require organizational rewiring so that a company can achieve the full impact of its sustainability efforts. Reimagining how products are made and used and what happens to them when they expire is an example of a strategy in this category. The fourth quadrant encompasses future innovations that all companies can undertake as long as they form broader alliances with external stakeholders and rethink economic frameworks, because payoffs occur over a longer time frame.
Exhibit 5. Sustainability Efforts Could Influence All the Levers That Companies Use to Create Value

Value creation levers

- Profits
  - Margin improvement
  - Cost savings

- Revenue growth
  - Market share
  - New market entry

- Free cash flow

- Valuation multiple

- Total shareholder return

The potential impact of sustainability efforts

- A stronger brand and greater pricing power
- Greater operational efficiencies
- More efficient use of resources
- Supply chain optimization
- Lower costs and taxes

- Enhanced ability to attract, retain, and motivate employees
- Greater employee productivity

- Improved customer loyalty; lower rate of churn

- Enhanced ability to enter new markets
- More potential sources of revenue

- Lower market, balance-sheet, and operational risks
- Lower cost of capital
- Greater access to capital, financing, and insurance

Exhibit 6. Business Leaders Reported Various Internal Challenges to Sustainability

Which internal challenges within your organization present the most significant roadblocks to addressing sustainability issues?

Overall

Agriculture, mining, and water

Automotive

Conglomerate

Construction

Consumer products and retail

Energy

Financial services

Health care

Industrial goods and services

Media and entertainment

Technology and telecommunications

Percentage of respondents

0  25  50  75  100

Consumer companies cited competing priorities as their greatest challenge

Automotive companies cited insufficient resources as their greatest challenge

Construction companies cited an unproven value proposition as their greatest challenge

Health care companies cited outdated mental models as their greatest challenge

Note: Due to rounding, the percentages for some industries do not total 100 percent.
Exhibit 7: A Diverse Mix of Business Leaders Responded to the Sustainability Survey

- **Job position**
  - C-suite executive: 52%
  - Senior manager: 34%
  - Other: 14%
- **Expertise in sustainability**
  - Expert: 15%
  - Novice: 14%
  - Some experience: 72%
- **Region**
  - Africa/Middle East: 6%
  - Asia Pacific: 13%
  - Australia/New Zealand: 3%
  - Europe: 14%
  - Latin America: 6%
  - North America: 27%
  - Global: 28%
- **Size of organization**
  - Fewer than 10,000 employees: 69%
  - 10,000 to 100,000 employees: 9%
  - More than 100,000 employees: 22%
- **Industry**
  - Agriculture, mining, and water: 3%
  - Automotive: 2%
  - Conglomerate: 4%
  - Construction: 3%
  - Consumer products and retail: 7%
  - Energy: 9%
  - Financial services: 6%
  - Health care: 11%
  - Industrial goods and services: 10%
  - Media and entertainment: 6%
  - Technology and telecommunications: 3%
  - Other: 26%
THE MINI-CASES:
5 COMPANIES, 5 STRATEGIES, 5 TRANSFORMATIONS

A BETTER PLACE:
Charging Ahead in Favorable Regulatory Climates

Backstory: Better Place saw a future in electric cars and a demand for ways to recharge them. But how soon will electric charging stations make sense?

Challenge: What’s the fastest way to bring the electric “filling station”—a technology of the future—to market?

Key moves: Shai Agassi founded Better Place in 2007, on a straightforward rationale: Oil is finite, petroleum prices would inevitably rise, and global warming had created the impetus to reduce carbon emissions. Electric cars will be part of the emissions-reduction answer, as long as they have refilling stations.

Still, there was a big gap between that knowledge and the kind of favorable policies needed to create a critical mass of electric cars, at least in most markets.

So Better Place decided to analyze which geographies had already made political and cultural strides toward favoring electric vehicles—in essence, “outsourcing” its work on regulatory policy change to communities where it was already under way.

Among Better Place’s criteria for identifying hospitable locations for operation were that the public had to be receptive to electric cars, therefore creating an underlying market, and the government had to be creating a political climate to bring electric transportation to life. At the top of the list of nations was Israel, which wants all new cars to be electric by 2020. Urban centers in the nation are also less than 150 kilometers apart (about 90 miles) and 90 percent of car owners drive less than 70 kilometers per day, perfect for a short-haul electric vehicle. Add on gasoline taxes and a burgeoning wind industry and Israel appeared the perfect habitat to nurture electric vehicles—and thus electric refilling stations.

Coming in a close second was Denmark, which has a strong green consumer movement and has committed to cutting carbon emissions by 21 percent by 2012. Better Place also partnered with the city of Cogenhagen for the rapid deployment of electric recharging stations. In addition to these two leading-edge countries, the company is working in Australia, the United States (Los Angeles), and Japan to roll out the recharging stations.

Impact: By identifying favorable locations, Better Place is accruing a competitive advantage in removing a major barrier to the widespread adoption of electric cars. It has also positioned itself to be the first to reap the benefits when battery pack recharging facilities and infrastructure are more universally accepted by having proof-of-concept in hand in leading-edge nations.

“No one ever catches the back of the wave and reaches the shore. You’ve got to start paddling before the wave comes in. And waves are aggregations of lots of small winds. Small winds, you can’t watch, but the waves you can predict. . . . Being ahead of the curve always leads you to capture more profits.”

Shai Agassi
CEO, Better Place
NIKE:

*From Labor-Practice Compliance to Design Offensive*

**Backstory:** Stung by a campaign against its labor practices in the 1990s, Nike embarked on a long process ultimately to reinvent its operations and meet broad sustainability metrics by 2020.

**Challenges:** Can you move beyond “compliance” and capitalize on sustainability by integrating it into the fabric of a company—from design and manufacturing to the supply chain?

**Key moves:** Nike began taking a deep look at its operations in the early 1990s, after it faced a firestorm of criticism over labor practices at its Asian suppliers. The early efforts were siphoned onto a team focused on compliance and social responsibility.

A turning point came when the team began to ask about the long-term implications of its product design and manufacturing decisions. Where did the product materials come from? Were they toxic? What happened at the end of a product’s life? Looking into manufacturing, they found it took three shoes’ worth of material to produce just two—one shoe, in effect, ended up as waste at a cost of $700 million a year. As a result, the goal for zero waste got the attention of senior managers. It became one of several long-term goals to reach by 2020—along with zero toxic materials, closed loop systems and sustainable growth and profitability. Nike also created an in-house index to measure product design against these goals.

The company brought partners into the process, like Dow, DuPont, and BASF, because it knew it could not achieve its goals without working in the supply chain.

Then it began reinventing the design process. If the athletic shoe was streamlined to cut waste and material by reducing the number of components, the production efficiencies could offset the cost of more sustainable materials.

**Impact:** Nike began implementing zero waste and streamlined production around its Considered line of athletic footwear and apparel. That leading-edge line now comprises 15 percent of its products. The company aims to convert all athletic shoes to Considered standards by 2011, all clothing by 2015, and all equipment like balls, gloves, and backpacks by 2020. Under the new design and production methods, these products reduce waste by up to 67 percent, cut energy use by 37 percent, and slash solvent use by 80 percent compared with other Nike products.

“Companies and people who really understand this are better equipped because it forces you to think much deeper. It’s a very complex, sophisticated challenge and it just forces deeper, better thinking.”

*Darcy Winslow*
former general manager of Global Women’s Fitness, Nike;
CEO and founder, Designs for a Sustainable World Collaborative
RIO TINTO:
Mining the Social Dimensions of Its Vast Operations

Backstory: Given its business of mining over 5 million tons of rock a day, Rio Tinto has a big footprint. The mines are expensive, take decades to develop fully, and are not portable if something goes wrong. To reduce the political and economic risk and thus ensure steady returns, Rio Tinto has sought to win the backing of local communities, governments, and the society in which it operates.

Challenge: How does a company obtain a “social license” to operate, and nurture the local labor force that it needs?

Key moves: About a decade ago, Rio Tinto came up with the concept of working within communities on outreach and social and economic development. At the time, the company was developing a mine in Madagascar that was a source of contention with NGOs, which were worried about threats to biodiversity and the local community. Ninety percent of the island had already been cleared by farming, grazing, and charcoal production; the mine was situated on one of the island’s last pristine regions. The challenge was to create an operation “respectful to the environment, respectful of our employees, that is seen to be sustainable,” said CEO Tom Albanese.

A plan was developed to protect the environment and create economic opportunities in the communities surrounding the project, setting up standards and goals for the company to meet. These in turn aligned with broader company policies on environmental stewardship, social well-being, governance, and economic prosperity.

Putting this strategy to work, Rio Tinto created a long list of measures including:

- Policies to protect biodiversity and water quality around mine locations
- Employment for aboriginal peoples living near its mines
- Training programs to shift employees from manual labor into skilled positions
- Plans for the day mining would be done, seeking to prevent “ghost towns”
- Goals for greenhouse-gas emissions and energy use

Impact: Through these coordinated initiatives, Rio Tinto has obtained what it calls a “social license to operate.” The company felt an urgency, because it recognized a global brand risk if it operated without such a license. Rio Tinto also helped form the International Council on Mining & Metals, which encourages sustainable practices across the mining sector.

“We have to be perfectly frank about what we do. We have a large footprint; we do move a lot of dirt. We have to create an environment where local (and to some extent global) stakeholders can see us moving that type of material in a manner respectful to the community, respectful to science, respectful to the environment, respectful of our employees, that is seen to be sustainable.”

Tom Albanese
CEO, Rio Tinto
GENERAL ELECTRIC:

An Opportunistic Push into Sustainable Business

Backstory: General Electric Co. decided sustainability was a business opportunity rather than a cost and pushed into the field in 2005 with its ecomagination initiative. But the products and services weren’t only for its customers—they first transformed GE.

Challenge: How do you create a new business in sustainability and move into the major leagues?

Key moves: General Electric began looking at sustainability as part of a demographic trend, realizing that scarcity would increase with population growth. Energy and water use, waste, carbon emissions—all would decline among the most efficient and sustainable companies. GE saw a profitable business opportunity in helping companies along this sustainable path. So it set up its ecomagination unit to offer environmental solutions.

GE also gambled that carbon would eventually be a cost, following the implementation of previous regulatory regimes such as limiting acid rain. Although the precise way carbon would be regulated was unknown, as it still is, the company had little doubt that regulation would come to pass. Rather than wait, GE joined a climate coalition with nongovernmental organizations to press for a cap-and-trade system to build certainty into the future.

Within the company, GE began engaging employees to see where energy savings could be found. That might be turning off the lights when a factory was idle, or even installing a switch so that lights could be turned off. Ecomagination sold solutions within GE, whether the project involved installing LED lights on a factory floor, recycling water at a nuclear facility, or offering combined heat and power generation units at a plant in Australia. This wasn’t just lip service. Within GE, managers began to be measured on how much energy savings they had achieved.

Impact: The company so far has saved $100 million from these measures and cut its greenhouse-gas intensity—a measure of emissions against output—by 41 percent, according to the company’s sustainability report. The work inside GE became a proof of concept to external customers grappling with similar issues. Ecomagination targeted C-level executives to build this business, since most problems cut across divisions (improving energy efficiency, for example). It was not about selling a product, but an approach, a mind-set, to improve business in a new carbon-constrained world.

So far GE has invested $4 billion in this effort, much of it in research and development. But it reaped sales of $17 billion in 2008, up 21 percent from a year earlier and is striving for $25 billion in sales in 2010.

“I think that the days of, ‘Hey, boss, just tell me what to do and I’ll get it done,’ that’s not the future. The future is about ‘let’s figure out how to take the world in a different direction and let’s all go there together.’”

Steve Fludder
vice president, ecomagination, GE
WAL-MART:

Repurposing the Supply Chain

Backstory: Wal-Mart, the largest retailer in the world with over 7,800 stores, has been working steadily to improve sustainability. From installing green roofs to rolling out a more efficient trucking fleet, the company has moved forward internally, but now it is bringing its suppliers along.

Challenge: How do you green the supply chain?

Key moves: Wal-Mart has been pushing sustainability since adopting the strategy in 2005, establishing goals of being 100 percent fueled by renewable energy, producing zero waste, and selling products that will sustain the environment.

So how does that happen? In one famous example, it began working with Unilever plc in 2005 to sell concentrated laundry detergent in a 32-ounce container (equivalent to 100 ounces under a previous formulation). Consumers got a more powerful detergent in a smaller package. Three years after rollout, the container saved 80 million pounds of plastic resin, 430 million gallons of water, and 125 million pounds of cardboard, according to a company fact sheet. More importantly, it became an industry standard, prompting other packaged goods companies to switch to concentrated detergent as well.

Wal-Mart’s zero waste initiative is also moving forward. The company, which is aiming to eliminate all landfill waste by 2025, was able to reduce waste by 57 percent between 2008 and 2009. It did so by improving inventory management, increasing donations, and ramping up recycling (including 25 billion pounds of cardboard).

Now it is striving to push these criteria down into the supply chain, on a three-stage path. First, it wants to get suppliers to rate their products on sustainability criteria. Second, it wants to gather data on product life cycles; third, it is creating a sustainability index that will increase transparency for the consumer.

The first initiative, rolled out earlier this year, involves a questionnaire sent to more than 100,000 suppliers. It polls them on four categories: their energy and greenhouse-gas emissions, waste and quality initiatives, “responsibly sourced” materials, and ethical production.

Products are also being measured through their life cycle. Collaborating with academics, retailers, NGOs, suppliers, and the government in a consortium, Wal-Mart’s goal is to build a global database of product information. As environmental consultant Joel Makower wrote on his blog, http://makower.typepad.com, “the consortium’s mandate is to focus on how to evaluate products, which Wal-Mart hopes will become the basis for standards, ratings, or other product-level evaluations that it would use in its stores.”

That data will be used to develop an index for consumers to evaluate products, though it’s still unclear how that information will be measured and presented. Nor is there a timeline for rolling such an index out.

Impact: Wal-Mart wants its sustainability index to be open to all, becoming a standard to measure and communicate the green credentials of a product and thus becoming “a tool for sustainable consumption.” In the process, the exercise of measurement itself may reap rewards in more efficient production, less waste, and lower emissions—all of which are also cost-savings measures.

“Customers do want low prices, but not by sacrificing quality. They want products that are more efficient, that last longer and perform better. And increasingly, they want information about the entire life cycle of a product so that they can feel good about buying it.”

Mike Duke
President and CEO, Wal-Mart
The Sustainability Audit

Companies that seek to enhance their profile in sustainability could begin by undertaking a critical self-assessment. This Sustainability Audit identifies 10 statements that we believe represent the most important dimensions of sustainability from a managerial perspective. These statements were developed by drawing on the lessons of organizations that boast first-class capabilities in sustainability. Those company executives who candidly evaluate their level of agreement with each statement in this audit will gain an understanding of where their organization stands and which areas it needs to focus on.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Level 1 Agreement</th>
<th>Level 2 Agreement</th>
<th>Level 3 Agreement</th>
<th>Level 4 Agreement</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Our company has a clearly articulated definition of sustainability and an understanding of how sustainability is or will be affecting our business</td>
<td>We have no formal corporate definition of sustainability; the term is used loosely and in different ways throughout the company</td>
<td>We have a corporate definition of sustainability that has been endorsed by the board and disseminated throughout the company, but it has yet to be accepted fully and internalized across all levels</td>
<td>We have a clearly articulated corporate definition of sustainability that has full consensus and buy-in from the board and across all levels of the organization</td>
<td></td>
</tr>
<tr>
<td>2. Our company has conducted a thorough assessment of the drivers of sustainability that present the greatest opportunities and potential risks to our business</td>
<td>We have not carried out a thorough assessment of the drivers of sustainability</td>
<td>We have conducted a thorough audit of several key drivers of sustainability for our most critical business areas or markets—but not for all of them</td>
<td>We have completed a thorough assessment of all potential drivers of sustainability and have a realistic view of which drivers will affect each business area and market</td>
<td></td>
</tr>
<tr>
<td>3. Our company has translated analysis into action by defining where and how we will deal with sustainability as a business issue</td>
<td>We do not yet have a clear sustainability strategy</td>
<td>We have determined where we will position ourselves regarding sustainability but do not yet have a well-defined plan for getting there</td>
<td>We have determined what our sustainability positioning and associated strategy are (or will be), where we will and will not engage, and how quickly we want to achieve these goals</td>
<td>We have a clearly articulated sustainability strategy and a clear timeline for getting there, and have publicly committed to this timeline and targets</td>
</tr>
<tr>
<td>Statement</td>
<td>Level 1 Agreement</td>
<td>Level 2 Agreement</td>
<td>Level 3 Agreement</td>
<td>Level 4 Agreement</td>
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</tr>
<tr>
<td>4. Our company has developed a clear and compelling business case for our sustainability efforts over the short term (that is, over the next one to three years)</td>
<td>We have not yet examined the business case for the short term beyond those actions needed to meet regulatory requirements</td>
<td>We have some sense of the short-term business case but have not yet exploited all value-creation levers (including costs, revenue, price, and intangibles)²</td>
<td>We have a clear understanding of the short-term business case that exploits several potential value-creation levers (both economic and intangible)</td>
<td>We have a clear and compelling short-term business case that exploits all possible value-creation levers to drive competitive advantage and that has been incorporated into our financial plans</td>
</tr>
<tr>
<td>5. Our company has modeled the business case for sustainability investments over the long term (that is, four years into the future and beyond)</td>
<td>We have not yet examined the long-term business case for sustainability investments</td>
<td>We have not yet examined the business case for the long term beyond those actions needed to meet regulatory requirements</td>
<td>We have some sense of the longer-term business case for sustainability investments but have not yet modeled the systemwide costs and benefits across our value chain over the life cycle of our products and services</td>
<td>We have modeled a longer-term business case for sustainability investments that drives competitive advantage and considers systemwide costs and benefits across our value chain over the life cycle of our products and services for a multiyear time horizon</td>
</tr>
<tr>
<td>6. Our company has established targets for our sustainability efforts along with metrics for measurement, tracking, and reporting</td>
<td>We have no targets or metrics in place</td>
<td>We have high-level targets and metrics that we report infrequently or do not fully disclose (because we have difficulty measuring results)</td>
<td>We have targets and metrics in place and routinely compile reports on our performance</td>
<td>We have defined a set of targets and metrics and have integrated the metrics into our performance management as part of a holistic sustainability strategy</td>
</tr>
</tbody>
</table>
### Executing the Sustainability Strategy

<table>
<thead>
<tr>
<th>Statement</th>
<th>Level 1 Agreement</th>
<th>Level 2 Agreement</th>
<th>Level 3 Agreement</th>
<th>Level 4 Agreement</th>
</tr>
</thead>
<tbody>
<tr>
<td>7. Our company’s sustainability strategy receives sufficient focus from senior management, and all responsibilities and accountabilities are clear</td>
<td>It is unclear where responsibility resides or who in our organization is accountable for the sustainability agenda</td>
<td>Responsibility for our sustainability strategy has been added to the existing responsibilities of an individual (or individuals) or unit, but there is little visibility</td>
<td>We have assigned accountability for delivering the company’s sustainability strategy to a dedicated individual or unit with sufficient seniority in the organization</td>
<td>Discrete individuals or units with seniority in the organization are responsible for driving the sustainability agenda, but accountability for delivering results is spread throughout the organization</td>
</tr>
<tr>
<td>8. Our company’s sustainability strategy is integrated with our operations, processes, and culture</td>
<td>There has been little to no internal integration</td>
<td>There has been some integration of our sustainability strategy with selected operations and processes</td>
<td>Our sustainability strategy has been partially incorporated into our culture via assimilation into many of our key operations and relevant processes</td>
<td>We have fully integrated our sustainability objectives and strategy into our corporate culture, operations (such as product development, manufacturing, sales, and support functions), and processes (such as performance management, financial reporting, and HR processes)</td>
</tr>
<tr>
<td>9. Our company’s sustainability agenda is aligned with the relevant external stakeholders in our business system</td>
<td>We have little or no communication or engagement with stakeholders outside the company</td>
<td>We have conducted some public relations campaigns and provided ad hoc reporting to some but not all of the relevant external stakeholders in our business system</td>
<td>We have an extensive public relations campaign and have communicated with—and at times reported to—some stakeholders but only on some issues and not in a consistent or systematic way</td>
<td>We are partnering and working methodically with all relevant stakeholders to solve our mutual sustainability issues, encouraging those stakeholders to drive value from sustainability efforts and working together to shape the landscape of our industry proactively</td>
</tr>
<tr>
<td>10. Our company has the required capabilities and tools to execute our sustainability strategy effectively</td>
<td>We lack both the capabilities and the tools to deliver a strategy effectively</td>
<td>We lack several required capabilities and tools but are on a path to rectify our shortcomings</td>
<td>We have in place (or available) most of the necessary capabilities and tools and are moving to fill any gaps</td>
<td>We have in place the full suite of necessary capabilities and tools to enable the effective execution of our sustainability strategy</td>
</tr>
</tbody>
</table>
Footnotes

1. Drivers include government legislation, pressure from consumers and customers, employee interest, pressure from society, the impact of ecological factors (for example, climate change, pollution, and the supply of resources such as food and water), and sociological factors (such as population growth, urbanization, and inequities in health and labor).

2. Intangible impacts include enhanced brand awareness and equity (which leads to customer loyalty and the ability to command a price premium), improved employee recruitment, retention and engagement, and lower risk premiums (which improve valuations and enable easier access to capital and insurance).

3. Stakeholders include consumers, business-to-business customers, competitors, regulators, nongovernmental organizations, society overall, financiers, lenders, and capital-market analysts.

4. Capabilities and tools include but are not limited to frameworks for developing the business case; measurement, tracking, and reporting tools; scenario-planning capabilities; technologies for product design and manufacturing; supply chain technologies; capabilities in partnering with stakeholders; and regulatory expertise.
Methodology for the Sustainability Survey and Interviews

The first annual Business of Sustainability research project—a part of the Sustainability Initiative at http://sloanreview.mit.edu/sustainability—had three parts. First, there were a wide-ranging series of interviews with experts in widely varied disciplines at MIT (including civil engineering, energy science, management strategy, urban studies, and others) plus interviews of Boston Consulting Group experts. Second, we interviewed more than 50 thought leaders about the topic of sustainability. The interviewees, listed on page 34, included managers, C-level business executives, academics, and experts from NGOs, governmental organizations, advisory services firms, and think tanks.

Finally, informed by those interview sets, we developed a 20-question electronic survey drawing on hypotheses we jointly developed from our interviews with thought leaders in sustainability. The survey was available online throughout March and April 2009.

Survey Respondents
More than 2,000 respondents participated in the survey; they represented a broad mix of companies and organizations. (See page 23, Exhibit 7: A Diverse Mix of Leaders Responded to the Sustainability Survey.) The data and analyses in this report reflect the 1,560 survey responses from business leaders at for-profit companies. The large number of survey responses allows for statistical significance across all of the major categories examined.

An additional 462 survey responses from nonprofit executives, academics, government officials, and others were analyzed separately. This analysis is available at MIT Sloan Management Review’s Sustainability Initiative Web site, http://sloanreview.mit.edu/sustainability.
List of Interviewees

Shai Agassi  
Founder and Chief Executive Officer  
Better Place

Tom Albanese  
Chief Executive Officer  
Rio Tinto

Ray Anderson  
Founder and Chairman  
Interface

Roberto Bocca  
Senior Director, Head of Energy Industries  
World Economic Forum  
Former Director, Emerging Consumer Markets  
BP Alternative Energy

Jason Clay  
Senior Vice President, Market Transformation  
World Wildlife Fund

Vivienne Cox  
Former Executive Vice President  
BP  
Former Chief Executive Officer  
BP Alternative Energy

John Ehrenfield  
Executive Director  
International Society for Industrial Ecology  
Former Director  
MIT Program on Technology, Business, and Environment

John Elkington  
Founder and Non-Executive Director  
SustainAbility  
Founding Partner and Director  
Volans Ventures

Alyssa Farrell  
Marketing Manager for Sustainability Solutions  
SAS

Steven Fludder  
Vice President, ecomagination  
General Electric Company

Jay Forrester  
Gerushausen Professor Emeritus of Management; System Dynamics Group  
MIT Sloan School of Management

Hal Hamilton  
Codirector  
Sustainable Food Laboratory

Stuart Hart  
Samuel C. Johnson Chair in Sustainable Global Enterprise, Professor of Management  
The Johnson School, Cornell University

Paul Hawken  
Author, Environmentalist, and CEO  
Biomimicry Ventures Group

Rebecca Henderson  
Senator John Heinz Professor of Environmental Management  
Harvard Business School

Howard Herzog  
Principal Research Engineer  
MIT Laboratory for Energy and the Environment

John Hofmeister  
Founder and Chief Executive Officer  
Citizens for Affordable Energy

Jeffrey Hollender  
Chief Inspired Protagonist and Cofounder  
Seventh Generation

Georges Kern  
Chief Executive Officer  
IWC (International Watch Company)
Judith Layzer  
Associate Professor of Environmental Policy  
Department of Urban Studies and Planning  
Massachusetts Institute of Technology

Bernard Lietaer  
Author and Academic Chairman  
ACCESS Foundation  
Fellow, Center for Sustainable Resource Development  
University of California, Berkeley

Richard Locke  
Deputy Dean and Professor of Entrepreneurship  
MIT Sloan School of Management

Amory Lovins  
Cofounder, Chairman, and Chief Scientist  
Rocky Mountain Institute

L. Hunter Lovins  
President and Founder  
Natural Capitalism Solutions

Thomas Malone  
Professor of Management, MIT Sloan School of Management; Founding Director  
MIT Center for Collective Intelligence

David Marks  
Goulder Professor of Civil and Environmental Engineering and Engineering Systems  
Massachusetts Institute of Technology

Lord Robert May  
Professor  
Oxford University and Imperial College, London

William McDonough  
Founding Partner  
William McDonough & Partners

Tim Mohin  
Principal Consultant  
Environmental and Occupational Risk Management  
Former Senior Manager for Supplier Responsibility  
Apple  
Former Director of Sustainable Development  
Intel

Adil Najam  
Professor, International Relations and Geography and the Environment  
Director, Frederick S. Pardee Center for the Study of the Longer-Range Future  
Boston University

Jacqueline Novogratz  
Founder and Chief Executive Officer  
Acumen Fund

William O’Rourke  
Vice President, Sustainability and Environment, Health, and Safety  
Alcoa

Chris Page  
Director of Climate and Energy Strategy  
Yahoo!

Rod Pearce  
Chief Executive Officer and Managing Director  
Boral Limited

Dierk Peters  
Director  
World Wildlife Fund Sustainable Seafood Initiative  
Former International Marketing Manager  
Unilever

John Reilly  
Senior Lecturer, Center for Energy and Environmental Policy Research  
MIT Sloan School of Management

Dawn Rittenhouse  
Director of Sustainable Development  
DuPont

Harriett Ritvo  
Professor of History  
Massachusetts Institute of Technology

Walter Robb  
Co-President and Chief Operating Officer  
Whole Foods Market

George Roth  
Principal Research Associate  
MIT Sloan School of Management
Gwen Ruta  
Vice President of Corporate Partnerships  
Environmental Defense Fund

John Sall  
Co-founder and Executive Vice President  
SAS

Peter Schwartz  
Thought Leader  
Monitor Group  
Cofounder and Chairman  
Global Business Network

Jeff Seabright  
Vice President, Environment and Water Resources  
The Coca-Cola Company

Peter Senge  
Senior Lecturer, Organization Studies  
MIT Sloan School of Management  
Founding Chair  
Society for Organizational Learning

Yossi Sheffi  
Professor  
Massachusetts Institute of Technology  
Director  
MIT Engineering Systems Division  
Director  
MIT Center for Transportation and Logistics

Cameron Sinclair  
Executive Director and Cofounder  
Architecture for Humanity

Sarah Slaughter  
Senior Lecturer, Strategy  
MIT Sloan School of Management  
Coordinator  
Laboratory for Sustainable Business and  
Sloan Sustainability Initiative

John Sterman  
Jay W. Forrester Professor of Management and  
Engineering Systems  
MIT Sloan School of Management  
Director  
System Dynamics Group  
Laboratory for Sustainable Business

Joseph Sussman  
JR East Professor of Civil and Environmental  
Engineering and Engineering Systems  
Massachusetts Institute of Technology

Graeme Sweeney  
Executive Vice President of Future Fuels and CO2  
Royal Dutch Shell

Ziad Tassabehji  
Director, Utilities and Asset Management  
Masdar

Vijay Vaitheeswaran  
Correspondent  
The Economist  
Coauthor  
Zoom: The Global Race to Fuel the Car of  
the Future

Allen White  
Senior Fellow and Vice President  
Tellus Institute

Darcy Winslow  
Former General Manager, Sustainable Business  
Opportunities  
Nike  
Chief Executive Officer and Founder  
Designs for a Sustainable World Collective
Q1. Which of the following statements best describes the way in which your organization defines sustainability?

**Research highlights**

- Novices and senior managers more likely to define sustainability as “business viability”
- More experts and executives define sustainability in accordance with the Brundlandt definition

1. Brundland Commission definition: Sustainability refers to meeting the needs of the current generation without compromising the ability of future generations to meet their needs.

**Q1. Which of the following statements best describes the way in which your organization defines sustainability?**

- Business leaders from Asia Pacific and Africa/Middle East more likely to take long-term perspective
- The Americas and Asia/Pacific view sustainability more as business viability

**Note:** Data reflect 1,560 responses from business leaders.
Novices perceive much lower impact from employee interest and climate change than more experienced counterparts.

Government legislation the leading driver, although most other drivers perceived to be important 45-60% of the time.

---

Respondents who rated an issue as having a significant impact (%)

A top driver for the automotive and energy industries

Top drivers for the agriculture, mining, and water industry

---

Respondents were asked to rate the issues on a scale of 1 (no impact) to 5 (major impact); this exhibit reflects the percentage of respondents who rated each issue with a 4 or 5.
Q2. How much impact will the following sustainability-related issues have on your organization?¹

### Research highlights

- Non-corporate survey respondents viewed nearly all issues as having a more significant impact on their organizations than did their for-profit counterparts.

- Especially marked differences re: employees, population growth, water access, poverty, urbanization, biodiversity, and global health inequalities as key drivers.

1. Top box corresponds to respondents who ranked sustainability issue as 5 on a scale of 1-5, where 1=no impact and 5 = major impact, and rates for-profit companies vs. not-for-profit and academic organizations.

2. Includes survey respondents from academia, government, NGOs and other nonprofit organizations (n=462).

---

Q2. How much impact will the following sustainability-related issues have on your organization?¹

### Research highlights

- Latin Americans see environmental pollution as the issue having the most impact.

- Africans/Middle Easterners perceive societal pressures, political security, population growth as key drivers.

1. Percent of respondents who in Top-2 box ranked sustainability issue as a 4 or 5 on a scale of 1-5, where 1=no impact and 5 = major impact.
Q3. Which of the following sustainability strategies is your organization addressing?¹

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Overall</th>
<th>Size &lt; 10000</th>
<th>10-100000</th>
<th>&gt; 100000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improving efficiency: energy consumption</td>
<td>26%</td>
<td>16%</td>
<td>12%</td>
<td>9%</td>
</tr>
<tr>
<td>Improving efficiency: reducing waste</td>
<td>12%</td>
<td>7%</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>Building awareness</td>
<td>16%</td>
<td>12%</td>
<td>7%</td>
<td>6%</td>
</tr>
<tr>
<td>Highlighting sustainability in branding</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>Including sustainability in strategic planning</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>Promoting sustainability in corp. relationships</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>Developing sustainability-related business opportunities</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>Designing products or processes for reuse or recycling</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>Reducing toxicity or harmful chemicals</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>Reducing or eliminating emissions</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>Reacting to emerging government policies/regulations</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>Highlighting sustainability in recruiting</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>Improving efficiency in packaging</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>Influencing government policies/regulations</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>Other</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
</tr>
</tbody>
</table>

¹ Top-2 boxes: includes responses that ranked strategy as either 4 or 5, on a scale where 1 = do not embrace at all and 5 = considerable focus, ranked by organization size

The larger the company, the higher the corporate focus on sustainability strategies

Q4. In your organization, who is responsible for addressing sustainability issues?

Research highlights

- Diffused responsibility to "all employees" consistently ranks highest across almost all segments
- Many senior managers think a corporate group holds responsibility
- C-Suite executives and experts most likely to believe responsibility for sustainability lies with all employees
- Many novices unclear where responsibility for sustainability lies
Q5. Has your organization developed a clear “business case” or “proven value proposition” for addressing sustainability?

Research highlights:
- >70% companies do not perceive a clear business case for addressing sustainability
- Largest companies are most likely to have developed a business case
- Improved company image is the most cited benefit among those who have already developed a business case

Q6. Which internal challenges within your organization present the most significant roadblocks to addressing sustainability issues?

Research highlights:
- Overall (and particularly for experts), outdated mental models viewed as top roadblock
- Novices see lack of business case as greatest obstacle
- Small companies more likely to view the lack of resources as an obstacle vs. larger companies
Q6. Which internal challenges within your organization present the most significant roadblocks to addressing sustainability issues?

<table>
<thead>
<tr>
<th>Industry</th>
<th>Percentage of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall</td>
<td>21 20 18 14 10 8 5 4</td>
</tr>
<tr>
<td>Agriculture, mining, and water</td>
<td>27 14 18 16 4 10 8 2</td>
</tr>
<tr>
<td>Automotive</td>
<td>14 19 17 31 6 8 6 0</td>
</tr>
<tr>
<td>Conglomerate</td>
<td>24 26 9 9 6 18 3 6</td>
</tr>
<tr>
<td>Construction</td>
<td>22 14 26 16 10 8 4 2</td>
</tr>
<tr>
<td>Consumer products and retail</td>
<td>11 28 16 17 8 11 5 4</td>
</tr>
<tr>
<td>Energy</td>
<td>25 22 20 7 9 7 3 7</td>
</tr>
<tr>
<td>Financial services</td>
<td>21 22 18 12 11 6 6 4</td>
</tr>
<tr>
<td>Health care</td>
<td>29 20 14 20 5 4 3</td>
</tr>
<tr>
<td>Industrial goods and services</td>
<td>18 21 15 10 13 9 7 6</td>
</tr>
<tr>
<td>Media and entertainment</td>
<td>23 13 20 15 15 5 5 0</td>
</tr>
<tr>
<td>Technology and telecommunications</td>
<td>21 19 23 15 9 7 4 3</td>
</tr>
</tbody>
</table>

1 Top box ranked by industry; due to rounding, the percentages for some industries do not total 100 percent.

**Research highlights**

- Africa/Middle East and Australia/New Zealand perceive other priorities/lack of resources as major challenges
- Latin Americans see much outdated mental models as main challenge
- North Americans view lack of business case as primary internal obstacle
Q7. Which external challenges impacting your organization present the most significant roadblocks to addressing sustainability issues?

Research highlights

- Experts and smaller organizations see limited availability of financial capital as a greater problem than other segments.
- Larger organizations more concerned with lack of clear regulatory policy.

---

Q7. Which external challenges impacting your organization present the most significant roadblocks to addressing sustainability issues?

Research highlights

- Africa/Middle East, Asia Pacific, and Australia/New Zealand view lack of clear regulatory policies as leading external challenge.
- North America, Latin America, and Europe view insufficient customer demand as greatest challenge.

---
Non-corporate survey respondents emphasized nearly all tools as being of more significant importance to their organizations than did their for-profit counterparts. Especially marked differences re: learning from external signals and experimentation -- acceptance of failure.
Survey Questions and Responses

Q1. Which of the following statements best describes the way in which your organization defines sustainability?

(Please rate on a scale of 1-5, where 1 is “no impact” and 5 is “major impact”)

- Sustainability refers to climate change issues
- Sustainability refers to other environmental issues
- Sustainability refers to corporate social responsibility issues
- Sustainability refers to maintaining the viability of our business
- Sustainability incorporates climate change, environmental, social, and economic issues
- Sustainability refers to meeting the needs of the current generation without compromising the ability of future generations to meet their needs
- Sustainability refers to addressing issues from a long-term perspective
- Other

Note: Data reflect 1,560 responses from business leaders.
### Q1. “Other” Comments

<table>
<thead>
<tr>
<th>Primary themes</th>
<th>Direct quotes</th>
</tr>
</thead>
</table>
| Equilibrium / equity            | “Addressing the entire life cycle of our products and services and balancing them with our world’s needs.”
|                                | “The balance of consumption with the effects it causes to the environment.”
|                                | “A set of environmental, economic and social conditions in which all of society has the capacity and opportunity to maintain and improve its quality of life indefinitely, i.e., without degrading the quantity, quality or the availability of natural resources and ecosystems.”
|                                | “Sustainability, in a systemic approach, is the effect of integrative (total) competitiveness of systems in the hierarchy of the universe space-time-resources domains.” |
| Short and/or long term          | “Addressing issues from both a short- and long-term perspective.”
|                                | “Taking into consideration climate change, social responsibility, as well as economic issues when planning for long-term success of a business.”
|                                | “Sustainability refers to attaining long-term fiscal responsibility for personal and governmental budgets.”                                                                                              |
| Environment/ resources          | “Not using resources at a faster pace than they can be replenished.”
|                                | “Using technology to improve energy efficiency and reduce carbon footprint.”
|                                | “Sustainability refers to creating products and energy without exploiting non-renewable resources.”                                                                                                         |
| Financial security/growth       | “The ability to leverage and optimize corporate resources.”
|                                | “The continued growth of my business into the future.”
|                                | “Retaining the existing customer and increasing market share for long term.”                                                                                                                             |
| Unclear/ no definition          | “We don’t discuss sustainability much.”
|                                | “We are searching for how sustainability should be properly defined.”
|                                | “We have no formal definition of sustainability. Informally, we try not to print out e-mails unnecessarily.”                                                                                           |

Note: based on 93 comments total.
Q2. How much impact will the following sustainability-related issues have on your organization?

(Please rate on a scale of 1-5, where 1 is “no impact” and 5 is “major impact”)

- Increasing consumer concern for sustainability issues
- Increasing employee interest in sustainability
- Climate change
- Non-renewable resource depletion (e.g., oil)
- Air, water, or other environmental pollution
- Water supply or access issues
- Food supply or safety issues
- Government legislation in regards to sustainability
- Global political security
- Societal pressures—social license to operate your business
- Population growth
- Urbanization as populations migrate to cities
- Poverty and income differentials
- Global health inequalities
- Biodiversity reduction and habitat destruction
- Other

Note: Responses to top-2 boxes corresponds to respondents who ranked sustainability issue as a 4 or a 5.
### Q2. ”Other“ Comments

<table>
<thead>
<tr>
<th>Primary themes</th>
<th>Direct quotes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access to capital/ technology</td>
<td>&quot;Availability of technology at a reasonable cost to address alternative energy needs.&quot;</td>
</tr>
<tr>
<td></td>
<td>&quot;Access to and efficiency of global capital markets.&quot;</td>
</tr>
<tr>
<td></td>
<td>&quot;Global economic climate.&quot;</td>
</tr>
<tr>
<td></td>
<td>&quot;Economic downturn and market uncertainties.&quot;</td>
</tr>
<tr>
<td></td>
<td>&quot;Technology &amp; new product development.&quot;</td>
</tr>
<tr>
<td>Natural resource availability/ price fluctuations</td>
<td>&quot;Global consumption of natural resources.&quot;</td>
</tr>
<tr>
<td></td>
<td>&quot;Energy prices.&quot;</td>
</tr>
<tr>
<td></td>
<td>&quot;Availability of energy.&quot;</td>
</tr>
<tr>
<td></td>
<td>&quot;Increasing demand for, and rising prices of, power and water.&quot;</td>
</tr>
<tr>
<td></td>
<td>&quot;Food security.&quot;</td>
</tr>
<tr>
<td>Education / alignment</td>
<td>&quot;Increased awareness of environmental conservation.&quot;</td>
</tr>
<tr>
<td></td>
<td>&quot;International asymmetries regarding the application of sustainable policies.&quot;</td>
</tr>
<tr>
<td></td>
<td>&quot;Improved training.&quot;</td>
</tr>
<tr>
<td></td>
<td>&quot;Divergence of interests within essential stakeholder groups (e.g. investors / board members / managers who are and who are not interested).&quot;</td>
</tr>
<tr>
<td>Management, culture, leadership</td>
<td>&quot;The vision and mission given by the founders and top management.&quot;</td>
</tr>
<tr>
<td></td>
<td>&quot;What we need is green, human, and ethical management strategies.&quot;</td>
</tr>
<tr>
<td></td>
<td>&quot;Helping organizations create sustainable change in behaviors.&quot;</td>
</tr>
<tr>
<td>Global politics/ issues</td>
<td>&quot;Geopolitical issues/rivalries.&quot;</td>
</tr>
<tr>
<td></td>
<td>&quot;Globalization.&quot;</td>
</tr>
<tr>
<td></td>
<td>&quot;Effect of global economic and political realignments among nations.&quot;</td>
</tr>
</tbody>
</table>
Q3. Which of the following sustainability strategies is your organization addressing?

(Please rate on a scale of 1-5, where 1 is “no focus” and 5 is “considerable focus”)

- Building awareness of sustainability in the organization
- Highlighting sustainability in company or product branding
- Highlighting sustainability in the recruitment of employees
- Highlighting or promoting sustainability in supplier and customer relationships
- Including sustainability in scenario planning or strategic analysis
- Proactively influencing government policies/regulations on sustainability (e.g., carbon prices, etc.)
- Reacting to emerging government policies/regulations on sustainability (e.g., carbon prices, etc.)
- Reducing or eliminating carbon or greenhouse gas emissions
- Reducing or eliminating toxicity or harmful chemicals
- Improving efficiency in packaging
- Improving efficiency in energy consumption
- Improving efficiency by reducing waste
- Developing new sustainability-related business opportunities (e.g., clean energy solutions)
- Designing products or processes for reuse or recycling
- Other
Q3. “Other” Comments

<table>
<thead>
<tr>
<th>Primary themes</th>
<th>Direct quotes</th>
</tr>
</thead>
</table>
| Product / service redesign; technology change | "Developing products and services for customer preferences."  
"Improving and updating technology."  
"Developing services to proactively increase the commitment of businesses to sustainability."  
"Improve product quality to reduce rate of replacement."  
"Taking action to demonstrate sustainability in design, development, reuse and recycling regardless of organized resistance and head-in-sand politics and cultures."  
"Developing new ways in transforming energy (electrical power and fuel for automotives from renewable biomass)."  
"Implementing sustainability throughout the product development cycle as a main goal to achieve by itself, generating incentives and rewards within the organization." |
| PR / marketing / awareness campaigns | "Developing sustainability consciousness campaigns."  
"Organizing and sensitizing community groups."  
"Improved training."  
"Thinking about sustainability trainings and consulting, people awareness, inclusion of material in academic curriculum on sustainability and social entrepreneurship."  
"Improving stakeholder understanding of post-fossil fuel world."  
"Training employees about the importance of efficiency, effectiveness and economy—and their relevance to the organization's sustainability as well as to employees' packages and opportunities with the organization." |
| Culture/ mindset change              | "Creating change in behaviors at all levels of the organization."  
"Building an organizational culture with a focus sustainability." |
Q4. *In your organization, who is responsible for addressing sustainability issues?*  
*(Please select one.)*

- All employees have responsibility for sustainability
- A corporate or cross-functional group has coordinating responsibility
- A senior or executive-level individual has full responsibility
- It is unclear to me who has responsibility
- We do not address sustainability issues
- Each business unit has a group that has responsibility for sustainability

![Bar chart showing percentages of respondents for different responses to Q4.](chart.png)
Q5. Has your organization developed a clear “business case” or “proven value proposition” for addressing sustainability?

- a. Yes
- b. No
- c. Unsure
- d. Have tried but too difficult to develop
Q6. Which internal challenges within your organization present the most significant roadblocks to addressing sustainability issues?

(Please choose the top 3 and rank them in order of significance where 1 = most significant roadblock.)

- Outdated mental models and perspectives on sustainability issues
- Too many competing priorities / don’t know what to do first
- Not persuaded of business case or proven value proposition
- Not enough resources to address these issues
- Initiatives stalled by recessionary conditions
- Inability to assess trade-offs between short term and long term
- Don’t know most effective ways to take action
- Other

Note: Data based on top box response.
Q6. Continued

Q6. “Other” Comments

<table>
<thead>
<tr>
<th>Primary themes</th>
<th>Direct quotes</th>
</tr>
</thead>
</table>
| Culture / awareness / employee support | *People unwilling to change established systems.*
|                                        | *Lack of understanding.*
|                                        | *Lack of support amongst employees.*
|                                        | *The most significant roadblock is to get employees motivated to accept decisions and impacts of sustainability issues.*
|                                        | *Sustainability needs to be in the company’s DNA. It is not an add-on, even if supported by brilliant consultants. Changing companies’ DNA is the most formidable challenge companies have to face.*
|                                        | *Cultural issues.*                                                                                                                                 |
| Leadership/ alignment                   | *Board of Directors are hesitant to address sustainability.*
|                                        | *The executives are ambivalent. Sustainability in the organization has come to be associated with self interested, un-business like perspectives.*
|                                        | *Remains a separate initiative - like a lot of others - not fully integrated into strategy.*
|                                        | *Too many executives pulling in different directions and the resultant force is zero.*
|                                        | *The problem is the executives and management!*                                                                                                                                 |
| Burning platform lacking                | *Finding the time to develop and present the business case for sustainability to clients.*
|                                        | *Insufficient balanced and reliable information about trade-offs between long-range scenarios.*
|                                        | *Not clear how to monetize sustainability.*
|                                        | *Puts us at cost disadvantage versus competition.*
|                                        | *Don't feel like it affects our core business; no burning platform for change.*                                                                                                                                 |
| Not applicable                          | *We are a service organization, and can have no impact upon sustainability issues.*
|                                        | *No interest in the issue.*
|                                        | *Too small to have the clout to make a difference.*
|                                        | *Not a priority; not linked to our brand positioning.*                                                                                                                                 |

Note: based on 111 total comments.
Q7. Which external challenges impacting your organization present the most significant roadblocks to addressing sustainability issues?

(Please choose the top 3 and rank them in order of significance where 1 = most significant roadblock.)

- Insufficient customer demand or needs
- Lack of clear regulatory policy for externalities (e.g., carbon pricing)
- Insufficient economic incentives
- Limited availability of financial capital
- Absence of clear industry standards
- Risk of economic incentives being reduced or eliminated due to changing policies
- Potential source of competitive disadvantage
- Lack of shareholder support
- Other

Note: Data based on top box response.
Q7. "Other" Comments

<table>
<thead>
<tr>
<th>Primary themes</th>
<th>Direct quotes</th>
</tr>
</thead>
<tbody>
<tr>
<td>No real market demand</td>
<td>&quot;Lack of ability of market to compare and suitably support advanced corporate initiatives.&quot;</td>
</tr>
<tr>
<td></td>
<td>&quot;The primary function of a business to maximize shareholder value is largely at odds with sustainability investment practices.&quot;</td>
</tr>
<tr>
<td></td>
<td>&quot;Unclear benefit for our customers or investors.&quot;</td>
</tr>
<tr>
<td></td>
<td>&quot;Still somewhat viewed by executives as ‘tree hugger’ issue.&quot;</td>
</tr>
<tr>
<td>Lack of institutions/government interventions</td>
<td>&quot;Legacy regulatory policies do not align with sustainability objectives.&quot;</td>
</tr>
<tr>
<td></td>
<td>&quot;Too much inadvisable, poorly thought out government intervention.&quot;</td>
</tr>
<tr>
<td></td>
<td>&quot;Extremely overbearing and capricious regulatory environment. Discretion given to untrained and low-skilled bureaucrats over complex science issues leads to abuse, graft, and political manipulation.&quot;</td>
</tr>
<tr>
<td></td>
<td>&quot;Legal obstacles.&quot;</td>
</tr>
<tr>
<td>Economic environment</td>
<td>&quot;Economic uncertainty/volatility.&quot;</td>
</tr>
<tr>
<td></td>
<td>&quot;The imbalance of the financial sector globally.&quot;</td>
</tr>
<tr>
<td></td>
<td>&quot;Sustainability issues normally need huge and expensive investments first, funding normally not sufficient.&quot;</td>
</tr>
<tr>
<td>Information availability</td>
<td>&quot;Access to knowledge base to operate from. Libraries could be the place to start with revised Thomas Directories structured by sustainability products and services.&quot;</td>
</tr>
<tr>
<td></td>
<td>&quot;Misinformation regarding sustainability options and practicability.&quot;</td>
</tr>
<tr>
<td></td>
<td>&quot;The absolute lack of reliable information not influenced by political hyperbole and &quot;forced results&quot; is pathetic. Apparently the facts don't matter.&quot;</td>
</tr>
</tbody>
</table>

Note: based on 80 total comments.
Q8. How has the current economic downturn affected your organization’s commitment to addressing sustainability issues?  
(Please select one.)
- Significantly increased sustainability commitments
- Somewhat increased sustainability commitments
- Business as usual, no changes to sustainability commitments
- Somewhat decreased sustainability commitments
- Significantly decreased sustainability commitments
- No basis for making judgment
- Organization does not address sustainability
Q9. What are the greatest benefits to your organization in addressing sustainability issues?

(Please choose the top 3 and rank them in order of drive where 1 = most drive.)

- Improved company image or brand equity
- Employee satisfaction, morale, retention
- Cost savings
- Competitive advantage
- Business model or process innovation
- Product, service, or market innovation
- New sources of revenue or cash flow
- Effective risk management
- Enhanced stakeholder relations
- Other

<table>
<thead>
<tr>
<th>Benefit</th>
<th>Percentage of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improved company/brand image</td>
<td>35%</td>
</tr>
<tr>
<td>Cost savings</td>
<td>10%</td>
</tr>
<tr>
<td>Competitive advantage</td>
<td>10%</td>
</tr>
<tr>
<td>Employee satisfaction, morale, retention</td>
<td>9%</td>
</tr>
<tr>
<td>Product, service, or market innovation</td>
<td>9%</td>
</tr>
<tr>
<td>Business model or process innovation</td>
<td>8%</td>
</tr>
<tr>
<td>New sources of revenue or cash flow</td>
<td>8%</td>
</tr>
<tr>
<td>Effective risk management</td>
<td>5%</td>
</tr>
<tr>
<td>Enhanced stakeholder relations</td>
<td>4%</td>
</tr>
<tr>
<td>Other</td>
<td>2%</td>
</tr>
</tbody>
</table>

Note: Shows top-ranked response.
"We are doing the right thing for the planet and its inhabitants."
"Our children might still have a world to live in."
"It's the right thing to do!"
"Avoiding our participation in or support of the typical pathogenic social and ecological systems—making a difference that makes a real difference."
"Doing the right thing."

"Market potential."
"Our products/service become preferred option among competing alternatives."
"Profits."
"Superior returns on sustainability driven investments."

"Better awareness globally."
"Best in class within the industry."
"Recognition as a leader."
"I am ahead of the competition by demonstrating to my clients that sustainable development practices make business sense, to theirs and their clients' organizations."
"Important to be able to talk about sustainability with clients, and to help them think about sustainability."

"Frankly, there are no benefits to our business."
"None, it's a waste of money and resources."
"By NOT having a sustainability program we have a huge competitive advantage and have substantially lowered our business risk."
Q10. What is the financial logic underlying your organization’s investments (or lack thereof) in sustainability initiatives?

(Please select one.)

- Advantage—seeking material, differentiated financial returns
- Attractive—seeking incremental financial returns
- None—financial logic not the driver
- Necessary evil—minimize stakeholder backlash or risk
- Unattractive—avoid given poor financial returns
- Unsure—no basis for judgment
- Other

Note: Shows top ranked response.
Q10. "Other" Comments

<table>
<thead>
<tr>
<th>Primary themes</th>
<th>Direct quotes</th>
</tr>
</thead>
</table>
| Company values | "Sustainability is linked to the company culture a lot more than it is to financials/economics."
| | "Walking on the path of our ethical beliefs."
| | "While financial returns are important, the key drivers are company values regarding social responsibility."
| Customer/society demand | "Customer demand in the long run."
| | "Youths with a long-term future are our primary clients."
| | "To meet social need."
| | "Financial value and value for customers."
| Viability in long term | "Required long term viability."
| | "Financial logic relates to business survival in the long-term."
| | "Simple survival."
| | "Necessary good—required to be in business in the long term."
| None | "No incentive or logic for this."
| | "Seems mostly irrelevant."
| | "Little to do with our business. The corporation has a purpose, this is not it."
| | "It is irrelevant to our business."

Note: based on 45 total comments.
Q11. Which stakeholder groups most drive embracing of sustainability issues for your organization?

(Please select one.)

- Senior leadership
- Consumers
- Employees
- Government and regulators
- Investors, shareholders, and/or capital providers
- Environmental organizations (NGOs)
- Other businesses in supply chain
- Community activists
- Media
- Other

![Bar chart showing the percentage of respondents for each stakeholder group. Senior leadership has 40% of the respondents, followed by Consumers with 18%, Employees and Government and regulators with 12%, Investors, shareholders, and/or capital providers with 8%, Environmental organizations (NGOs) with 3%, Other businesses in supply chain, Community activists, and Other with 2% each, and Media with 1%.]
Q11. “Other” Comments

<table>
<thead>
<tr>
<th>Primary themes</th>
<th>Direct quotes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers/clients</td>
<td><em>Customers/clients.</em></td>
</tr>
<tr>
<td></td>
<td><em>Business customers (as opposed to consumers).</em></td>
</tr>
<tr>
<td></td>
<td><em>Customers (B2B not consumers).</em></td>
</tr>
<tr>
<td>Market</td>
<td><em>External market forces.</em></td>
</tr>
<tr>
<td></td>
<td><em>The very dynamics of the industry.</em></td>
</tr>
<tr>
<td></td>
<td><em>Everyone.</em></td>
</tr>
<tr>
<td>Activists/rating agencies</td>
<td><em>Left-wing NGOs and lobbyists.</em></td>
</tr>
<tr>
<td></td>
<td><em>Employee activists.</em></td>
</tr>
<tr>
<td></td>
<td><em>Left-wing political activists.</em></td>
</tr>
<tr>
<td></td>
<td><em>Ethical rating agencies.</em></td>
</tr>
<tr>
<td>Competitors</td>
<td><em>Competitors.</em></td>
</tr>
<tr>
<td></td>
<td><em>New and emerging companies.</em></td>
</tr>
<tr>
<td>None</td>
<td><em>There is no pressure from any stakeholder.</em></td>
</tr>
<tr>
<td></td>
<td><em>None driving it.</em></td>
</tr>
</tbody>
</table>

Note: based on 66 total comments.
Q12. *Improving sustainability-related communications with which of the following stakeholder groups would deliver the greatest benefit to your organization?*  

(Please select one.)  

- Consumers  
- Employees  
- Senior leadership  
- Investors, shareholders, and/or capital providers  
- Government and regulators  
- Other businesses in supply chain  
- Community activists  
- Environmental organizations (NGOs)  
- Media  
- Other 

![Bar chart showing the percentage of respondents for each stakeholder group](chart.png)
**Q12. "Other" Comments**

<table>
<thead>
<tr>
<th>Primary themes</th>
<th>Direct quotes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Customers</strong></td>
<td>&quot;Corporate clients.&quot;</td>
</tr>
<tr>
<td></td>
<td>&quot;Customers (B2B not consumers).&quot;</td>
</tr>
<tr>
<td></td>
<td>&quot;Our clients.&quot;</td>
</tr>
<tr>
<td><strong>Society/community</strong></td>
<td>&quot;Community activities.&quot;</td>
</tr>
<tr>
<td></td>
<td>&quot;The community by itself.&quot;</td>
</tr>
<tr>
<td></td>
<td>&quot;Residents/citizens.&quot;</td>
</tr>
<tr>
<td></td>
<td>&quot;Family.&quot;</td>
</tr>
<tr>
<td></td>
<td>&quot;Students.&quot;</td>
</tr>
<tr>
<td><strong>Not necessary/possible/beneficial</strong></td>
<td>&quot;Do not believe we need more or improved communication.&quot;</td>
</tr>
<tr>
<td></td>
<td>&quot;None, irrelevant for us.&quot;</td>
</tr>
<tr>
<td></td>
<td>&quot;There would be very, very little benefit.&quot;</td>
</tr>
<tr>
<td></td>
<td>&quot;None, it's a waste of money and resources.&quot;</td>
</tr>
<tr>
<td></td>
<td>&quot;None apply, sustainability is not an issue.&quot;</td>
</tr>
</tbody>
</table>

Note: based on 42 total comments.
Q13. Which statement best describes the challenges your organization faces in communicating effectively with stakeholders regarding sustainability?

(Please select one.)

- No challenges
- Insufficient organizational commitment
- Unclear role of sustainability as part of strategy
- Fear of greenwashing backlash (i.e., consumers perceive company communications on sustainability to be disingenuous)
- Fear of inviting scrutiny or damage to reputation if sustainability efforts were publicized
- Don’t understand stakeholder needs
- Don’t know how to tailor messages to different stakeholder groups
- Cannot sufficiently communicate financial value
- Other

![Bar chart showing percentage of respondents for each challenge.](chart)

Percentage of respondents
Q13. “Other” Comments

<table>
<thead>
<tr>
<th>Primary themes</th>
<th>Direct quotes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not organized/aligned adequately</td>
<td>“Too many people creating messaging.”</td>
</tr>
<tr>
<td></td>
<td>“Lack of clarity on concrete action plan.”</td>
</tr>
<tr>
<td></td>
<td>“No effective method to communicate with 100,000+ stakeholders.”</td>
</tr>
<tr>
<td></td>
<td>“Lack of common parlance, lingo, mass audience, examples.”</td>
</tr>
<tr>
<td></td>
<td>“Skepticism and prejudice of audience.”</td>
</tr>
<tr>
<td></td>
<td>“How to equate green values with a luxury brand.”</td>
</tr>
<tr>
<td></td>
<td>“Hidden agendas of environment groups skews reporting.”</td>
</tr>
<tr>
<td></td>
<td>“Perception of our industry.”</td>
</tr>
<tr>
<td></td>
<td>“Fear of misunderstanding by government and regulators.”</td>
</tr>
<tr>
<td></td>
<td>“Not enough money to develop a proper communication.”</td>
</tr>
<tr>
<td></td>
<td>“Resource constraints.”</td>
</tr>
<tr>
<td></td>
<td>“Not adequately resourced to effectively communicate.”</td>
</tr>
<tr>
<td>Managing audience perceptions/skepticism</td>
<td>“Insufficient payback for such efforts (no incentive to do).”</td>
</tr>
<tr>
<td></td>
<td>“We don’t worry about what they think.”</td>
</tr>
<tr>
<td></td>
<td>“No value proposition, and no results on climate or environment, bad investment, waste of money resources.”</td>
</tr>
<tr>
<td></td>
<td>“No challenge because we haven’t addressed it.”</td>
</tr>
</tbody>
</table>

Note: based on 66 total comments.
Q14. **How does your organization engage suppliers regarding sustainability?**

*(Please select one.)*

- Suppliers must meet specific sustainability criteria
- Encouraged suppliers with some degree of success
- Limited engagement—organization lacks capability
- Do not engage suppliers at all.
- Don’t know
- Other

---

**Percentage of respondents**

- Limited engagement—organization lacks capability: 29%
- Encouraged suppliers with some degree of success: 29%
- Suppliers must meet specific sustainability criteria: 19%
- Do not engage suppliers at all: 11%
- Don’t know: 11%
- Other: 1%
Q15. Name the organizations that you look to as world-class in addressing sustainability.
Q16. **What differentiates those organizations in addressing sustainability?**

<table>
<thead>
<tr>
<th>Primary themes</th>
<th>Direct quotes</th>
</tr>
</thead>
</table>
| Corporate will/commitment       | *"Willingness to commit significant capital investment ahead of the crowd."  
"Vision and money to back up the vision."  
"Willingness to be bold."  
"They are very involved and active in supporting sustainability issues."  
"Top-down commitment, structure, goals, proactive approach."  
"They built their model around it."  
"Transforming multiple barriers and constraints into one strategic asset by bundling them."  
"Unified in messaging, business practices, R&D, and investment strategy."  
"Top management leadership and integration into business model."  
"They are holistic in their view of sustainability."  
"Willing to sacrifice short-term benefits for long-term advantage."  
"They focus on innovation and creating value in the long-term."  
"Willingness to pursue long-term view vs. short-term view."  
"They have a multigenerational thinking process."  
"They are forward thinking and planning for change."  
"Willing to make uneconomic decisions for the sake of stakeholder interest in environment."  
"They have large programmes embracing social, environmental and educational areas."  
"They not only think in terms of revenue. Money is not the only objective, surely is important, but is not at all."  
"Well-publicized green initiatives."  
"They are more proactive and engage the media."  
"Transparency regarding their sustainability initiatives." |
| Holistically embedded in business model/org |                                                                                                                                                                                                                                                                                                                                                                     |
| Long-term view                  |                                                                                                                                                                                                                                                                                                                                                                     |
| Ecological/social focus beyond profit |                                                                                                                                                                                                                                                                                                                                                                  |
| PR/transparency                 |                                                                                                                                                                                                                                                                                                                                                                     |
Q17. How would you benchmark your organization against this world-class standard?

(Please select one.)

World-class as well
Above industry average, but not world-class
Industry average
Below industry average
Well behind
Don’t know
Other

Percentage of respondents
Q18. How important are the following organizational capabilities in terms of addressing sustainability?

(Please rate on a scale of 1-5, where 1 is “least important” and 5 is “most important”.)

- Innovation in product, service, or market
- Innovation in business model or process
- Collaboration between functional units in the organization
- Mobilizing the external supply chain around sustainability
- Systems perspective: ability to understand conditions beyond the organization’s boundaries
- Identifying and using specific sustainability frameworks
- Identifying and using tools for measuring performance on sustainability issues
- Vision and leadership commitment to sustainability
- Ability to understand and shape regulatory policy on sustainability
- Stakeholder communications
- Dealing with uncertainty and long-term scenario planning
- Ability to experiment widely and accept failure to learn from external signals and share learning throughout the organization
- Adapting dynamically to changing business environment

![Bar chart showing the percentage of respondents for the top 8 highest-ranked answer choices.]

Note: Shows data for top 8 highest-ranked answer choices in top two boxes.
Q19. What tools would be most valuable to your organization in better addressing sustainability?
(Please select the three most valuable tools.)

New strategic frameworks and approaches
High-level sustainability diagnostic tools
Expertise in specific domains (e.g., cleantech, emissions reduction, policy)
New techniques and methodologies (e.g., to track carbon footprint)
Six Sigma and LEAN manufacturing concepts
Financial tools to evaluate sustainability investments
External consulting or auditing services
Sustainability scorecard with clear, measurable metrics
Tools not important
No basis for judgment
Other
Q19. Continued

Q19. “Other” Comments

<table>
<thead>
<tr>
<th>Primary themes</th>
<th>Direct quotes</th>
</tr>
</thead>
</table>
| External pressures                 | *External auditing.*  
*Government incentives.*  
*Clear and sensible regulations from government.*  
*Wall Street pressure on executives.*  
*Government putting a price on carbon.* |
| Financial case/ facts              | *Financial tools to evaluate sustainability investment.*  
*Tax and accounting methods that accurately reflect costs.*  
*The Triple Bottom Line.*  
*Details as to why/how it matters at all.*  
*Fact-based analysis over emotionalism.* |
| Culture change tools               | *Behavioral change models and training.*  
*Strategy to engage employees and create unified direction toward solutions.*  
*Tools and techniques to shift mind-sets of leaders, and let them see how their thinking creates a non-sustainable outcome.*  
*Change the company culture toward sustainability.* |
| Technology/ innovation             | *Product innovation.*  
*Sustainable technology road map for cross-sector development.* |
| Best practice examples             | *Stories of successful sustainable business practices and thoughts beside those practices.*  
*Examples of effective solutions: case studies.*  
*Examples of where the initiative has worked before.* |

Note: based on 88 total comments.
Q20. What important topics have we missed in defining how sustainability impacts management and strategy?

- Survey could be more applicable to service industries, nonprofits
- Less focus on financials/economics
- More focus on sociological issues (instead of ecological issues)
- Less assumption that respondent views environmental agenda is valid and important

Survey gaps/applicability

- Change management issues and link to corporate culture
- Leadership capabilities and gaps
- How to go about building the business case
- Importance of scorecards, reporting, and how to build the capabilities
- Role of government
- Differentiation between sustainability in developing and developed nations

Other areas to probe next time
Q21. What is your position?

- C-suite executive of a private, public, or government organization: 34%
- Other senior manager of a private, public, or government organization: 52%
- Academic: 14%
- Nonprofit executive
- Other

Percentage of respondents
Q22. Which statement best describes your awareness of and expertise on sustainability?

- Novice
- Somewhat aware and knowledgeable, but not an expert
- Thought leader/expert
Q23. In what industry does your organization participate?

- Academic
- Agriculture
- Automobiles
- Chemicals
- Conglomerate/multi-industry
- Construction
- Consumer products
- Consumer retail
- Energy: oil & gas
- Energy: utility (gas & power)
- Energy: other
- Financial services
- Health care
- Industrial goods: pulp & paper
- Industrial goods: cement
- Industrial goods: steel
- Industrial goods: other
- Industrial services
- Media and entertainment
- Mining
- Nonprofit
- Public sector/government
- Technology and telecommunications
- Water
- Other
- Total

Percentage of respondents
Q24. **What is your organization’s total headcount?**

- Less than 10,000 employees
- Between 10,000 and 100,000 employees
- Greater than 100,000 employees
- Total

![Bar chart showing percentage of respondents in different headcount categories.](image)

- <10K employees: 69%
- 10K-100K employees: 22%
- >100K employees: 9%
Q25. *In which region does your organization primarily conduct business?*

- Africa/Middle East
- Asia Pacific
- Australia/New Zealand
- Europe
- Latin America
- North America
- Global—primary business spread across three or more regions
- Other

Total

[Bar chart showing the percentage of respondents in each region.]

- Africa/Middle East: 6%
- Asia Pacific: 13%
- Australia/New Zealand: 3%
- Europe: 14%
- Global: 27%
- Latin America: 6%
- North America: 28%
- Other: 3%
For Further Reading

BCG and MIT Sloan Management Review have written extensively about sustainability. A sampling of publications follows.

Back to the Basics: How Photovoltaic Suppliers Can Win in Today’s Solar Market
BCG Opportunities for Action in Energy, August 2009

A Sober Optimist’s Guide to Sustainability: An Interview with John Sterman
sloanreview.mit.edu, January 29, 2009
(http://sloanreview.mit.edu/beyond-green/a-sober-optimists-guide-to-sustainability/)

Sustainability as Fabric—and Why Smart Managers Will Capitalize First: An Interview with Richard M. Locke
sloanreview.mit.edu, January 14, 2009

Sustainable Steelmaking: Meeting Today’s Challenges, Forging Tomorrow’s Solutions
A White Paper by The Boston Consulting Group, July 2009

Capturing the Green Advantage for Consumer Companies
A report by The Boston Consulting Group, January 2009

The Comeback of the Electric Car? How Real, How Soon, and What Must Happen Next
A Focus by The Boston Consulting Group, January 2009

Carbon Capture and Storage: A Solution to the Problem of Carbon Emissions
A Focus by The Boston Consulting Group, July 2008

Collaborating for Systemic Change
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