

Sense & Sustainability Survey 2011

What U.S. consumers, including Fortune 1000 executives, are saying about corporate efforts to improve the environment

By Ron Loch

What the Gibbs & Soell Sense & Sustainability survey results suggest is that many U.S. Fortune 1000 companies have not moved beyond the visioning phase of changing their organization to become more sustainable.

There's little doubt that corporate leaders are beginning to embrace sustainability and companies are pursuing green practices to reduce their environmental footprint.

Recently, The Dow Chemical Company announced that its investments in energy reduction efforts since 1994 have returned a \$7 billion "profit." In addition, a 2010 A.T. Kearney analysis revealed that companies that demonstrated a true commitment to sustainability over the course of the recession appear to have outperformed their industry peers in the financial markets. These findings tie in with those from last year's UN Global Compact-Accenture CEO Research Study on Corporate Sustainability, which showed that CEOs overwhelmingly believe that sustainability will be critical to the success of their companies and will be fully integrated with core business capabilities and operations.

However, the results of the 2011 Gibbs & Soell Sense & Sustainability® Study suggests there is an undercurrent of skepticism about corporate commitment that could slow the progress of sustainability efforts. Evidence indicates that a rush to embrace sustainability without proper alignment of internal structure, processes, and communications may be the cause.

Widespread Commitment Questioned

The Gibbs & Soell Sense & Sustainability survey is the communication firm's second annual study of consumer and business perceptions about corporate sustainability. Conducted online by Harris Interactive on behalf of Gibbs & Soell, the research gauged responses from 2,031 U.S. adults and 302 Fortune 1000 executives.

A key finding was that the majority (88 percent) of business leaders report that their company is "going green." However, only 29 percent of executives and 17 percent of consumers believe that a majority of businesses ("most," "almost all," or "all") are committed to "going green"—defined as "improving the

health of the environment by implementing more sustainable business practices, and/or offering environmentally friendly products or services."

With CEOs confident that sustainability is critical to long-term success and most Fortune 1000 executives reporting that their companies are pursuing green strategies, why is there so much skepticism about widespread corporate commitment to sustainability?

Communications Gap

Although individual corporate voices may be declaring yes to sustainability, they are not blending harmoniously and resonating as a chorus. In short, corporate America isn't being heard.

This communications gap may be rooted in society's historical view that corporate social responsibility and environmental stewardship are tied to aspirational rather than operational goals.

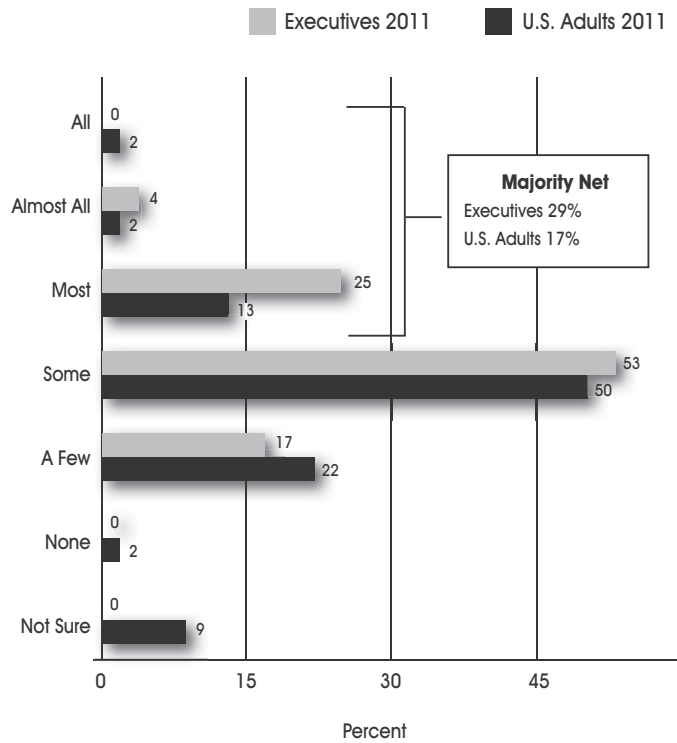
Embedding sustainability and realizing its value in an enterprise requires the same change management strategies employed following a merger or acquisition of another company. These include:

- Creating a vision for the reimagined enterprise
- Making the case for change
- Aligning people and processes to support change
- Revising reward structures to reinforce desired behavior
- Communicating openly

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A company embarking on a change initiative following a merger will build the case for change based on the value the resulting company will deliver to key stakeholders and how it will make the company

Q. In your opinion, how many businesses are committed to “going green” – that is, improving the health of the environment by implementing more sustainable business practices and/or offering environmentally-friendly products or services?



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more competitive. Sustainability must be merged in much the same manner. And, similar to the due diligence that precedes a deal, companies that embrace sustainability as a business imperative must do their due diligence to articulate the value of sustainability and bring the company into alignment with the vision of the reimagined organization.

Building a Material Case for Change

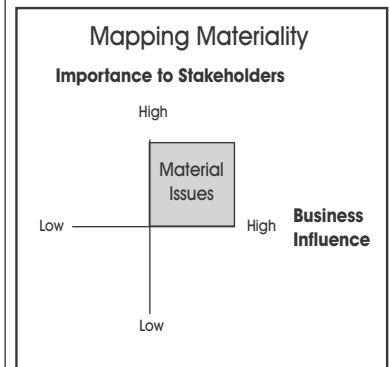
An excellent process for beginning that due diligence is a materiality assessment. A required standard for sustainability reporting developed by the Global Reporting Initiative (GRI), a materiality assessment helps identify which environmental and social issues are most relevant to a given company in pursuing sustainable success. Even for organizations

that do not wish to publish a report, this assessment can be highly valuable for creating a roadmap for organizational change management that leads to business-relevant sustainability initiatives.

In financial parlance, a material issue is commonly understood as something that can have a significant financial impact on the company and must be disclosed to all shareholders and addressed in strategic plans. The concept of materiality for sustainable issues broadens this analysis to include those factors that have significant environmental or social impacts.

There are two elements that determine what issues are material for an organization: importance of an issue to key stakeholders; and the level of impact the issue has on business, social, and environmental success. By analyzing environmental and social performance against these standards, a sustainability narrative can be created that is relevant to key stakeholders—such as investors, customers, workers, communities, and suppliers—and helps create a compelling argument for organizational change.

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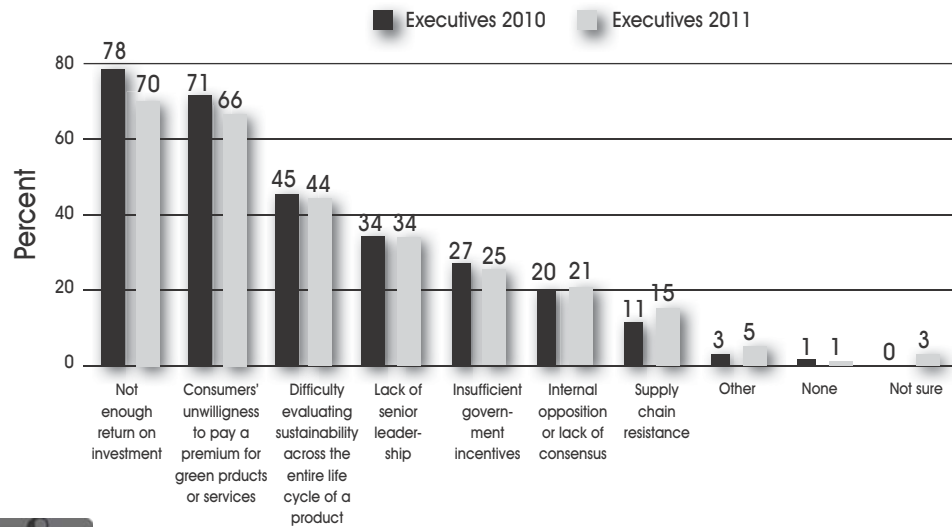
The assessment can also be helpful in identifying internal structures and performance metrics that need to be changed. Sustainability as a concept can be difficult for employees to embrace in a meaningful way, but by breaking it down to the core issues that are mission critical, you can connect employees to specific actions that will make a difference and can be evaluated.

Sustainability: An Added Burden

Building strong internal advocacy for a company’s sustainability narrative also depends on the credibility and passion of a company’s green champions.

The Gibbs & Soell Sense & Sustainability study found most green duties are shared. When asked

Q. What are the barriers, if any, to more businesses "going green"?



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about green responsibilities at their companies, three-quarters of the 302 Fortune 1000 executives surveyed say that an individual or team was given the responsibility for environmental efforts. However, the majority report that those responsibilities are being added to existing responsibilities. Only 11 percent say their company has a senior level executive dedicated specifically and solely to green initiatives, and 17 percent report that a team of individuals are dedicated.

Considering that 56 percent of Americans have taken on extra duties at work because of staff cuts, stretching workers even further with green responsibilities may lead to an erosion of confidence, either in the CEO's true commitment or the ability of organizations to fully implement sustainable strategies.

While more research is needed, it isn't unreasonable to assume that a lack of commitment to dedicated resources increases skepticism about corporate efforts and demotivates employees. If something is business critical, it is assumed it will be assigned the appropriate level of resources to ensure implementation.

Engaging Employees

To truly align an organization to sustainability goals requires engagement that transcends green teams and internal advocates. All employees need to be made aware of how merging sustainability principles with their roles and responsibilities has lasting value for the company and their career. However, a 2010 report published by Brighter Planet concluded from a survey of 1,055 employees of various companies that "while most employers have begun interacting

with their employees around sustainability, their efforts are nascent and fairly basic: providing recycling bins rather than linking bonuses to environmental metrics. More than 85 percent of respondents said their organization promotes employee sustainability in some arena, but fewer than 15 percent said their employer had an employee sustainability engagement policy."

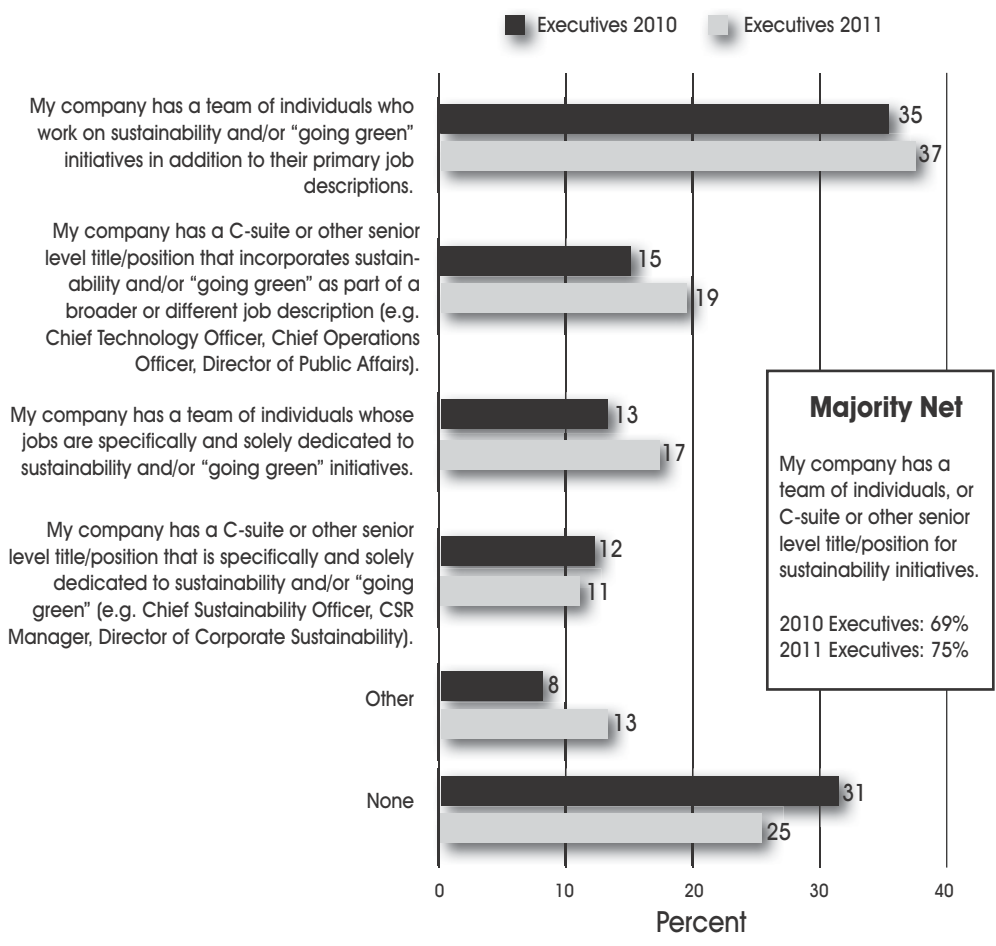
Lack of engagement is a missed opportunity as employees clearly desire an employer with a sustainability focus. A Harris Interactive National Quorum survey of U.S. consumers conducted in February 2011 on behalf of Interface, Inc. found that 71 percent value a commitment to sustainability, defined in this study as "environmental protection," as an important criterion for evaluating a workplace.

Short-Termism

Another contributing factor to the low-confidence vote on sustainability may be corporate America's myopia. For two consecutive years, Fortune 1000 executives have pointed to a lack of return on investment and consumers' unwillingness to pay a premium for green products or services as counterforces to more companies embracing environmental sustainability.

It is telling that these executives pointed to financial factors as the greatest barrier to green practices and products. For most executives, success is defined by their contribution to the top line or bottom line in a 12-month period. What Dominic Barton, global managing director of McKinsey & Company, refers to as the "tyranny of short-termism."

Q. Is there anyone at your company who is responsible for sustainability and/or “going green” initiatives?



Majority Net
 My company has a team of individuals, or C-suite or other senior level title/position for sustainability initiatives.
 2010 Executives: 69%
 2011 Executives: 75%

Sustainability by its very nature is about the long-term, and the investments necessary to achieve more sustainable outcomes can come with a premium.



©2011 Gibbs & Soell Sense & Sustainability® Study. 2010 Base: All executives n=304). 2011 Base: All executives (n=302) Multiple responses were allowed.

Sustainability by its very nature is about the long-term, and the investments necessary to achieve more sustainable outcomes can come with a premium. For example, Dow had to invest \$2 billion to realize \$9 billion in energy savings. If it did not have systems in place to allow for that investment, the value would have never been realized. Smart decisions that can lead to more environmentally and financially sustainable practices can be lost amid first-costs biases created by year-end performance reviews that only reward cost cutting and austerity.

CEOs clearly see that these obstacles exist; the CDP-Accenture study found that CEOs view complexity and overcoming competing strategic priorities as the greatest obstacles to implementing sustainable strategies.

Albert Einstein said “you cannot solve a problem from the same consciousness that created it. You

must learn to see the world anew.” Likewise, you can’t build a sustainable organization by sticking to the same structures and success metrics that created products and processes that need to become more sustainable. To upgrade their sustainability efforts business leaders need to go beyond embracing sustainability to embedding it within their organizations by changing employees’ focal point so that they view their roles through the lens of sustainability.

Eliminating Contradictions

It is said that we treasure what we measure, and if an employee’s key performance indicators and time lines are not aligned with sustainability objectives, their level of engagement with and optimism about the company’s commitment to sustainability will be low. Worse yet are performance metrics that run counter to sustainability efforts. While it is important to have an individual or team dedicated to

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managing sustainability within an organization, they can't be the only employees reviewed and rewarded based on sustainability efforts. From the CEO to interns, sustainability must be built into job expectations and become part of their performance reviews if sustainability is to be taken seriously as a business imperative.

Communicating Enterprise-wide

Communication is critical to managing change, dissolving skepticism, and motivating employees. However, in many companies communication is decentralized and, in some cases, whole divisions even lack communication support. To fully articulate a sustainability narrative requires an enterprise-wide effort to connect critical functions, identify and share success stories, remind stakeholders of material issues and objectives, promote desired behaviors, and gather feedback that can help shape the sustainability objectives going forward. It is also important for marketing communications to be aligned with sustainability communications to avoid the pitfalls of greenwashing and the skepticism it breeds.

Some keys to communicating effectively include:

- Consistently promoting leadership's embrace of sustainability: The power of the C-suite is critical to establishing sustainability as a business priority. A single press release doesn't cut it. If sustainability is truly critical to the success of the organization, that importance must be reinforced with nearly every interaction.
- Delivering relevant messages: Connect material issues with employee concerns, success of the company, personal development, and corporate citizenship.

- Rethinking how to communicate success: Competing priorities breed skepticism. If production numbers are traditionally promoted, but not energy cost reductions, then energy conservation will not appear to be a critical business priority.
- Creating feedback loops: Talking at employees produces little change. Create ways for employees to engage in the conversation about sustainability initiatives and share in making environmental and social responsibility a company-wide priority.

Time to Upgrade

In many ways corporate sustainability is in a transition phase. Much like the dawning days of corporate websites when the importance of the Internet was clear, but the approach was less about strategy and more about getting something online. The result was poorly designed websites featuring disjointed bits of information that did not readily tie back to the strategic direction or brand of the companies they represented.

It's a positive development that so many company leaders are embracing sustainability as a business imperative, but for some the focus has been on getting into the game rather than strategic alignment. Now it is time to achieve that alignment so corporate commitment to sustainability is clear and everyone can get focused on ensuring that sustainability is embedded throughout their organizations and society.

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