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**RESEARCH
REPORT**

WINTER 2012

In collaboration with

BCG

THE BOSTON CONSULTING GROUP

**FINDINGS FROM THE 2011 SUSTAINABILITY & INNOVATION
GLOBAL EXECUTIVE STUDY AND RESEARCH PROJECT**

Sustainability Nears a Tipping Point

This year, most survey respondents say sustainability is on their companies' management agendas to stay. What's more, a substantial portion of respondents say their companies are profiting from sustainability activities.

By *MIT Sloan Management Review* and The Boston Consulting Group



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Sustainability Nears a Tipping Point

Introduction

For the third consecutive year, *MIT Sloan Management Review* and the Boston Consulting Group have conducted a survey of managers and executives from companies around the world, asking how they are developing and implementing sustainable business practices. This research report discusses our findings and offers lessons to managers who are either trying to develop a sustainability agenda or wondering whether they should.

More than 4,000 managers from 113 countries responded to our survey this year; we focused on the nearly 3,000 executives from the commercial sector for this report. According to those respondents, 70% of companies have placed sustainability permanently on their management agendas; many companies have placed it on their agendas in the past six years. (See “The Sustainability Movement Nears a Tipping Point.”) Two-thirds of our respondents said that sustainability was necessary to being competitive in today’s marketplace, up from 55% in our 2010 survey. (See “Most Managers Believe a Sustainability Strategy Is a Competitive Necessity,” p. 4.) Moreover, despite a lackluster economy, many companies are increasing their commitments to sustainability initiatives, the opposite of what one would expect if sustainability were simply a luxury afforded by good times.

This rosy picture must be balanced against another set of data. While sustainability has made it onto many management agendas, responses indicate it ranks just eighth in importance among other agenda items. Meanwhile, economic growth continues to deplete the planet’s stocks of natural capital, despite the efforts of many companies to minimize their impacts through activities such as

THE SUSTAINABILITY MOVEMENT NEARS A TIPPING POINT
Some 70% of respondents who say their companies have put sustainability on the management agenda say they have done so in the past six years — and from this group, 20% say it’s happened in the past two years.

Cumulative Number of Businesses





decreasing their carbon footprints and cultivating closed-loop production systems.

In spite of this mixed story, almost a third of respondents say that their sustainability activities are contributing to their profitability. Taken together, the data suggest that the sustainability movement is nearing a tipping point, the point at which a substantial portion of companies are not only seeing the need for sustainable business practices but are also deriving financial benefits from these activities.

In this year's report, we focus on organizations that say their sustainability activities are contributing to their profits — a group that we call "Harvesters." Many Harvesters are not merely implementing individual initiatives such as lowering carbon emissions, reducing energy consumption or investing in clean technologies. They also are changing their operating frameworks and strategies.

In last year's report, "Sustainability: The Embracers Seize Advantage," we identified a group of "Embracer" companies — those that see sustainability as necessary to be competitive, have made the business case and have put sustainability permanently on the management agenda. Embracers are three times more likely to be Harvesters than are other companies. (See "Embracers vs. Harvesters," p. 5.)

In this report, we explain why the move toward sustainability is nearing a tipping point; examine what sets Harvesters apart from other companies; and, discuss three key lessons managers can learn from Harvesters.

Section I

Sustainability Is Firmly on Managers' Agendas

Given the current economic outlook, one might expect most companies to be scaling back on their sustainability investments. We find the opposite to be true. Some 70% of companies that have put sustainability on their management agendas have done so in the past six years, 20% in the past two years. In both our survey data and interviews with senior executives on the management structures that support sustainability, we see continuing strength in the focus of global business on sustainable business practices.

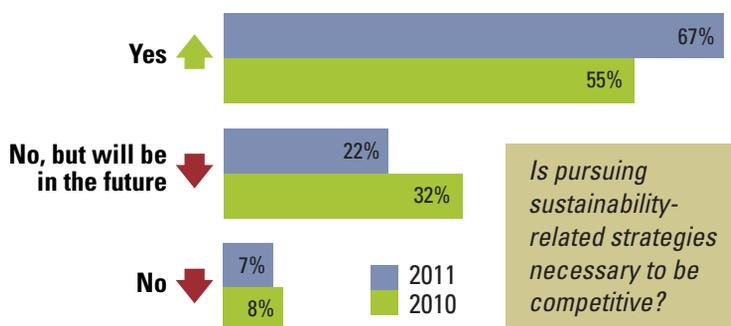
"You would expect people to say, 'Sorry, sustainability is nice, but it's only really appropriate for boom times,'" says Nick Robins, head of the Climate Change Centre of Excellence at HSBC, the London-based bank and financial services organization. "Actually, the perception has been the other way around. People are seeing that sustainability is part of that next phase of development, and that it will be disruptive and structural rather than an incremental change here and there."

Once on the management agenda, sustainability stays there. Seventy percent of organizations say sustainability has a permanent place on the management agenda, and almost none say they plan to reduce their commitments. Moreover, 68% say their organization's commitment to sustainability has increased in the past year (in 2009 just 25% of companies said this was the case), and an even larger proportion say they plan to increase their commitment to sustainability. (See "Companies Are Upping Their Sustainability Commitments," p. 6.)

We see these trends occurring within and across all industries. Resource-intensive industries — energy and utilities, consumer products, commodities, chemicals and automobiles — are leading the way. (See "Resource-Intensive Industries Lead the Way," p. 6.) As the global regulatory environment in some resource industries becomes more uncertain, more progressive companies are seeing benefits from having a strong sustainability brand reputation with governments and NGOs.

Respondents from service and technology industries are less likely to say that sustainability is necessary to be competitive. Even so, compared to last year's sur-

MOST MANAGERS BELIEVE A SUSTAINABILITY STRATEGY IS A COMPETITIVE NECESSITY
Three times as many respondents say that sustainability is critical to being competitive now than say that it is not critical now but will be important in the future.



vey, service and technology industries today are more likely to see the merits of competing on sustainability.

The reasons for the strengthening trend toward sustainability are numerous, complex and interrelated, involving factors both external and internal to the organization. (See “External and Internal Drivers of Sustainable Business Practices,” p. 7.)

According to our survey data, customers are the most common reason for companies to change their business models: 41% of all respondents listed customer preferences for sustainable products and services as a sustainability-related reason for changing their business models. But customer preferences for sustainable products and services do not always translate into a willingness to pay for sustainability premiums.

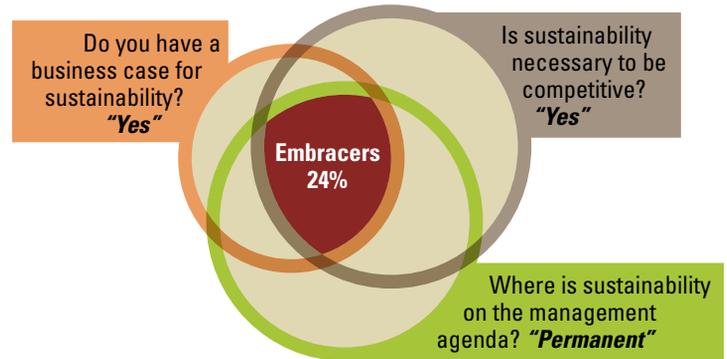
The comments of Chris Librie, director of environmental initiatives at HP, reflect this complex picture. “It’s very difficult to motivate individual consumers around sustainability,” he says. “It’s a nice-to-have, but they’re generally not going to pay more for it. Enterprises are different, because with enterprises sustainability can also be presented as energy savings, which translates to dollars, which translates to improved bottom line.” If heightened consumer preference for sustainable products is driving the sustainability agenda forward, it is doing so unevenly across sectors and geographies.

Another complex factor is the role of investors. Institutional investors, such as universities and state pension plans, are demanding more information on companies’ sustainability performances and are looking for sustainability-oriented investments, either through their own investment vehicles or through private equity and venture capital firms that focus on these areas.

According to Roberta Bowman, senior vice president and chief sustainability officer of Duke Energy:

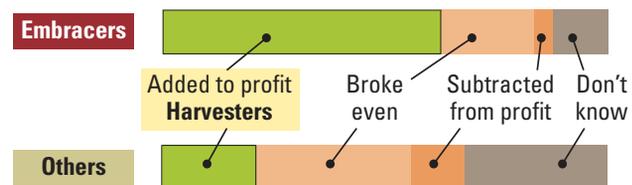
In addition to the more traditional “socially responsible investors,” we are finding that some of our mainstream investors are now looking at sustainability performance as an indicator of overall business value. They’re acting on the theory that our sustainability measures — our efficiency with resources, our employee retention, etc. — are predictors of overall business profitability.¹

Last year: Embracers



This year: Harvesters

The effect of sustainability-related actions/decisions on organizations’ profitability

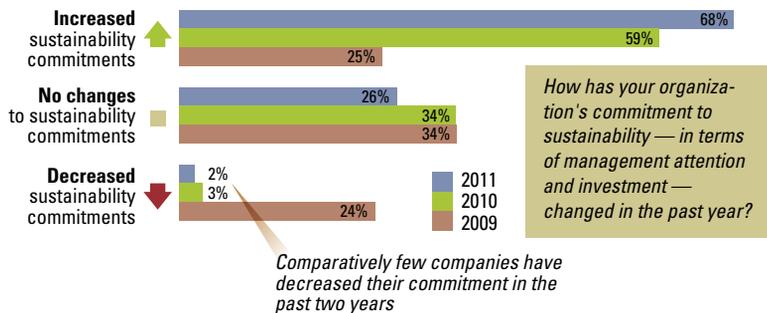


The growing demand for better information about corporate sustainability performance has increased the value of — and need for — accurate sustainability measures, the proliferation of which has helped create an environment in which large companies find themselves being publicly compared with competitors in unaccustomed ways. Some companies, of course, pay little attention to their performance on these measures even if (perhaps especially if) their performance is nothing to brag about.

More companies are drawing connections between innovation and sustainability. When selecting the top benefits of sustainability, 25% of respondents this year picked improved innovation in products and services, compared with 16% who selected this in 2010. Business model and process innovations also rank among the perceived advantages, with 22% of respondents choosing this, compared with 15% last year. Why such a large jump in these categories from one year to the next?

The strategic importance of sustainability-based innovation explains why Nike changed the title of its chief sustainability officer, Hannah Jones, to vice

EMBRACERS VS. HARVESTERS
Compared to other companies, Embracers are three times more likely to be Harvesters.



COMPANIES ARE UPPING THEIR SUSTAINABILITY COMMITMENTS
 Three years of data indicate a striking increase in the levels of time and resources managers are committing to sustainability.

president of sustainable business and innovation. “Sustainability is key to Nike’s growth and innovation,” said president and CEO Mark Parker last year in launching the company’s corporate responsibility report. “Making our business more sustainable benefits our consumers who expect products and experiences with low environmental impact, contract factory workers who will gain from more sustainable manufacturing and our employees and shareholders who will be rewarded by a company that is prepared for the future.”² It is the reason that Peggy Ward, director of the Enterprise Sustainability Strategy Team at Kimberly-Clark, says her company has “added a net sales goal of 25% of our 2015 net sales coming from environmentally innovative products.”

Both Nike and Kimberly-Clark were once subjects of blistering criticism for their production

methods — Nike for sweatshops and other human rights violations; Kimberly-Clark for cutting down old-growth boreal forests. In 2010, the Ethisphere Institute named Nike one of its World’s Most Ethical Companies. Kimberly-Clark was ranked first in the Dow Jones Sustainability World Index in the personal products category from 2005 through 2009.

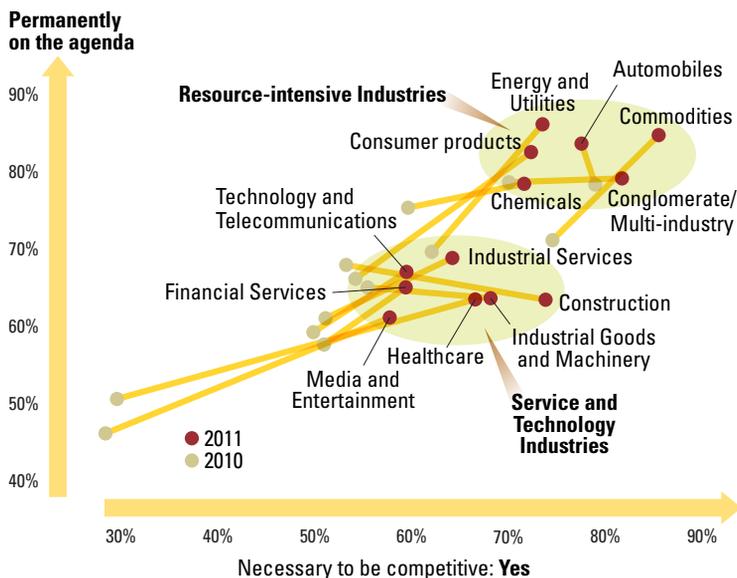
Whichever factors prove most compelling for an individual organization, a growing number of companies are recognizing the need to focus on sustainable business practices, with a larger share of respondents this year saying their companies will increase those investments.

Section II

Ahead of the Game: The Leaders in Sustainability

We asked respondents to identify regions that are leaders of corporate sustainability. Their answers were revealing. On one hand, a clear majority pointed to Europe. Yet our data indicates that companies increasing their sustainability commitments the most are located in emerging economies. Respondents from countries with strong economic growth in Asia-Pacific, South America and Africa said that their companies were going to increase their commitments to sustainability in 2012 at much higher rates than respondents from companies in slow-growth economies. (See “Emerging Markets Have a Strong Commitment to Sustainability” and “Europe Seen as Sustainability Leader,” p. 8.)

Companies in emerging countries have several reasons to develop robust sustainability agendas. One is the need to address environmental degradation, such as pollution and lack of clean water, in the areas where they operate. While the history of environmental degradation in developing countries is diverse, many companies in these markets must contend with this



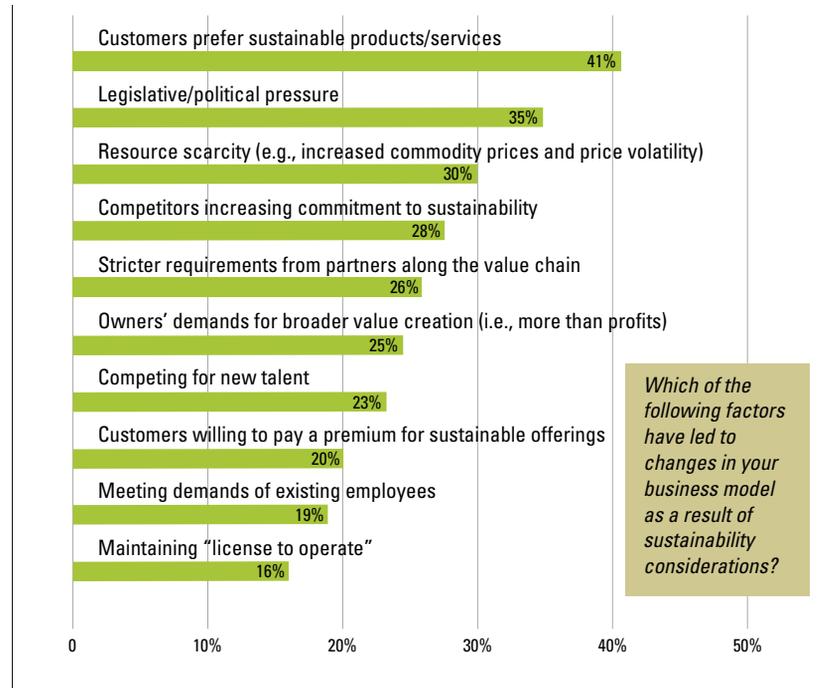
RESOURCE-INTENSIVE INDUSTRIES LEAD THE WAY
 Resource intensive industries have the highest direct impact on their physical and social environments. Their early adoption of sustainable practices is often linked to their long-term license to operate — and can also confer competitive advantage.

issue.³ According to a 2007 Worldwatch Institute report, China had 16 of the 20 most polluted cities in the world.⁴ It is not surprising that respondents from China, more than from any other major country, say that their companies are planning to increase sustainability commitments for next year. While some of this increase may be due to regulatory pressure and resource scarcity, innovation may also have an important role.

Many types of innovative approaches to sustainability are taking place in emerging markets. In 1998, CEMEX, the Mexico-based cement company, started Patrimonio Hoy, a savings club for low-income people who want to build their own homes. In exchange for weekly savings payments, CEMEX provides materials and architectural support through a network of CEMEX distributors and community promoters. Instead of taking years to build poorly designed and unstable shelters, participants in the Cemex program typically build their homes three times faster, with higher quality and at two-thirds the cost.⁵ By 2011, the program had supported 300,000 participants in emerging countries around the world, including Mexico, Egypt, Indonesia, Thailand and Latin America.⁶

In 2008, Florida Ice & Farm, a century-old Costa Rican food and beverage company — one of the largest businesses in Central America — began merging its sustainability practices with its business strategy.⁷ Because of changing consumer and government expectations, as well as philanthropic considerations, the company reasoned that its strategy of rapid growth would be difficult to achieve. Some 60% of company CEO Ramón Mendiola Sánchez's pay is now tied to performance on a scorecard of financial and nonfinancial measures — so-called triple bottom line indicators. Among other sustainable business practices, Florida Ice and Farm became much more efficient in how much water it uses to produce a liter of beverage, dropping from an average of 12 liters of water per liter of beverage produced to 4.9 liters of water under Sánchez's watch. Between 2006 and 2010, the company had a compound annual growth rate of 25%.

In India, multinational Jain Irrigation has pioneered a system of contract farming in which the company buys farmers' crops at a guaranteed price, enabling farmers to plan and to obtain loans to buy



irrigation products, such as an affordable drip irrigation system that reduces water consumption. Jain works closely with customers to promote precision farming, which increases output by optimizing the balance between fertilizers, pesticides, water and energy. This approach also gives Jain Irrigation a competitive edge: its close relationship with small-holder farmers and the fact that its products are customized to local conditions make it easier to win business from large agricultural suppliers.

Companies such as these are capitalizing on local conditions and shaping their business strategies to accommodate constraints on natural resources in a way that allows them to develop innovative new products, services and business models that also bolster their growth potential and profitability.

Section III

A New Cohort: Harvesters Come into Focus

Harvesters — those who said that their sustainability-related actions and decisions added to their profits — represent 31% of total respondents to our survey, and exist in every industry covered in our

EXTERNAL AND INTERNAL DRIVERS OF SUSTAINABLE BUSINESS PRACTICES
Customers' preference for sustainable products and services is a significant external driver of business model innovation.

EMERGING MARKETS HAVE A STRONG COMMITMENT TO SUSTAINABILITY
 Emerging markets' commitment to sustainability is increasing at a faster pace than in developed countries.

survey. A typical Harvester organization looks different than a typical non-Harvester organization on several dimensions.

Harvesters tend to have a distinctive organizational mindset and design that support sustainability. Compared to non-Harvesters, Harvesters are three times more likely to have a business case for sustainability. They are also 50% more likely to have CEO commitment to sustainability, twice as likely to have

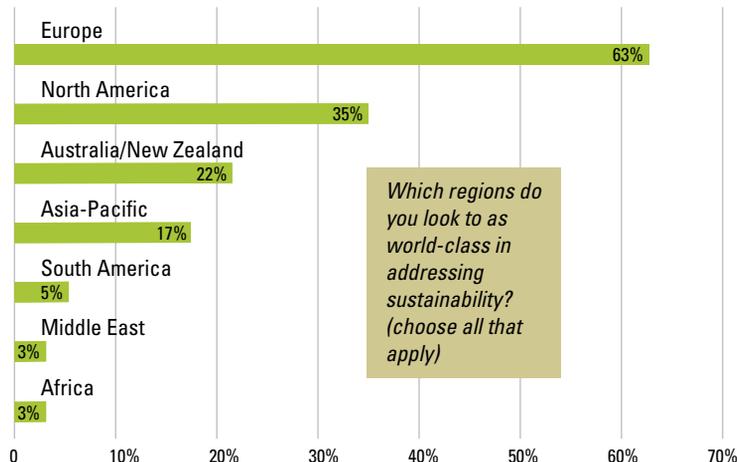
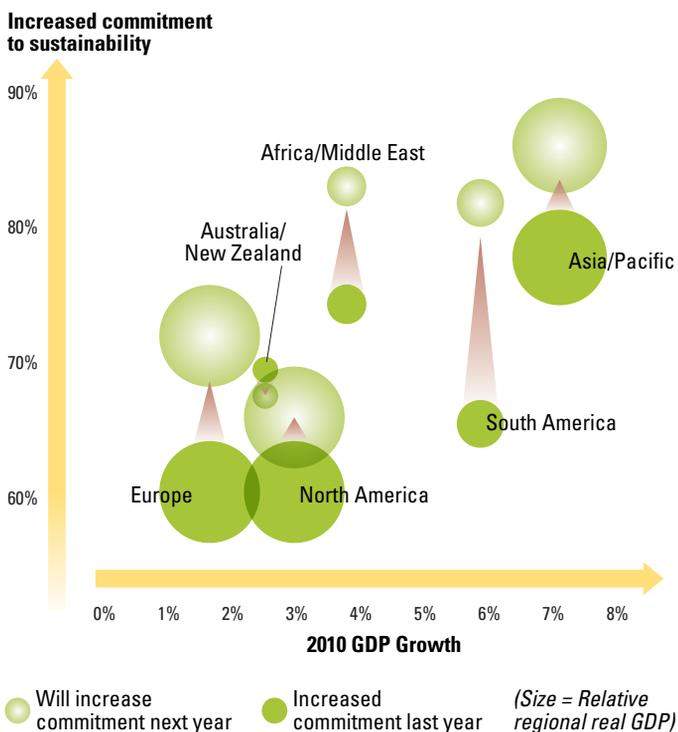
a separate sustainability reporting process and twice as likely to have a separate function for sustainability. Harvesters are also 50% more likely to have a person responsible for sustainability in each business unit and more than 2.5 times as likely to have a chief sustainability officer. (See "Harvesters Have Strong Organizational Support," p. 9.)

Compared to respondents from other organizations, Harvesters are nearly twice as likely to clearly communicate who has responsibility for sustainability, more than twice as likely to have operational and personal key performance indicators linked to sustainability and 62% more likely to link sustainability with financial incentives. Harvesters also are more than twice as likely to say that sustainability has increased their collaboration with internal business units in diverse national and international locations. (See "Harvesters Link Sustainability and Performance," p. 10.)

Some Harvesters are looking at sustainability as a source of innovation, increased market share and improved profit margins. "Before, it was more about the environment, because that's where the leading indicators were in addressing sustainability," says Kimberly-Clark's Ward. "And for us now, it's about looking at the full spectrum of sustainability." Andreas Regnell, head of strategy & environment for Vattenfall, one of Europe's leading energy companies, says that sustainability "allows us to continue to profit and grow, it helps us to be a responsible business and it is crucial for our competitive advantage."

Regnell's comment highlights the strength of competitive advantage as a sustainability driver. Having a commitment, a business case and an ethical stance are important. But commitments can falter, execution can fail and belief can be supplanted. The reality is that an organization's sustainability agenda often becomes deeply embedded in business processes when it adds to profitability over time.

Today, Harvesters' sustainability practices signal the possibility and potential of sustainability-based success



EUROPE SEEN AS SUSTAINABILITY LEADER
 Developed countries, home to more mature companies and industries, are still regarded as the regions with the best approaches to sustainability.

to competitors. As a result, these practices alter the competitive landscape in which Harvesters operate.

Section IV

Lessons from the Harvesters

Implementing successful sustainability agendas often demands significant organizational change. Many Harvesters have significantly altered their organizational structures, business models and operations.

Organizational Structure We find that most Harvesters are not embedding sustainability-oriented resources into pre-existing organizational structures. They are instead adopting new structures, instituting new lines of communication and establishing new performance metrics. In short, many Harvesters are unified in their focus on sustainable business practices.

For instance, more Harvesters have established the position of chief sustainability officer than other companies. But among Harvesters, a typical sustainability officer is not a lone wolf espousing some marginal position that others within the organization can choose (or not choose) to listen to. These positions have the backing of CEOs and are often supported by separate cross-functional senior management committees that can affirm and support corporate sustainability objectives. Some 85% of Harvesters say their organizations have strong CEO commitments. Only 56% of other companies say this is the case.

At HP, each of the company’s three main business divisions — the personal computers division, the printers group and the enterprise business division — has had well-developed sustainability initiatives in place for a long time, says HP’s Librie. “The role of my corporate group is not only to help coordinate what’s going on at the business unit level, but also to provide a framework and structure around the story that explains HP’s overall corporate goals in sustainability,” he says.

This combination of central control and devolved execution is the approach taken at Shell. “We have a small team at the global business level with clear accountability for driving this change, but the execution takes place in the businesses at large,” explains Graeme

Sweeney, Shell’s executive vice president of CO2.

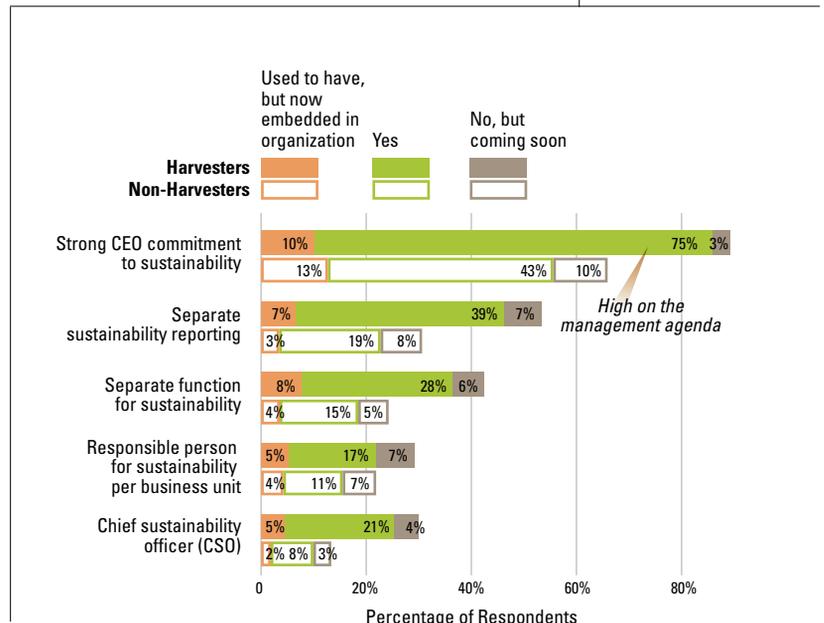
At Campbell Soup, four teams promote sustainability in areas such as community and the environment. “These formal chartered teams are where you can drive accountability,” says Dave Stangis, the company’s vice president of CSR, sustainability and community affairs. “You get content expertise, you get decision-making ability and you drive accountability. It’s really the only way I know to make it work.”

Progress is measured against sustainability goals at Kimberly-Clark, with quarterly updates on areas such as energy and water use, waste generation and net sales of environmentally innovative products. This data and other sustainability updates are delivered to a range of internal stakeholders, including the CEO, says Ward. “We meet annually with our board to talk to them about how we’re doing, and we meet twice a year face-to-face with our external advisory board,” she says. “So we have a lot of check-in points for our goals.”

Business Model Compared to other companies, Harvesters are demonstrably more successful at making the business case for sustainability. Some 57% say they have such a business case, compared to just 18% among the rest of our respondents. Nearly twice as many Harvesters say sustainability-related factors have forced them to change their business models compared to other companies.

Of course, Harvesters face the same difficulties as

HARVESTERS HAVE STRONG ORGANIZATIONAL SUPPORT
Compared to Non-Harvesters, Harvesters are significantly more likely to have strong CEO commitment to sustainability, a separate sustainability function, a business unit focus on sustainability and a chief sustainability officer.





HARVESTERS LINK SUSTAINABILITY AND PERFORMANCE
Harvesters are far ahead of Non-Harvesters when it comes to measuring sustainability-related key performance indicators (KPIs) and connecting sustainability performance with financial incentives.

other companies when it comes to building a business case, including challenges with capturing comprehensive metrics; measuring intangible effects such as brand reputation, employee engagement and productivity; and factoring in cost in the face of pricing uncertainties for carbon emissions or water use.

Harvesters struggle with these obstacles to a lesser extent than other companies, however, and they do not give up. Mark Vachon, vice president of GE ecomagination, suggests that failure to find the business case reflects a lack of innovation, not a lack of opportunity. “The idea is not to put your pencil down and quit,” he says. “It’s to go back and figure out what new level of innovation is required to get to the right answer.”

Harvesters struggle less because they are more proactive in changing themselves to address changes they anticipate in their external environment. Companies that cautiously adopt sustainability practices in response to regulations are less likely to embed sustainability into their business processes in a way that generates profits. Only 9% of survey respondents who said they adopted sustainability strategies as a result of legislation reported that their sustainability practices added to their profitability. The longer companies wait, the higher the risk that they will be forced into adopting sustainable practices by changes in their regulatory environment.

Consider BMW’s actions in response to shifting preferences, regulatory uncertainty and fuel costs in the automobile industry. BMW has led Dow Jones’ sustainability rankings in the automobile industry for the past

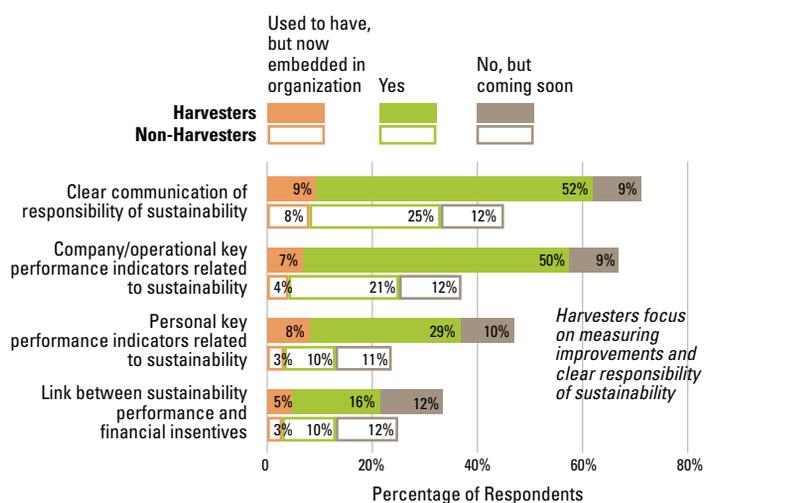
seven years. In 2007, BMW created Project i to explore new mobility technologies. While Project i operated independently of BMW headquarters, senior management support enabled the group to handpick engineers from throughout the company. Project i eventually developed the technology platform for BMW’s electric vehicle program. Before its first products were commercialized, Project i had created an innovation environment where some of the company’s top engineers wanted to work. While it may be years before BMW profits from Project i innovations, it is laying the groundwork for a leadership role in a new competitive environment within the automobile industry.

Operations Harvesters not only change themselves in response to sustainability considerations, but they also become more collaborative with stakeholders inside and outside of the company. (See “Sustainable Practices Improve Collaboration,” p.11.)

Greater collaboration among geographic business units is a hallmark of Harvesters’ sustainable business practices. “So if we’re talking about something that’s working really well in Europe, we look at whether there is a way to bring it to the U.S.,” says Campbell Soup’s Stangis.

Harvesters also collaborate more with customers and suppliers than other companies do. Edgar Blanco, a research director at the MIT Center for Transportation and Logistics, says that although companies may find this process challenging, it is essential: “If you’re going to focus your strategy on carbon reduction or environmental impact or social impact, you need to engage your suppliers. Without them, you cannot succeed.”

Some multinationals with complex global supply chains have already started this process. Walmart, for example, asks suppliers to complete a Sustainability Supplier Assessment evaluation. Starbucks has hosted a coffee cup summit at MIT for several years, bringing together representatives from its value chain in addition to competitors in order to improve the life cycle value of disposable coffee cups. In 2010, Procter & Gamble launched a sustainability scorecard and rating process to assess suppliers’ performance on water use, waste management and greenhouse gas emissions, among other things. P&G’s supplier scorecard also allows it to promote innovation. “We want to stimulate innovation



SUSTAINABLE PRACTICES IMPROVE COLLABORATION

Profiting from sustainability goes hand in hand with greater collaboration among many groups, both internal and external to the organization.

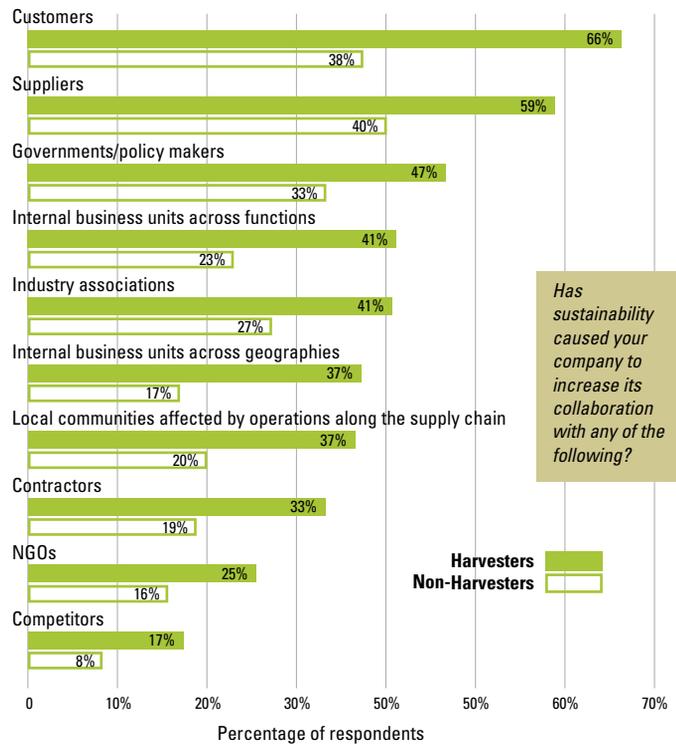
over the whole life cycle of our products,” says Peter White, who is responsible for Global Sustainability at P&G. “And clearly, if our suppliers can bring innovation into the supply chain, that will help us on a life cycle basis improve the performance of our products.”

Some suppliers are proactively working toward the same end. According to Scott Wicker, chief sustainability officer at UPS:

Years ago, we put a lot of time and effort into developing a fairly sophisticated carbon calculator that can track our carbon footprint down to the level of individual packages. So, if you want to know the carbon emitted from your shipment, we can tell you. We know the vehicle it traveled on. We know the route it took, whether it was plane, truck, train or ship. We know the level of service it took, and whether it was next day. We calculate the carbon associated with all of that, and provide a very detailed carbon rendering of your shipments. Our competitors cannot tell you that with nearly the degree of accuracy that we can, and our inventory and process is reviewed by third parties for credibility.

That ability allows us to offer customers the opportunity to credibly offset the carbon associated with their packages. Customers who want to reduce their carbon footprint can, for as little as a nickel on a ground package, mitigate the carbon associated with their shipment. We use the nickels to buy certified carbon offsets, so the packages travel carbon neutral. While we have had modest demand, we have had some high-profile customers use it, including Live Nation bands, like Dave Matthews and O.A.R., who do a lot of traveling and want to reduce their carbon footprint. We also have helped to redesign their tours to be more sustainable.

In sum, many Harvesters have significantly altered their organizational structures, changed



their business models and become more collaborative and unified in their focus on sustainability.

Of course, large-scale organizational change is not necessary to see profits from sustainability activities. A significant portion of Harvesters have identified sustainable business practices that contribute to their profits through what Cornell University professor Stuart Hart describes as “eco-efficiency gains,” such as reductions in energy consumption. Harvesters that are the de facto leaders of the sustainability movement are looking beyond these measures and are developing innovations and competitive advantage from their approaches to sustainability.

Conclusion

Looking Ahead

In studying the responses to this year’s survey, we have found new and strong evidence that companies are making striking commitments to sustainable business practices — investing both time and money in strategies that address competitive landscapes increasingly shaped by



climate change, resource scarcity, regulatory uncertainty and economic volatility.

The balance between controlling from the top and devolving responsibility to individual business units might vary, but Harvesters recognize that they need a combination of senior leadership and integrated management in order for sustainability strategies to succeed.

They also recognize that they need to partner with organizations that lie outside their businesses, such as regulators, suppliers, NGOs and citizen groups. And once companies have established their internal structures and made investments of time and resources, almost none turn back.

Acquiring buy-in from relevant constituents for sustainable business practices can take time, and implementing these initiatives often requires advancing along a steep learning curve. We found that organizations with less than two years' experience are 50% less likely to say that sustainability adds to their profitability than those with more than 12 years of experience with sustainability.

What does all this evidence of growing commitment, increased collaboration with external stakeholders and new management structures tell us? First, that the business case is being made — that Harvesters are looking beyond communications,

risk management and reputational concerns toward concrete profits. And that they see those profits emerging not in the future — but right now.

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3. We acknowledge, of course, that some businesses in developing countries may have substantively contributed to the environmental degradation that other, more sustainability-oriented businesses must contend with.
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The Survey: Questions and Responses

1. What are the primary business challenges facing your organization over the next two years? (Please select your top three)

- Innovating to achieve competitive differentiation
- Growing revenue
- Reducing costs and increasing efficiencies
- Profitably acquiring and retaining customers
- Responding effectively to disruption of our business model
- Increasing operating speed and adaptability
- Attracting, retaining and motivating talented people
- Responding effectively to threats and opportunities of sustainability
- Responding effectively to threats and opportunities of globalization

2. What factors does your organization consider as part of sustainability? (Please choose all that apply)

- Increased emphasis on long-term perspective
- Economic sustainability of the organization
- Corporate social responsibility issues
- Employee health and well-being
- Environmental issues
- Customer health and well-being
- Safety issues
- None of these

3. Is pursuing sustainability-related strategies necessary to be competitive?

- Yes
- No, but will be in the future
- No
- Do not know

4. Is the term “sustainability” concrete and useful?

- Yes
- No, but it is the best term available
- No, I would suggest (please use commas to separate multiple suggestions)

5. Has your organization’s business model changed as a result of sustainability?

- Yes
- No
- I do not know

6. Which of the following factors have led to changes in your business model as a result of sustainability considerations? (Please choose all that apply)

- Resource scarcity (e.g., increased commodity prices and price volatility)
- Owners’ demands for broader value creation (i.e., more than profits)
- Customers willing to pay a premium for sustainable offering
- Legislative / political pressure
- Meeting demands of existing employees
- Customers prefer sustainable products / services
- Competitors increasing commitment to sustainability
- Maintaining “license to operate”
- Stricter requirements from partners along the value chain
- Competing for new talent
- None of the above

About the Research

For the third year, *MIT Sloan Management Review*, in partnership with the Boston Consulting Group, conducted a global survey, to which more than 4,000 executives and managers responded. The analysis in this report is based on a smaller sub-sample of 2,874 respondents from commercial enterprises, with respondents from academic, governmental and nonprofit organizations excluded. The respondents’ organizations are located around the world; more than 40% do business in at least three regions, led by Europe, North America and Australia/New Zealand. A wide variety of industries are represented. The sample was drawn from a number of sources, including MIT alumni, *MIT Sloan Management Review* subscribers, BCG clients and other interested parties.

In addition to these survey results, we interviewed academic experts and subject matter experts from a number of industries and disciplines to understand the practical issues facing organizations today. Their insights contributed to a richer understanding of the data and provided examples and case studies to illustrate our findings.

As a matter of terminology, we used “sustainability” to cover environmental, economic and societal topics. Respondents had a similar view. We asked respondents “What factors does your organization consider as part of sustainability?” and asked them to choose all that applied from a list of options. A clear majority selected economic sustainability (62.1%). Environmental and corporate social responsibility issues, increased emphasis on long-term perspective and employee health and well-being were in the next tier.



7. How has your organization’s commitment to sustainability — in terms of management attention and investment — changed in the past year?

- Significantly increased
- Somewhat increased
- Business as usual / No changes
- Somewhat decreased
- Significantly decreased
- Do not know

8. How do you expect your organization’s commitment to sustainability — in terms of management attention and investment — to change in the year ahead?

- Will increase significantly
- Will increase somewhat
- Business as usual / No changes
- Will decrease somewhat
- Will decrease significantly
- Do not know

9. What do you believe is the status of sustainability on the agenda of your organization’s top management?

- Already a permanent fixture and core strategic consideration
- On the agenda permanently, but not core
- Temporarily on the agenda, but not core
- Excluded from the agenda, because viewed as a passing fad
- Never considered for the agenda

10. When did the topic of sustainability first appear on your organization’s management agenda? (Please pick an approximate year range from scroll-down list)

11. What are the greatest benefits to your organization in addressing sustainability? (Please choose up to three reasons)

- Access to new markets
- Better innovation of business models and processes
- Better innovation of product / service offerings
- Enhanced stakeholder / investor relations
- Improved brand reputation
- Improved perception of how well company is managed
- Improved regulatory compliance
- Improved ability to attract and retain top talent
- Increased competitive advantage
- Increased margins or market share due to sustainability positioning

- Increased employee productivity
- Reduced costs due to energy efficiency
- Reduced costs due to materials or waste efficiencies
- Reduced risk
- There are no benefits

13. Overall, has your organization developed a clear business case or proven value proposition for addressing sustainability?

- Yes
- Have tried to, but too difficult to develop
- No
- Unsure

12. Regarding sustainability in your organization, does your organization have ...

	YES	USED TO HAVE BUT NOW EMBEDDED IN OUR ORGANIZATION	USED TO HAVE BUT NO LONGER COMMITTED TO	NO BUT COMING SOON	NO	DO NOT KNOW
Strong CEO commitment to sustainability						
A chief sustainability officer (CSO)						
A separate function for sustainability						
Responsible person for sustainability per business unit						
Clear communication of responsibility of sustainability						
Separate sustainability reporting						
Company / operational KPIs related to sustainability						
Personal KPIs related to sustainability						
Link between sustainability performance and financial incentives						

14. How significant an obstacle is each of the following to evaluating the business case for sustainability-related strategies? (Please rate on a scale of 1 to 5, where 1 = "Not at all significant" and 5 = "Very significant")

	1	2	3	4	5
Opposition from executives or influential individuals					
Difficulty quantifying intangible effects of sustainability strategies (e.g., brand reputation, employee hiring, retention and productivity)					
Difficulty predicting customer response to sustainability strategies					
Lack of individual financial incentives for considering sustainability					
Difficulty capturing comprehensive metrics about sustainability impact of operations					
Difficulty quantifying sustainability-related risks					
Lack of model/framework for incorporating sustainability in business cases					
Competing priorities					
Uncertainty about future carbon pricing					

15. In general, how do you believe your organization's sustainability-related actions/decisions have affected its profitability?

- Added to profit
- Broken even — neither adding to nor subtracting
- Subtracted from profit
- Do not know

16. Has sustainability caused your company to increase its collaboration with any of the following? (Please choose all that apply)

- NGOs
- Governments / policy makers
- Industry associations
- Competitors
- Customers
- Internal business units across geographies
- Internal business units across functions
- Suppliers
- Contractors
- Local communities affected by operations along the supply chain
- None of the above

17. How strong is your personal commitment to sustainability?

- Among my top priorities
- In line with other priorities
- Lower than other priorities
- No commitment

18. Could a difference in sustainability commitment between you and your current, or potential future, employer be a reason to change or not choose a company?

- Yes
- No
- Do not know

19. Which regions do you look to as world-class in addressing sustainability? (Choose all that apply)

- Africa
- Asia-Pacific
- Australia / New Zealand
- Europe
- Middle East
- North America
- South America
- None

20. Name the organizations that you look to as world-class in addressing sustainability. (Name 3-10 companies)

21. In which country do you currently reside?

22. In which country is your organization's head office located?

23. Which of the following best describes your current position?

- C-suite executive (e.g. CEO, CSO, CFO)
- Manager
- Academic
- Non-profit executive
- Government staff
- Other

24. Which of the following best describes your organization's industry?

CLASSIFICATION	Sub-classification [SIC codes]
• Academia / higher education	
• Automobiles	
• Chemicals	
• Commodities	
• Conglomerate / Multi-industry	
• Construction	
• Consulting / Professional services	
• Consumer products	
• Energy and utilities	
• Financial services	
• Healthcare	
• Industrial goods and machinery retail	
• Industrial services	
• Media and entertainment	
• Non-profit	
• Public sector / government	
• Technology and telecommunications	
• Other	



25. What is your organization's total headcount?

- <50 employees
- 50 - 200 employees
- 200 - 1,000 employees
- 1,000 - 10,000 employees
- 10,000 - 100,000 employees
- >100,000 employees

26. In which region does your organization primarily conduct business?

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

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