

CEO Study on Sustainability

An excellent report called “The UN Global Compact-Accenture CEO Study on Sustainability 2013, Architects of a Better World” is one of the world’s largest CEO studies on sustainability to date. It had more than 1,000 top executives from 27 industries across 103 countries discuss a new global architecture for businesses contributing to global priorities.

Peter Lacy, CEO Study Lead and Managing Director of Accenture Strategy & Sustainability Asia Pacific, outlined in the introduction that sustainability has become established on the leadership agenda of almost every leading business.

He wrote that “This year is a unique opportunity to take stock as we stand at a crossroads in the global economy. Business leaders are committed to leading the way, but will require greater ambition and wider support as they work to align sustainability impact with value creation, and markets with sustainable development outcomes, such that business leaders can truly become the architects of a better world.”¹

Refocus of Business Leaders—Top Priorities

Business leaders are refocusing, and the report shows that two thirds of responding CEOs outlined the following top three priorities for the future success of their business:

1. Growth and employment: 64 percent
2. Education: 40 percent
3. Energy: 39 percent

Link between Sustainability and Business Value

CEOs were asked as part of the study, what barriers they had to further progress in embedding sustainability into their organization. CEOs saw one factor arising more than any other over the past decade: the **lack of a link between sustainability and business value**. CEOs are clear that action must be justified against traditional **measures of success**.¹

The report lists two areas for the agenda for action:

1. Government intervention to align public policy with sustainability at global, national, and local levels, including hard measures on regulations, standards, and taxation
2. Company sharing, to learn from others who are already leading the way, harnessing sustainability as an opportunity for innovation and growth, and delivering business value and sustainability impact at scale

United Nations Global Compact: The Ten Principles—Understanding Their Scope of Sustainability

Throughout the report, the term *sustainability* encompasses environmental, social, and corporate governance. The ten principles the United Nations Global Compact asks companies to embrace, support, and enact within their sphere of influence are as follows:

Human Rights

- Principle 1: Businesses should support and respect the internationally proclaimed human rights.
- Principle 2: Make sure that they are not complicit in human rights abuses.

Labour

- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
- Principle 4: The elimination of all forms of forced and compulsory labor.
- Principle 5: The effective abolition of child labour.
- Principle 6: The elimination of discrimination in respect of employment and occupation.

Environment

- Principle 7: Businesses should support a precautionary approach to environmental challenges.
- Principle 8: Undertake initiatives to promote greater environmental responsibility.
- Principle 9: Encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

- Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Seven Steps to Sustainability

From the research and analysis done, the report outlined, as follows, that leaders are approaching sustainability differently. CEOs see seven key themes that guide their thinking and actions, which transform strategies, business models, value chains, and industries in order to achieve leadership in sustainability and high performance.

- Step 1:** Realism and context—understanding the scale of the challenge and the opportunity.
- Step 2:** Growth and differentiation—turning sustainability to advantage and value creation.
- Step 3:** Value and performance—“what gets measured gets managed;” quantifying the value of sustainability initiatives, more sustainable business models, track impact on communities.
- Step 4:** Technology and innovation—new models for success; investment in renewables, intelligent infrastructure enabled by machine-to-machine communication, closed-loop business models, innovative R&D, cloud computing, analytics, etc.
- Step 5:** Partnerships and collaboration—new challenges, new solutions; close partnerships with governments, policymakers, industry peers, consumers, and NGOs.
- Step 6:** Engagement and dialogue—broadening the conversation; two-way dialogue—engaging stakeholders (consumers and local communities, regulators and policy makers, investors and shareholders, employees and labor unions) to negotiate role of business in addressing global challenges.
- Step 7:** Advocacy and leadership—shaping future systems; collaborative solutions with governments and other stakeholders; business leaders’ advocacy and public commitment is integral to progress.

Will the pace of change address the global challenges to be able to support a population of nine billion by 2050? Time will tell.

CEOs on Sustainability

The report shows that business leaders are successful in making the case for sustainability within their organizations.

- Eighty-four percent of CEOs report that it is discussed and acted on at the board level.
- Seventy-eight percent of CEOs see sustainability as an opportunity for growth and innovation.
- Eighty percent see it as a route to competitive advantage in the industry.

TABLE 1.1

CEOs' Perception of the Importance of Sustainability Varies by Industry

Industry*	Important	Very Important
Utilities	39%	61%
Banking	39	61
Infrastructure & Transportation Services	50	48
Chemicals	47	50
Metals & Mining	43	54
Communications	63	33
Automotive	52	43
Consumer Goods & Services	41	53
Energy	35	59
Industrial Equipment	54	38
Electronics and High Tech	46	42

* Based on 1,000 completed responses.

Source: UNGC-Accenture CEO Study 2013.

The importance of sustainability can vary from industry to industry; see Table 1.1

Siemens is one company outlined in the report. It has achieved strong growth throughout the downturn through a focus on innovative technologies in clean energy (offshore wind turbines), enabling customers to cut CO₂ emissions worldwide and develop intelligent infrastructure.

CEO Learnings²

You will not be judged anymore only by the top line or bottom line results in your company. You will increasingly be judged by the contributions that you will make to society.

Paul Polman, Unilever

The world is more complex, and risks are more interconnected; but a complex world is an opportunity, if you can deal with its complexity.

Martin Senn, Zurich Insurance Group

We measure our success not by the profit we make, but by the difference we make.

Bob Collymore, Safaricom Ltd.

The role of every company is to be a positive force in society: you have to focus on creating value, creating success, and if you look from the perspective of the long term then in going about your business you should engage with society positively.

Carlos Brito, Anheuser-Busch InBev

There is a natural evolution in the investment community towards sustainability, corporate governance and transparency: these will soon become normal parts of the investor discussion.

Federico Ghizzoni, UniCredit

To accelerate progress on sustainability, we need governments to recognize the role of business as a solution in providing growth and innovation.

Sir Andrew Witty, GlaxoSmithKline

Quantify Business Value for Sustainability

The UN Global Compact-Accenture CEO Study on Sustainability states that sustainability must lead to business value. Sometimes the rewards tied with sustainability are hard to quantify. While they may reduce risk, sometimes the benefits are not seen right away, especially if they have not been measured.

The report states that only 57 percent of CEOs could set out in detail their strategies for seizing the opportunities presented by sustainability over the next five years. It is also startling to learn that only 38 percent were able to accurately quantify the business value of their companies' sustainability initiatives.

The question I would ask of the 1,000+ top executives is, **“What criteria are you managing your business to?”**

Measurement is one of the key seven steps outlined earlier to the UN's sustainability, under “Value and Performance.” Measurement is crucial in improving the efficiency and effectiveness of any business.

Also, if companies have management system structures in place to international standards (ISO -- International Organization for Standardization), which most of the large international companies do, then they are required to not only identify risks in their processes, but also establish, monitor, measure, and evaluate business objectives and targets (initiatives) throughout the organization to improve.

One flaw I see is that ISO's management systems do not outline or emphasize the need to tie management system processes, including objectives, to the financial bottom line and this is where the CEOs' and CFOs' focus is.

My years of auditing major corporations have shown me that many companies are working on many projects; however, they do not have systems in place for central tracking of what projects are being done, by whom, and when, and the costs associated with the organization's bottom line.

Companies need integrated management systems tied to financials in order to be in control of all departments; this tracks their controls and measurements for all processes for sustainability.

Another flaw I have seen is that the CEOs and CFOs have limited understanding of what the International Standards requirements are for their registered managements systems.

Factors Driving CEOs on Sustainability

The factors in order of priority that currently drive CEOs to take action on sustainability issues according to the report are as follows:

- Brand, trust, and reputation: 69 percent
- Potential for revenue growth/cost reduction: 49 percent
- Consumer/customer demand: 47 percent
- Personal motivation: 41 percent
- Employee engagement and recruitment: 38 percent
- Governmental/regulatory environment: 27 percent
- Impact of development gaps on business (e.g., water, food, poverty, infrastructure): 15 percent
- Pressure from investors/shareholders: 12 percent
- Other: 3 percent

It is interesting to note that investors are not a critical driver for companies to take action on sustainability. CEOs may need to communicate better with investors about how sustainability initiatives are aligned to their strategy, financial performance, and valuation. A study will be done in 2014 on investors and asset managers who represent nearly \$35 trillion in assets and will be available at www.accenture.com/ungcstudy.

Another study will be done by Accenture and the Global Compact, partnering with Havas, to understand what drives consumer preferences and behaviors on sustainability, which will be available in 2014.³

Note

1. “UN Global Compact-Accenture CEO Study on Sustainability 2013 Report,” www.accenture.com/us-en/sustainability/Pages/sustainability-index.aspx.
2. Ibid.
3. Ibid.