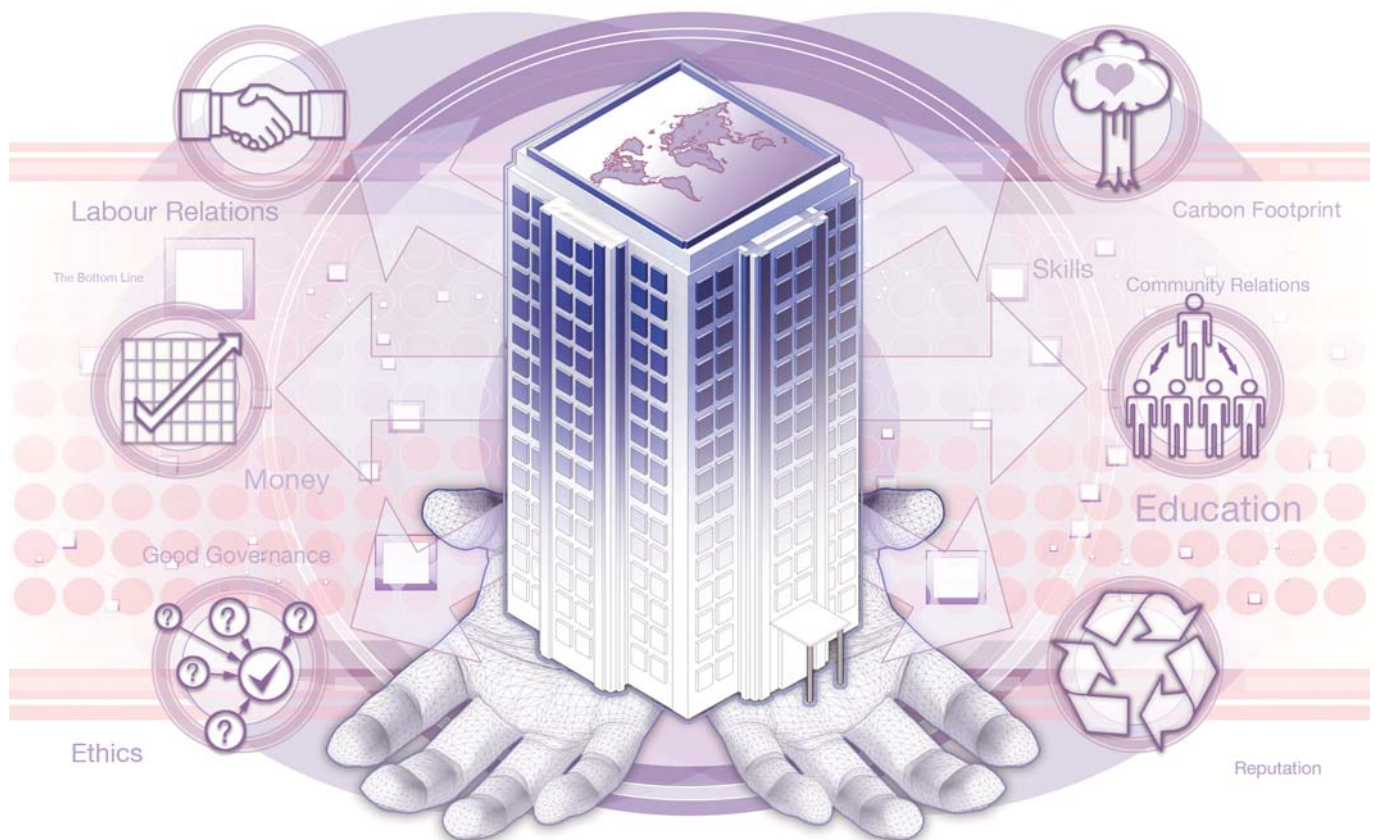


Action or Aspiration?

Sustainability in the workplace

A report from the Economist Intelligence Unit



sponsored by





Preface

Action or Aspiration? Sustainability in the workplace is an Economist Intelligence Unit briefing paper, sponsored by BT, investigates what firms around the world are doing to implement a culture of sustainability within their organisations.

The Economist Intelligence Unit bears sole responsibility for the content of this report. Our editorial team executed the online survey, conducted the interviews and wrote the report. The findings and views expressed in this report do not necessarily reflect the views of the sponsor.

The research drew on two main initiatives:

- The Economist Intelligence Unit conducted a wide-ranging online survey of senior executives between July and August 2007, in which 1164 executives took part
- To supplement the survey results, we also conducted in-depth interviews with eight chief executive officers (CEOs), corporate responsibility directors and other senior executives from major companies across a range of sectors.

Paul Lewis was the author of the report and James Watson was the editor.

We would like to thank all the executives who participated in the survey and interviews for their time and insights.

October 2007



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Executive summary

Over the past few years, a rising number of firms from all parts of the world have made sustainability a major component of their business strategy. To achieve this, senior managers have had to find ways of instilling a culture of sustainability, often across a globally dispersed workforce.

This task becomes especially tricky when corporate leaders discover that sustainability translates into different kinds of actions, depending on the regions or industries in which they operate. Energy utility firms may concentrate on providing affordable access to low-income households in one market while worrying about energy conservation in another. Consumer goods companies might focus on labour conditions within their supply chains and recycling efforts with their consumers. And while chief executives and others at the top of the executive hierarchy may be fully engaged with these issues, they face a major challenge in disseminating and implementing their message through the ranks.

This report is based on a survey of more than 1,000 executives worldwide as well as in-depth interviews with business leaders. It looks at numerous challenges faced, such as who leads such efforts, how and with what success they engage with staff and stakeholders and how they judge the results.

Key findings from this research include the following:

- **Corporate sustainability targets have not been embraced by the workforce.** More often than not, sustainability goals—whether on workplace diversity, energy efficiency, community relations or supply chain ethics—are not included as part of executives' overall responsibilities. Six out of ten executives

globally noted that they or their team had been given no specific goals to achieve. This is especially true in Western Europe, where 72% of respondents noted that they had no set targets. Accordingly, few executives globally (18%) said that their remuneration depends on hitting any sustainability targets, with North American and Asia-Pacific firms performing slightly better than average and West Europeans lagging.

- **Sustainability efforts are typically guided by the need to address areas of immediate or potential vulnerability.** Thus marketing, ethical trading and sourcing issues feature well above such activities as charitable donations, community investments or employee volunteering. But there are notable exceptions by region. North American firms rank volunteering relatively highly; East Europeans overwhelmingly say that the company's activities are still mainly contained in worthy speeches and mission statements; and other emerging-market firms, especially in Asia, which supplies so many of the world's manufactured goods, tend to view sourcing issues as paramount. One in two Chinese companies noted this.

- **There is clear involvement in sustainability at the top of the company, but less engagement at lower levels.** Almost three-fifths of respondents to this survey agreed that management sets the pace, with nearly four in ten (37%) saying that direction comes from board level. Almost one-third of all respondents report that their chairman or CEO is responsible for the company's sustainability policies, far more than anyone else. Getting a clear signal from the very top can be vital when it comes to implementation and galvanising staff. But the



survey also shows that the amount of interaction with the person leading any sustainability efforts tends to shrink further down the management hierarchy. While the majority of board-level executives say they collaborate with the sustainability chief, only one-third of junior managers do so.

● **Firms agree that they should do more to embed the sustainability processes into their day to day operations...** Unless staff genuinely believe that such policies are part of—and even help to define—the culture of a company, and that management will even forgo revenue to uphold these principles, the temptation to break rules will remain strong. Yet our survey shows that two-thirds of respondents (66%) have not been consulted by their companies regarding how sustainability issues can be integrated into their daily jobs.

● **...but despite progress, there's still more talk than action.** The disjuncture between the aims and reality, although narrowing, is still apparent. Indeed, our survey shows that between one-quarter and one-third of respondents felt that there was “more talk than action”. Where action is taken, it tends to be in areas that directly and obviously affect customer perceptions and sales.

● **Sustainability helps to attract talent, but not as much as money or location.** For all the talk about a firm's sustainability efforts giving it an edge in recruitment, this metric was at the bottom of the list of what executives seek in a new job, far behind the scope of the role, location and pay. Still, it was listed as a “very important” consideration for some 32% of survey respondents.

Who took the survey?

In total 1,164 executives from around the world responded to the survey. The survey sample was very senior: all hailed from management functions, with nearly 60% operating as CEOs and other C-level executives. About one in three respondents (34%) were based in Western Europe, 27% were from Asia-Pacific and 21% from North America. The balance came from Eastern Europe, Latin America, and the Middle East and Africa.

The executives surveyed represented all key industries, including financial services (18%), professional services (13%), IT and technology (7%), manufacturing (7%) and energy and natural resources (7%). Most of the organisations that they work for are large: 56% of executives operate within firms with annual revenue of at least US\$500m, while more than one in five (21%) had revenue of US\$10bn or more. See the appendix at the end of this report for the full



Introduction

Corporate sustainability has been on the business agenda for many years, but since the new century has been taken increasingly seriously by company boards around the world. Our research shows that firms are investing more resources in sustainability, are proud of what has been achieved to date, but are aware that there is more work to do. This paper looks at what sustainability means to companies, and at how—and with what level of success—sustainable business practices are

disseminated and applied throughout firms around the world.

In practice, sustainability in a business context covers a vast array of issues including, governance and ethics, preserving the environment, labour, health and safety conditions at home and in the supply chain, company-sponsored voluntary work by staff and much more; and for some companies it includes the quality of their products and services. “It’s how we do what we do,” says Dr Márcia Balisciano, director of corporate

Case study **System Capital Management: old ideas, newly packaged**

What does sustainability mean for a company in a former Soviet state struggling to make a success of the economic transition? Surprisingly, a great deal in the case of Ukraine’s System Capital Management (SCM), a finance to mining conglomerate and one of the biggest companies in the country. It employs some 160,000 staff and is often the main, if not the only, employer in towns where it operates. Implementing corporate social responsibility (CSR) policies in Ukraine throws up several distinct challenges, such as local poverty and the weakness of the central authorities.

Another anomaly is the fact that CSR is not new: under communism, dominant local enterprises commonly provided cradle-to-grave social welfare for the town’s residents. This goes against the new private

sector ethos, but doing nothing could have disastrous social consequences. SCM cannot ignore the fact that “its staff is the community”, says Jock Mendoza-Wilson, SCM’s director of international and investor relations.

Thus SCM’s approach is to try to marry an old concept with a new framework. A new private sector approach requires a clear overall strategy that applies company-wide and covers such issues as restructuring, redundancies and retraining. It must be executed through stakeholders wherever possible, and must be based on proper CSR budgeting and transparent monitoring, says Mr Mendoza-Wilson. SCM is clear about its primary social responsibility, which is to provide good jobs and working conditions. It is not a “bottomless moneybag”, he says.

And yet the company cannot ignore its legacy. One coal mine operation employs over 31,000 people in the Pavlograd area, in effect dominating the town. SCM could never abandon local welfare, even though the local unit is overstaffed and needs to improve efficiency. So it looks at restructuring—by spinning off non-

core operations to other private sector enterprises. Where there are social needs, it partners with local authorities and pinpoints where the company’s impact is greatest. While it won’t take on roles that are the domain of government, it does target social development. For instance, it launched a programme, along with the World Health Organisation, to eradicate tuberculosis from the Donetsk region, which both national and regional government supports.

This approach of matching old responsibilities with a more systemised sustainability policy gets a strong buy-in from staff. But internal staff education about CSR is still needed. The firm has a CSR committee, on which the chief executive sits, that develops policies. Once drafted, these are shared with subsidiaries, and then local operations “take ownership” of agreed projects.

All this puts SCM well ahead of the game in Ukraine. In 2007, the company will produce a major social report based on Global Reporting Initiative (GRI) guidelines—a first for the company, and the country.



responsibility at Reed Elsevier, a global publishing house.

But sustainability means different things to different firms, and the need for a flexible understanding is not necessarily a weakness: different issues matter to different companies depending on their size, resources, sector, and the particular region of operation. Retailers may be preoccupied with ethics in the supply chain; mining companies more concerned with health and safety; utilities with accessibility for the poor. And what may pass as responsibility in a Western market may be deemed a luxury in developing countries.

For a mining company such as Anglo-American, its work in fighting AIDS in southern Africa, where its mineworkers are particularly vulnerable, is as relevant to its workforce as it is to society (see case study, *Anglo American: fighting AIDS*). Similarly,

Ukraine-based mining-to-finance conglomerate, System Capital Management (SCM), like many other vast former Soviet enterprises, has a huge impact on the communities in the towns where its plants are located, so the well-being of its workers is tied up with the surrounding life of the particular region (see case study, *System Capital Management: old ideas, newly packaged*). A Spanish telecommunications giant, Telefónica, which dominates much of the Latin American telecoms market, has to adjust its perspective there where the digital divide is much wider than in the EU and where huge utilities may be viewed as “too large, too cold and too remote”, according to Alberto Andreu, managing director of corporate reputation, brand, responsibility and sustainability. These differences apply in countless ways, he says, from how products are marketed to the needs of disabled staff.



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Words, action and responsibility

One litmus test of the evolving mood is the extent to which companies have started to produce sustainability reports. Still, over 45% of companies surveyed have not done so, 10% have produced a report only in the last couple of years, and 17% say that they are working on it. There is marginally more commitment among extractive sector companies where criticism of operations has in the past been relatively harsh.

Firms in developed Western countries tend to be more engaged than those in developing markets. Ukrainian conglomerate SCM, which sees itself at the forefront of corporate social responsibility (CSR) in its region, is expected this year to be the first local firm to produce a major, internationally recognised sustainability report. The quality of such reports is also worth noting. Telefónica's sustainability report is not only fulsome, but is underpinned by conceptual

rigour. Many others in emerging markets are tentative single-page efforts that may develop in time.

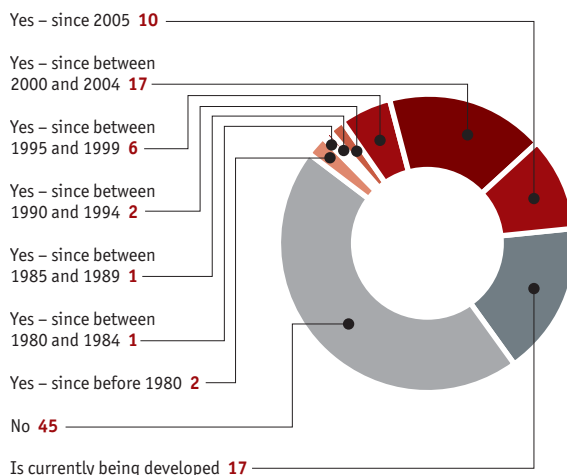
What might explain this weaker output from firms in emerging markets is that they may have fewer resources to devote to monitoring and implementation sustainability activities. For example, among companies with a turnover higher than US\$10bn, over four-fifths had—or were in the process of—reporting on sustainability; and nearly one-half had already produced an account in the decade 1995–2004, much earlier than most of the rest. By contrast, only 16% of companies with annual sales below US\$500m had ever produced such a report, although 22% say they are working on it.

Leading the way

Once companies have identified the key areas most relevant to their operations and region, they face the task of how to address the issues in a meaningful and effective way. Companies often talk in terms of “buy-in from the top”. This view is reflected in our survey results too, with almost three-fifths of respondents agreeing that management sets the pace, and over 37% saying that direction comes from board level. Almost one-third of respondents say that responsibility for the company's sustainability policies lies with their chairman or CEO, far more than any other executive.

Getting a clear signal from the very top can be vital. Before Kook Hyun Moon became chief executive officer (CEO) of Yuhan-Kimberly, a South Korean healthcare and hygiene products maker, he struggled for years to get sustainability policies and projects adopted at his firm. On becoming chief, he was free to lead the company in a dramatic new direction (see case study, Yuhan-Kimberly: the value of leadership).

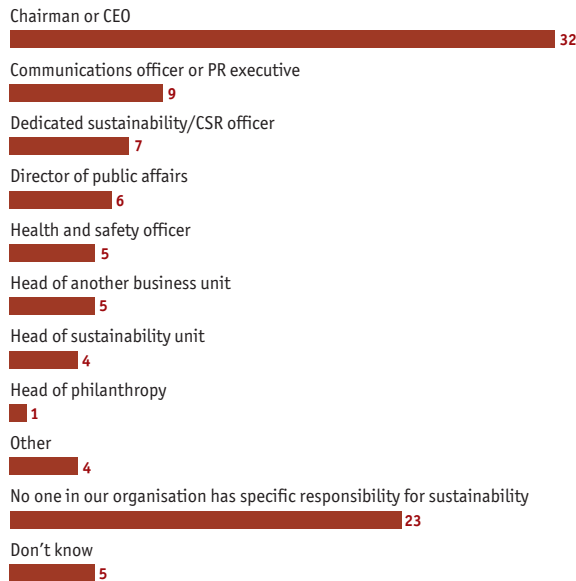
Does your company produce a sustainability or corporate responsibility report—and approximately how long has it produced this for?
(% respondents)



Source: Economist Intelligence Unit survey, August 2007.



What position does the person responsible for sustainability in your company hold?
(% respondents)



Source: Economist Intelligence Unit survey, August 2007.

Michael Spenley, a CSR expert who Chairs the UK Network of the UN Global Compact, says that a CEO's endorsement of sustainability aims is essentially "motivational". It triggers enthusiasm down the ranks

and "legitimises involvement at all levels". He adds that, in some cases, once a CEO declares a position on sustainability, he can be "snowed under with ideas, as internal champions of a sustainability cause identify themselves, when previously they might not have believed that they could speak out on the issues".

At Reed Elsevier, explains Dr Balisciano, the CEO chairs a twice-yearly corporate responsibility (CR) forum, comprising a dozen of the most senior executives, and is the mechanism for setting, monitoring and assessing CR objectives. The CEO lends authority to the CR report, and gives it visibility within the company, for example by reinforcing editorial policy with a personal e-mail to senior executives. A meeting will set objectives in several key areas: these include governance, the market (customers, products and so on), the workplace (human resources issues) and the environment, and will deliver clear, metrics-based targets. The CR team, which Dr Balisciano leads, sets out to identify individuals within the company who form "networks of champions" and are motivated and empowered to push through change. When sustainability initiatives are proposed or recommended, the team must implement these with existing resources. This may mean, for example,

Case study

Yuhan-Kimberly: the value of leadership

Kook Hyun Moon, CEO of Yuhan Kimberly, a South Korean healthcare and hygiene products maker, provides a striking example of the importance of leadership. As a senior manager 24 years ago, he was one of the very few who showed concern for the firm's environmental impact. Back then, he supported a campaign to set aside 1% of net

sales of facial tissues towards delivering environmentally friendly production. It took over 12 years for such initiatives to improve thinking within the company. There was serious management opposition, but the notion eventually spread to other products in all categories. The atmosphere changed 13 years ago when Mr Moon became CEO. Long-standing initiatives such as the "Keep Korea Green" campaign and other programmes became part of company culture.

"Everything we do, we ask are we socially and environmentally responsible?," says Mr Moon. This goes to the heart of his company vision, and his energy and perseverance

is what makes it a reality. Mastering and implementing the "triple bottom line"—covering social, anti-corruption, human rights, labour rights, education as well economic performance—is what has made Yuhan-Kimberly an environmental and community leader. The firm works with over 30 major non-governmental organisations (NGOs) to make these commitments work in society, and up and down the supply and distribution chains. Mr Moon says that without a mechanism that unites environmental, country, society and stockholders, any talk of sustainability is mere "lip service".



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bringing finance representatives together with the relevant department to find ways to budget or share resources to make initiatives work at no additional cost.

Coca-Cola, which stepped up its sustainability activity markedly in 2007, has put water resources at the forefront of its sustainability drive. Its aim is to ensure that there is potable drinking water wherever it operates and that the company replaces every drop it extracts. On this issue, all the company's regional CEOs come together to discuss plans. Neville Isdell, Coca-Cola's CEO, has also set a clear tone to "speak up, step up, scale up". This generates essential

momentum if it is to reach the nearly 1,000 plants in over 200 countries, especially when it is the operations on the ground that must determine which projects may be relevant according to local needs and available skills. In India, it is about recharging groundwater by capturing monsoon rains; in parts of Africa, it is rainwater harvesting, well drilling and helping to reduce water-borne illness that can affect up to 80% of local populations; and in the Middle East, it involves education about sanitation and desalination. "Reduce, recycle, replenish" is the refrain, says Tom Mattia, Coca-Cola's director of worldwide public affairs and communications.



Embedding the culture

Once firms have sufficient support from the board or CEO, the task is to embed the dissemination and implementation process firmly in the company's operations. Telefónica's "management system for continuous improvement" is a good example of a well-thought out mechanism.

The system is designed to create a virtuous cycle of internal and external diagnosis, project design, implementation, monitoring, communications and appraisal (and back to diagnosis again). The diagnosis phase—both internally and among external bodies such as the UN Global Compact—determines specific ambitions and responsibilities. The company then sets internal regulations—minimum criteria that are relevant to each particular region. This may come with a "compulsory", "strongly recommended" or just "recommended" label for different regional offices. A consultation committee including managers and NGOs will determine specific benchmarks. And the results will be measured according to unambiguous region-specific targets.

However, few companies have such a thorough approach, and in general the impact of sustainability initiatives on staff renders a mixed picture according to our survey. Some 63% of respondents say that

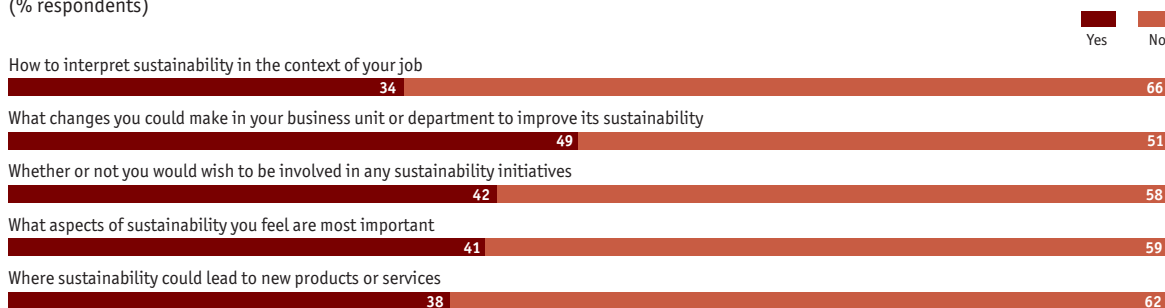
they are proud of the sustainability efforts of their company, a figure that is consistent across continents and age groups. Although the corporate mission statement remains a focal point for staff pride, increasingly it is the availability of practical induction and training programmes that give sustainability real meaning.

Sometimes, as Mr Andreu of Telefónica admits, getting staff at all levels engaged often simply comes down to them understanding the risks of non-compliance, although he says that the company's newly launched Business Principles in 2006 for all staff, and the "Better World for Joanna" project to raise awareness of the UN Millennium Development Goals at ending extreme poverty, has also helped to build up staff interest.

Such initiatives are a good start, but sustainability goals, in one form or another, feature in only 37% of respondents' job responsibilities; and only 18% of all management ranks report that part of their remuneration depends on them hitting sustainability targets—such as improved energy efficiency, increased diversity in the workplace, or supplier monitoring.

Moreover, between one-half and two-thirds of

Has your company ever consulted with you on any of the following?
(% respondents)



Source: Economist Intelligence Unit survey, August 2007.



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respondents say that they have not been consulted by their companies regarding how sustainability issues can be integrated into their daily jobs. This suggests not only poor communication but probably some half-heartedness from company management. Almost 60% of respondents revealed, for example, that their company provides no time off work to perform community work, and some 70% of respondents have never taken part in any such scheme. Those that do are allowed to take between a day and a week off. (It's not unusual for such staff then not to take their full holiday entitlement.) A more active firm such as Reed Elsevier has made consistent efforts to promote such activity. In 2003 it introduced a scheme to allow staff to take two days leave to help in secular, non-political community projects. The take-up has grown at 30% annually.

Perhaps a bigger test of success in extending principles throughout the organisation is whether the junior ranks have responsibility for sustainability policy, and if ideas flow upwards in the organisation and get adopted with equal vigour as if they came from the CEO. Here the record is also patchy. Some 23% of companies reported that no-one in their firms had specific responsibility for sustainability issues, and as much as 40% reported that if there was a person responsible, that individual did not report to the board.

In general, collaboration with the person responsible for sustainability efforts predominantly happens with those at the top of the business. An impressive three in four (74%) C-level respondents say they've interacted with the sustainability champion, a sure sign that buy-in is not lacking at the top of the business. But further down the corporate hierarchy there is a less impressive degree of interaction: a little more than one-half (54%) of those leading a business unit or department had dealt with the sustainability chief, compared with just above one in three (35%) junior managers. Without

this grassroots involvement, a question-mark remains over how deeply embedded related sustainability actions will be.

Appetite for this involvement certainly exists. There is growing evidence that pressure for change from staff is bubbling up. Ordinary staff are becoming bolder about demanding a better work-life balance; business school students crowd into ethics courses; issues such as recycling and "fair trade" have become popular causes in the workplace; and monitoring and whistle-blowing by staff and stakeholders has become easier and more acceptable. This bottom-up process is taking place not only in developed economies but is also gaining traction throughout emerging markets, as a result of the increasing attention paid to the management of the global supply chains.

Nor can staff be fobbed off easily by the socially responsible activities in one area of business—say carbon offsetting—while failing in another, say staff lay-offs or abuses reported in the supply chains. Indeed, positive but inconsistent action by management can be counterproductive as it not only opens a firm to charges of hypocrisy, but more importantly can demotivate staff by undermining their trust in the authenticity of a company's sustainability practices.

There are examples of successful activism. Reed Elsevier's exhibitions division runs Pollutech, the world's largest environmental engineering show, and established a green task force to help implement green policies within trade shows. A more striking example was a hotly debated question as to whether to hold defence-sector exhibitions. There was strong stakeholder pressure against this, with the company's own medical publication, *The Lancet*, leading the charge. Despite plenty of legitimate moral reasons favouring the sector, eventually the company decided that it had the potential to damage its reputation, and this business activity ceased.



Implementation through partnerships

While companies may be less than attentive when it comes to drawing more junior-level staff into the sustainability process, there is a growing effort to implement policy through external partnerships. Although less than 10% of survey respondents believe that the impetus for sustainability comes from outside the organisation, many global firms, especially those with a major brand to protect, nonetheless choose to base their external sustainability activity around collaboration and partnerships with other firms, NGOs, government and

international organisations.

Choosing the right partnerships is no simple decision. Coca-Cola, for example, depends to a great extent on the capabilities of local partners in its different regions. The engagement by NGOs such as the WWF or Greenpeace, as well as the UNDP, determines how much relevant community activity the local Coca-Cola operation or bottler can take on. The skills set at local level is mapped out globally and this determines what can be done where and with which partners. Similarly, when Telefónica implements its

Case study Anglo-American: fighting AIDS through partnerships

"Twenty years ago, I might have thought that as long as a company pays its taxes, refrains from bribery and operates good staff development programmes and so forth, how a government subsequently uses or misuses the revenue is not the company's responsibility," recalls Sir Mark Moody-Stuart, chairman of Anglo American, a global mining group. "Now, although it's still not our responsibility, it is our problem," he notes.

So where is the line between engagement and interference? The answer is in collective action—working with civil society, labour unions and the government. Doing this not only broadens the expertise available, but helps to build vital trust among stakeholders, and creates necessary checks and balances. Leading the way is different

from taking ultimate responsibility, a distinction that cannot be over-emphasised. The company can too easily fall into a trap of responsibility: for example, having provided new housing for displaced communities it is blamed when the municipality responsible for the upkeep of the facilities lets them slip into disrepair. Similarly, while the company's medical systems can form part of a broader network of treatment, Anglo American is very guarded about finding itself responsible for a regional medical treatment that is government's role.

For Anglo, some ideas will be voluntary, but "sometimes we pound the table", says Mr Moody-Stuart, on an issue of fundamental importance. One such project is the fight against AIDS. This is not an industry-related illness, but its impact on operations is huge. "If you operate in a country with HIV levels at 20% there will be a major impact in terms of lost working time, for example."

Mine leaders worked closely with trade unions, local sex workers and other related groups. This meant addressing all and every

objection, fear and prejudice one by one, such as worries about confidentiality, before all stakeholders, especially the unions were fully on board. Doing it the hard way proved valuable, however, because the time spent together enabled the parties to develop mutual trust and deliver benefits to all areas of operation. Sir Mark recalls the effect of winning the co-operation of local healers. They agreed that their traditional medicines could not handle this disease. "Your stuff is better" one said "but I can tell people to take the pills, and they will." And to demonstrate his own commitment, the chairman himself gets tested.

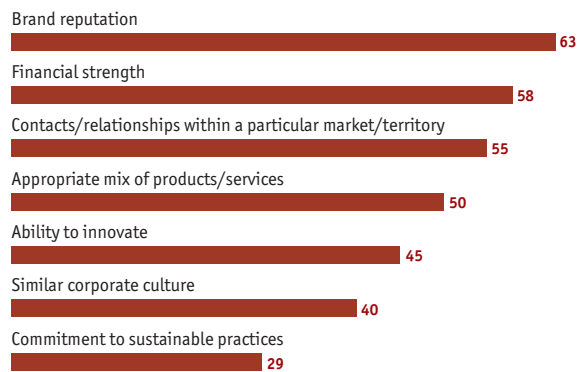
Initially, in 2003 despite the benefits, less than 10% would be tested; that figure is now 63% and heading for 70% overall and almost 100% in the best mines. Anglo is aiming for no new infections, although the company is still some way from this goal. Importantly fighting AIDS saves the company money by reducing healthcare costs and absenteeism. This outweighs treatment costs by some US\$63 per month per worker.



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When deciding to partner or collaborate with a third party company, how important are the following attributes when making a decision about whom to partner with?
(% respondents who thought this “very important”)



Source: Economist Intelligence Unit survey, August 2007.

own policies regarding working with disabled people in, for instance, Brazil, it does so with disability organisations, with Telefónica’s own foundation helping with training.

When asked what attributes a partner should have, the most important according to our survey respondents is the partner’s brand, appearing to confirm the view that preserving and enhancing the company’s image is central to corporate responsibility. Nearly all (95%) selected brand reputation as “very” or “moderately” important, with most of those (63%) opting for the former. Equally important is a partner’s financial strength. SCM, for example, often feels obliged to point out that it is not a “moneybags” for initiatives. Coca-Cola agrees: too often the development world looks at the company for a cheque to underwrite their own projects, explains Mr Mattia. This misses what real contributions companies like Coca-Cola can offer, he adds.



Judging results

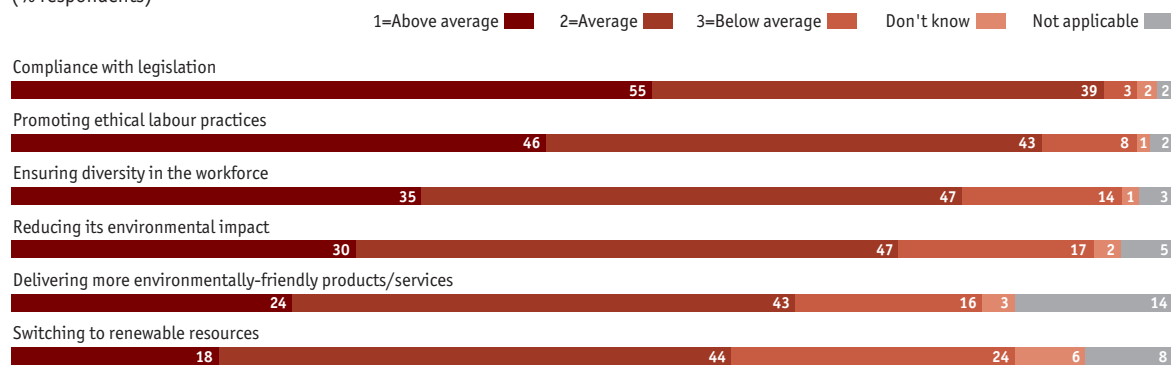
Even in cases where board-level support is strong, and engagement in the organisation is robust, firms still need to demonstrate to their own staff as well as stakeholders that the success or failure of their efforts can be judged according to precise metrics. It is an issue that distinguishes those firms that are primarily interested in presenting a public relations message, from those who can point to genuine achievements.

Reed Elsevier says that its staff satisfaction surveys are sufficiently comprehensive to give an objective view that sustainability works. For example, a human resources goal of making the company “a great place to work” will mean improving certain health and safety reporting, with benchmarks selected from the relevant media sector. As well as feedback surveys, the company also relies on numerous mechanisms to judge progress. For example, on the specific issue of improving governance, Reed has set out to train 20,000 employees in 2007—the majority of its staff—in a new code of ethics, using online courses, a goal that can be easily and accurately assessed.

In this case, however, companies such as Reed Elsevier may be ahead of the game. The disjuncture between the aims and reality, although narrowing, is still apparent. Indeed, our survey shows that a sizeable minority—nearly four in ten (38%)—of respondents felt that there was “more talk than action”, and only when the failure to act might affect customer attitudes and therefore sales. As Professor Paul Palmer of Cass Business School points out, good public relations on sustainability can be counter-productive if staff experience a less rosy working environment, as it not only opens the firm to charges of hypocrisy but also undermines the authenticity of other sustainability efforts (see box: *The Credibility Dilemma*).

Of course, few begrudge companies that look for the profit in sustainable activities. However, although there is an overwhelming sense that the business case is strong, hard proof remains elusive, and decision-makers may be reluctant to invest more heavily in embedding sustainability into company strategy more convincingly if they see it as a “zero-sum” relationship

How good do you believe your organisation is at each of the following?
Rate on a scale from 1 to 3, where 1=Above average and 3=Below average.
(% respondents)



Source: Economist Intelligence Unit survey, August 2007.



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with profits.

Understandably, therefore, firms tend to be guided by the need to address areas of immediate or potential vulnerability. Thus marketing, ethical trading and sourcing issues feature well above such activities as charitable donations, community investments or employee volunteering. There are notable exceptions and variations, however. North American firms rank employee volunteering highly; East Europeans note that firms in that region are mainly focused on worthy speeches and mission statements; and for other emerging-market firms, especially in Asia, which supplies so many of the world's manufactured goods, sourcing and environmental issues are seen as being of primary importance.

In a similar vein, over one-half of respondents felt that their company was above average when it came to complying with legislation (fewer than 5% thought it was below average), and 89% were moderately satisfied with their firm's ethical labour practices—perhaps reflecting trade union strength or the battle

to attract skilled workers. When asked where their company's sustainability policies have had most impact, respondents placed brand value (at 46%)—for consumer goods firms the figure was 65%—and media relations (at 34%) top the list, suggesting that image remains all-important a task at which many firms are evidently adept at enhancing.

Perhaps more surprisingly, the impact on staff retention and recruitment was not as strong as might be expected, given the intensifying “war for talent” across the globe. This was supported in the response to our survey question as to which factors would be most important in deciding to join a new company. The scope of the role and the working atmosphere were by far the most critical issues. Pay, training and location were important too. Of least concern was the company's reputation for sustainability. Nonetheless, some 32% still say that it is a very important factor, and 53% say that it is moderately important—suggesting that the sustainability message will continue to play some role in recruitment.

The credibility dilemma

The problem of sustainability in the workplace is that “it is seen as a top-down initiative”, says Professor Paul Palmer of Cass Business School. A series of CEO official statements will never be sufficient. Nor will careful compliance with relevant regulations. Rather, it must be embedded within the corporate culture, and to achieve this there must exist a basis of trust at all levels in the organisation in the integrity and motivation of the leader. That, says Professor Palmer, essentially comes down to “good

old-fashioned ethics.”

While some sustainability issues—such as recycling—can be introduced relatively painlessly in any organisation, it is far trickier when issues of responsibility collide with basic business practices and profit maximisation. Of course, most responsible companies will draw an ethical line which they say staff will not cross. But unless staff genuinely believes that such policies are embedded—and even help to define—the culture of a company, and that management will even forgo revenue to uphold these principles, the temptation for staff to cross that line will be strong.

The global subprime crisis, for example,

has given rise to serious reflection about the miss-selling of mortgages, and provides a good example of the dilemmas involved. All sales staff are under pressure to hit their annual targets, and this is particularly acute if their remuneration—not to mention job security—rest entirely on achieving these targets. Thus, to make sustainability truly effective, companies would have to re-examine their rewards culture, possibly finding ways to encourage staff to back away from a potentially lucrative sale in such circumstances. It is a view that has been rejected by finance industry bodies, and many banks, but as crises periodically emerge, the issue will not go away.



Conclusion

Sustainability has become a major issue for companies in every sector and region in the world, but it remains a work in progress. While the goals may vary depending on regional circumstances, there are certain best practices that apply to all firms. For example, it is essential that the CEO or senior board members give sustainability policies their full backing. However, this alone will not produce the desired impact internally or externally. Success also requires coherent and consistent mechanisms for embedding these policies into day-to-day business operating processes, not least to

engender trust among staff that the leader's words are genuine. Equally important is the need for a transparent method for measuring progress, without which sustainability activities risk being reduced to a mere public-relations exercise. Many of these lessons are gradually being learned, but almost all managers accept that there is still a long way to go. The pressures for change are unlikely to soften if history is any guide. What might have been acceptable behaviour in the workplace, say, 30 years ago would be met with horror today; a similar difference may yet be in store over the next 30 years.



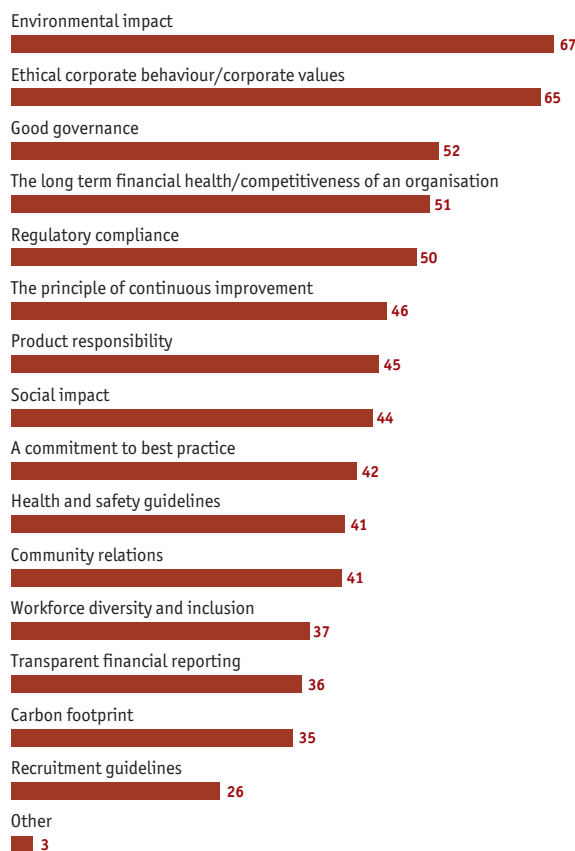
Action or Aspiration?

Sustainability in the workplace

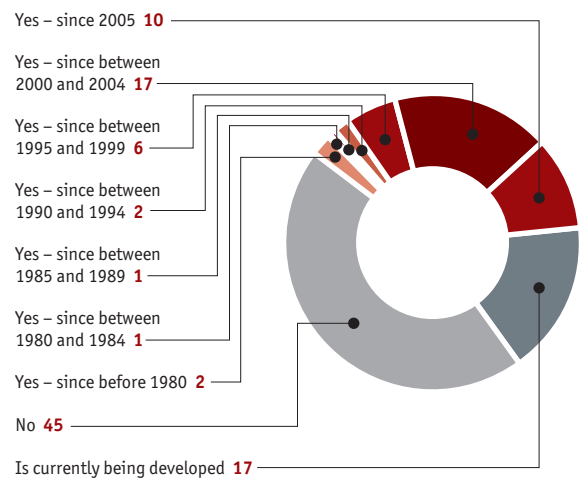
Appendix

In July and August 2007, The Economist Intelligence Unit surveyed 1,164 executives from around the world. Our sincere thanks go to all those who took part in the survey. Please note that not all answers add up to 100%, because of rounding or because respondents were able to provide multiple answers to some questions.

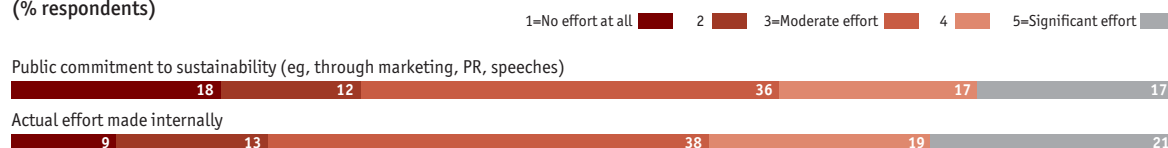
Which of the following issues do you believe the term “sustainability” encompasses, in the context of your organisation? Select all that apply.
(% respondents)



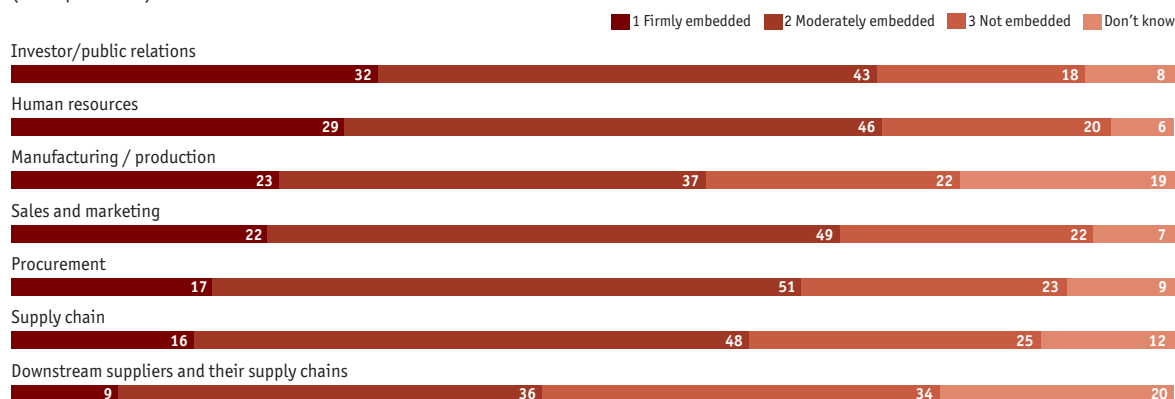
Does your company produce a sustainability or corporate responsibility report—and approximately how long has it produced this for?
(% respondents)



How would you rate your company's public commitment to sustainability versus the actual effort it makes within the organisation, in terms of the efforts it makes? Rate on a scale from 1 to 5
(% respondents)



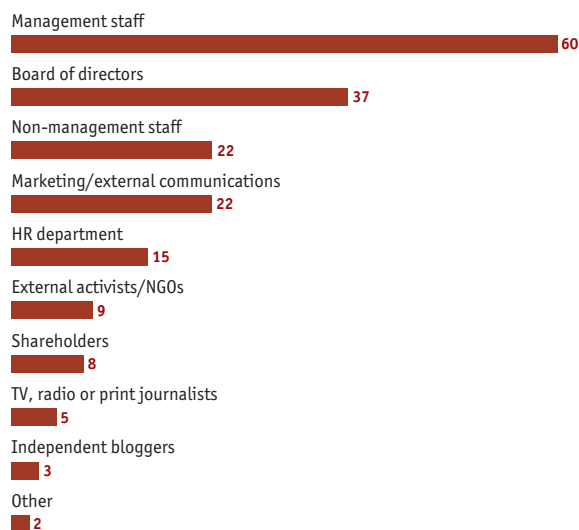
In your view, to what extent is your company's commitment to sustainable practices embedded within each of the following operations?
Rate on a scale from 1 to 3, where 1=Firmly embedded, 2=Moderately embedded and 3=Not embedded.
(% respondents)



What are the most prominent sustainability activities in your company? Select up to three.
(% respondents)



Which of the following sets of individuals or groups do you believe works hardest to raise sustainability issues on your company's corporate agenda? Select the top two.
(% respondents)



Appendix: Survey results

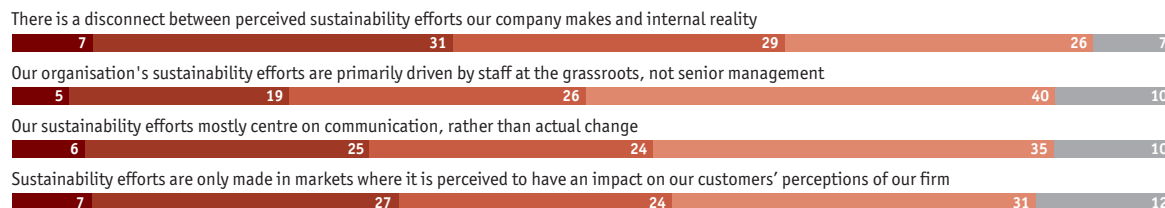
Action or Aspiration?

Sustainability in the workplace

To what extent do you agree or disagree with the following statements?

(% respondents)

Strongly agree ■ Agree ■ Neutral ■ Disagree ■ Strongly disagree ■

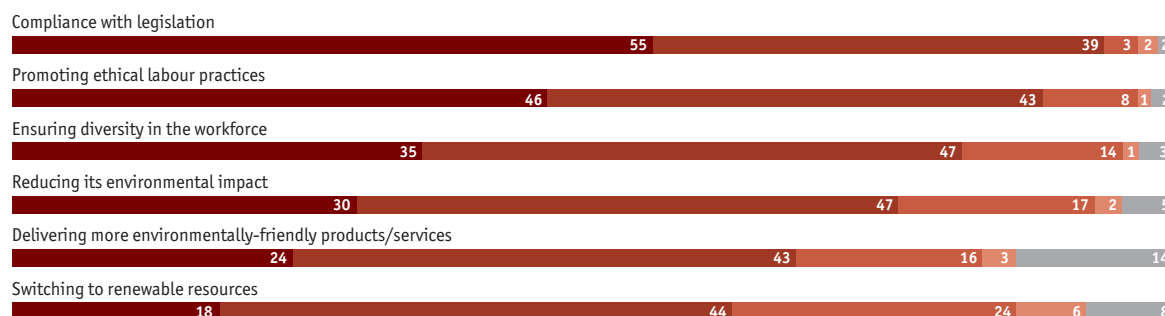


How good do you believe your organisation is at each of the following?

Rate on a scale from 1 to 3, where 1=Above average and 3=Below average.

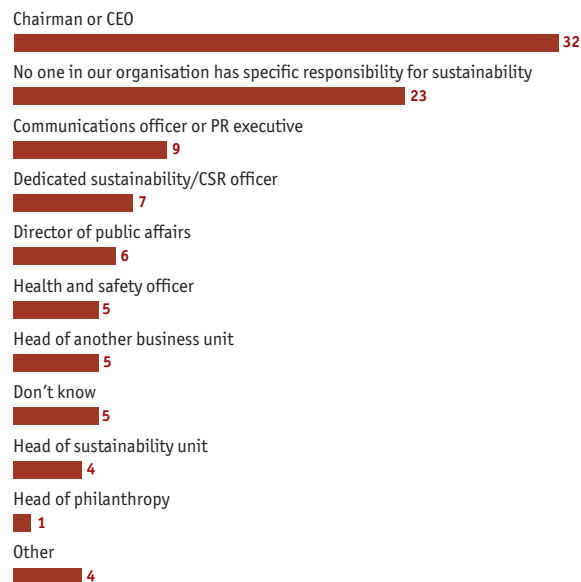
(% respondents)

1=Above average ■ 2=Average ■ 3=Below average ■ Don't know ■ Not applicable ■



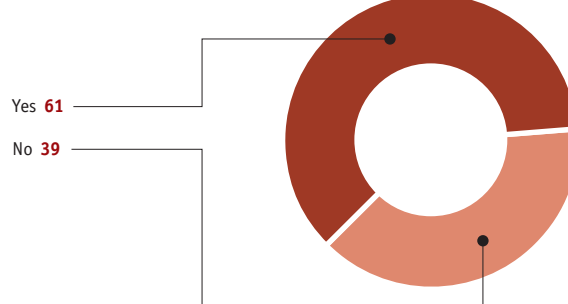
What position does the person responsible for sustainability in your company hold?

(% respondents)

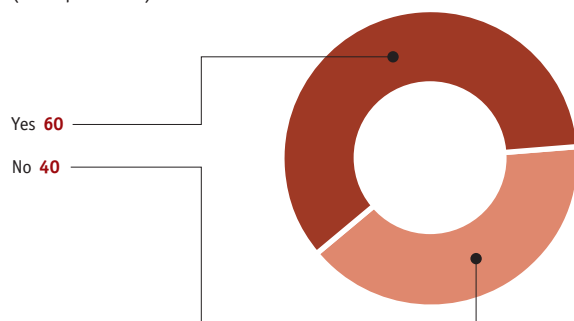


Have you ever collaborated or interacted directly with the person responsible for sustainability in your company?

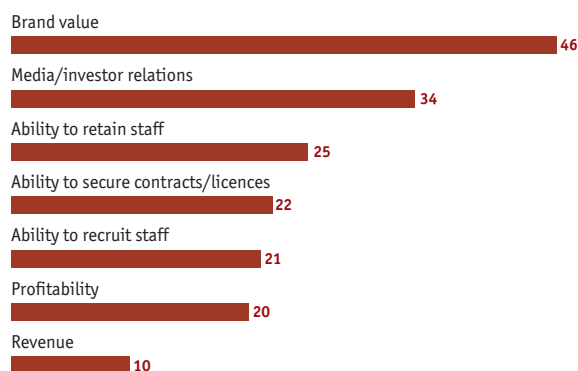
(% respondents)



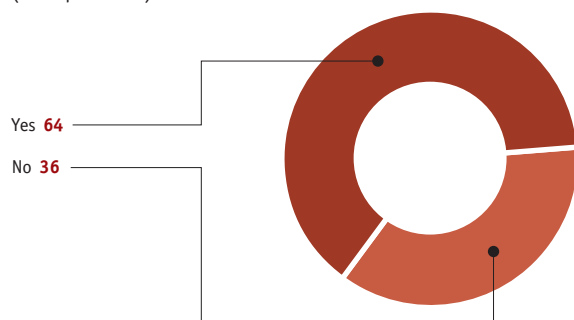
Does the person responsible for sustainability in your company report to the board?
(% respondents)



In which of the following has your organisation's sustainability efforts had the most impact? Select the top two.
(% respondents)



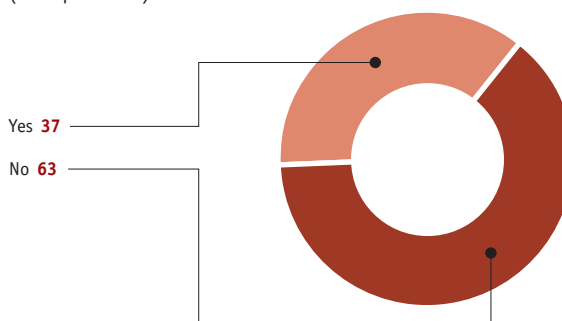
Would you consider yourself to be proud of the sustainability efforts that your organisation makes?
(% respondents)



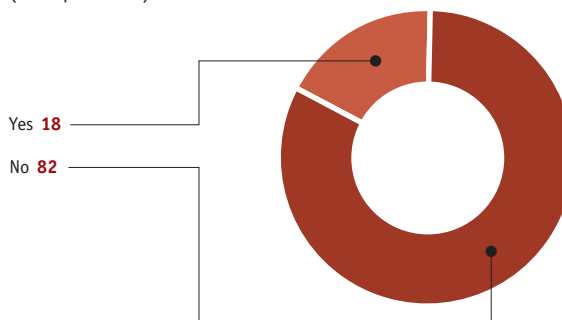
Which of the following does your organisation do to instill a culture of sustainability amongst its workforce?
Select all that apply.
(% respondents)



Have you or your team been given any specific sustainability goals to achieve, as part of your overall responsibilities?
(% respondents)



Is any aspect of your remuneration dependent on you hitting certain sustainability targets within your role?
(% respondents)



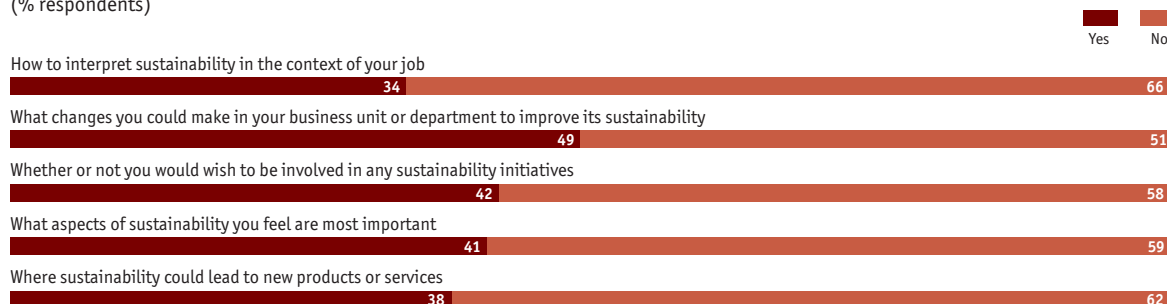
Appendix: Survey results

Action or Aspiration?

Sustainability in the workplace

Has your company ever consulted with you on any of the following?

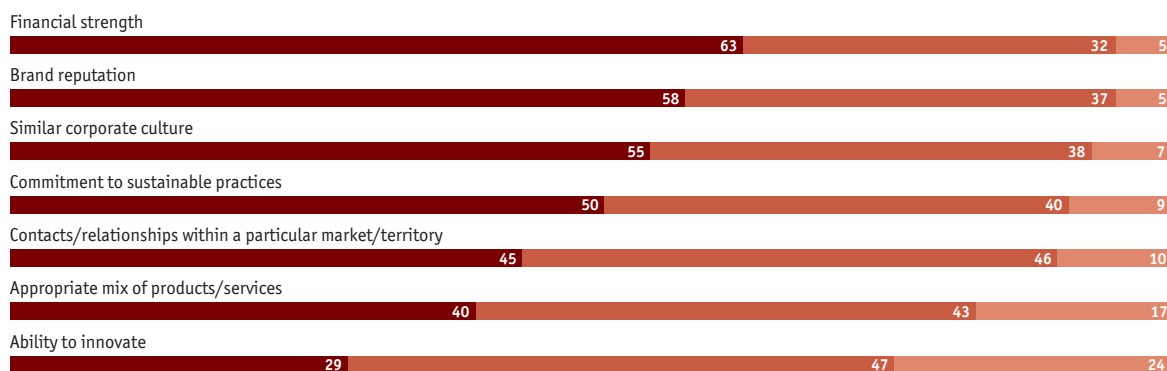
(% respondents)



When deciding to partner or collaborate with a third party company, how important are the following attributes when making a decision about whom to partner with? Rate on a scale from 1 to 3.

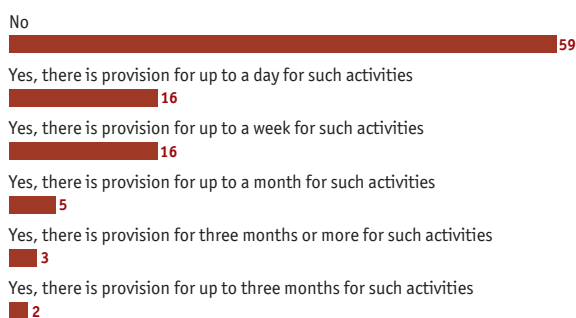
(% respondents)

1= Very important 2=Moderately important 3=Not important



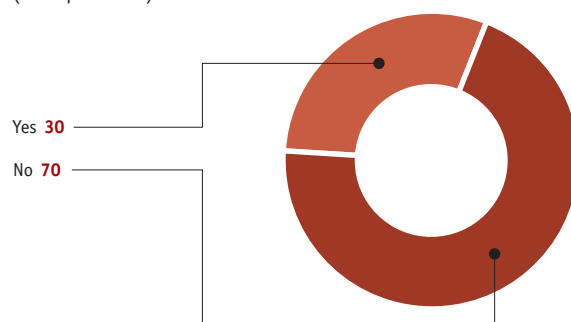
Does your company have a scheme in place that allows you time off from work to do community service or pro bono work, either on an annual basis or over a defined period of years?

(% respondents)



Have you ever taken part in such a scheme?

(% respondents)

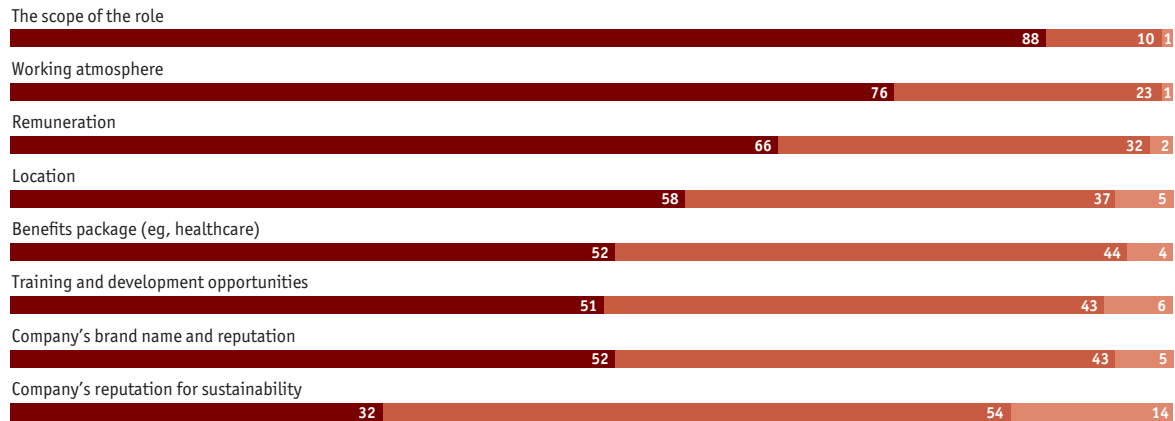


If you were considering a role at a new company, how important would each of the following factors be in making your decision?

Rate on a scale from 1 to 3.

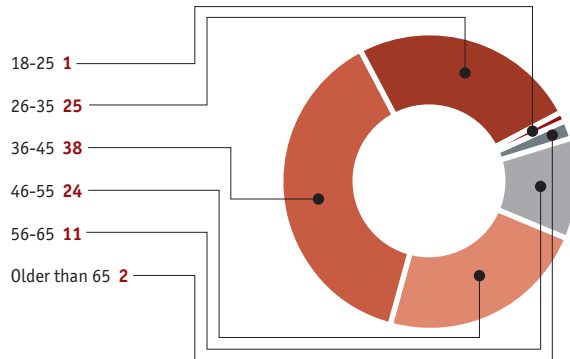
(% respondents)

1= Very important 2= Moderately important 3= Not important



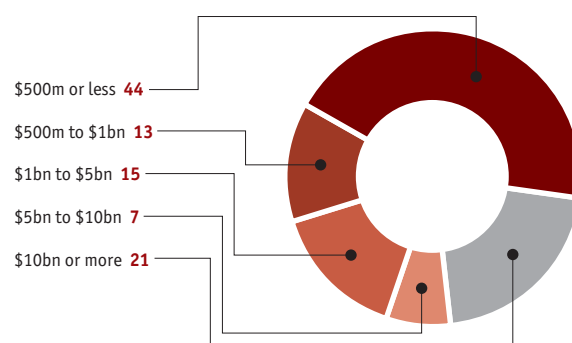
Which is your age group?

(% respondents)



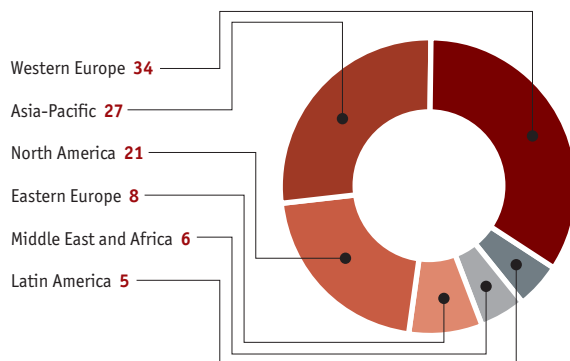
What are your company's annual global revenues in US dollars?

(% respondents)



In which region are you personally based?

(% respondents)

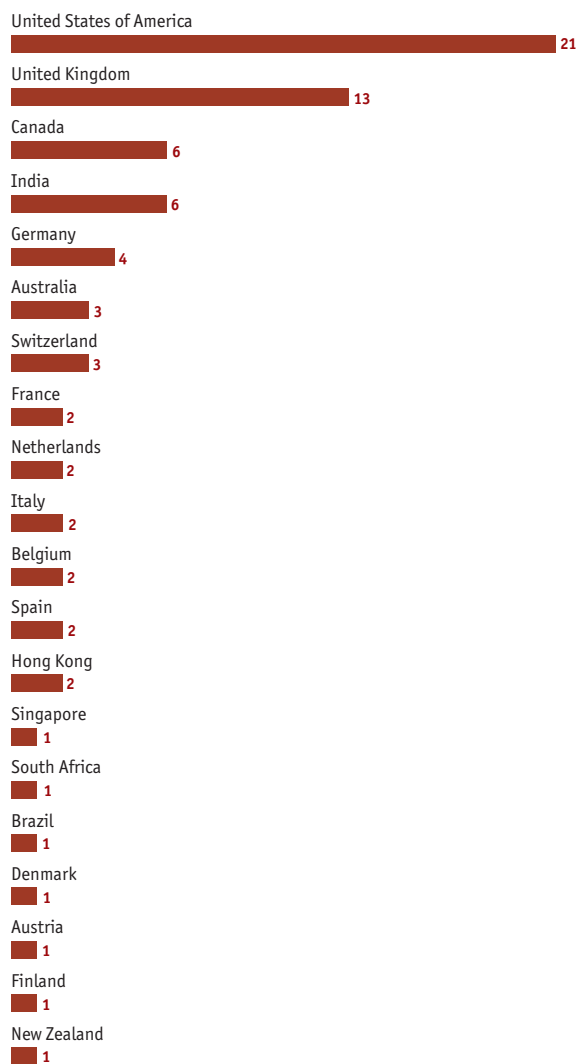


Appendix: Survey results

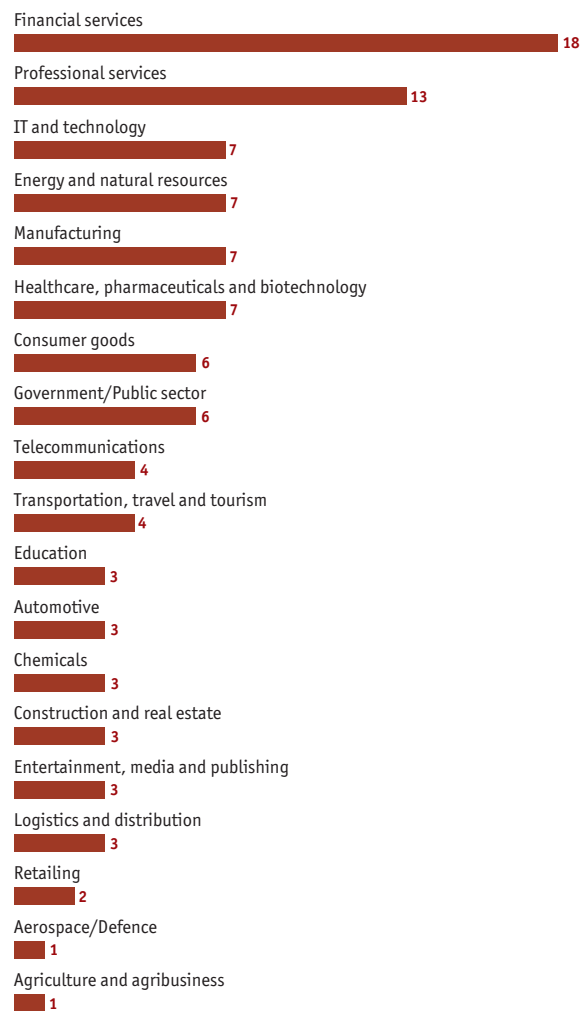
Action or Aspiration?

Sustainability in the workplace

Where is your organisation headquartered? (% respondents)

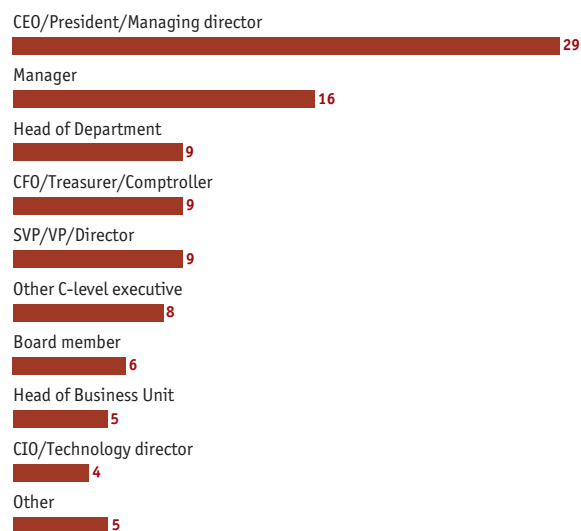


What is your primary industry? (% respondents)



What is your title?

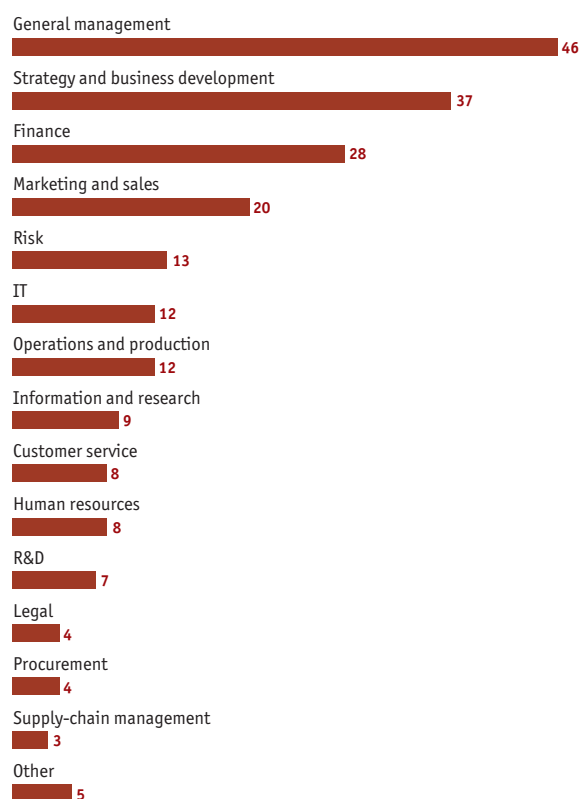
(% respondents)



What are your main functional roles?

Please choose no more than three functions.

(% respondents)



Whilst every effort has been taken to verify the accuracy of this information, neither The Economist Intelligence Unit Ltd. nor the sponsor of this report can accept any responsibility or liability for reliance by any person on this white paper or any of the information, opinions or conclusions set out in the white paper.

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