



Overcoming the engagement barrier

**2degrees Sustainable Business Trends Tracker
Executive Summary**



The **2degrees Sustainable Business Trends Tracker** reveals attitudes towards sustainable business and the measures companies are taking to operate more sustainably in order to reduce costs and drive growth. 2degrees undertook a comprehensive survey of more than 700 businesses around the world to gain this insight.

Key focus areas include:

- Sustainable business: A strategic imperative
- The engagement challenge
- Moving beyond compliance
- Targeting and budget don't match ambition
- Energy, waste and water: Top priorities
- Energy performance: Overcoming the barriers

The demographics

Respondent companies ranged in size from small and medium-sized enterprises (SMEs) with up to 250 employees (36%) to multinational businesses with more than 5,000 employees operating multiple sites across the world (34%). Businesses in the UK and Ireland comprised 55% of respondents, with companies in the US and Continental Europe making up 18% and 11% respectively. The remaining 17% came from across the rest of world.

For the purposes of this report, we analyzed the survey responses from 490 companies operating in a variety of sectors including: consumer goods; finance; government/not-for-profit; heavy industry; logistics; property; retail; sustainability services; utilities; and telecoms/media.

Companies that participated include Unilever, Tesco, Coca-Cola, Centrica, Royal Bank of Scotland, Britvic, The Body Shop, BT and McDonald's.

 trends
tracker

The world economy is changing rapidly. Adapting to external pressures while ensuring future growth requires a smarter approach to doing business; one which considers the impact of energy, sourcing, waste and risk at all touch points of a company and throughout the supply chain. Those best placed to survive and thrive will be those businesses which respond adeptly and with conviction to the coming challenges.

Business-as-usual is not an option. Companies must adopt more innovative and collaborative ways of working to compete in today's resource-constrained world. As an increasing library of evidence suggests, sustainability is a source of competitive advantage – driving growth, efficiency and profitability.

In order to track how businesses are responding to these challenges, **2degrees** undertook an online survey of more than 700 businesses around the world.

The **Sustainable Business Trends Tracker** is the most comprehensive of its kind to date, revealing business attitudes towards sustainable business and assessing the measures companies are taking to operate more sustainably, reduce costs and drive growth.

The report also looks in detail at the measures undertaken by those accountable for energy performance in their companies, identifying which measures and technologies are proving successful and where opportunities for energy performance improvements still exist.

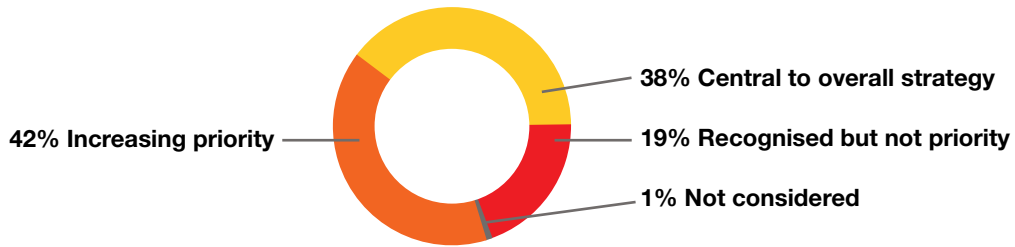
The **Sustainable Business Trends Tracker** report will enable businesses to benchmark their progress in tackling sustainable business challenges both within their industry and against companies in other sectors.

It will also help businesses identify opportunities to act in a more sustainable way and help to better position them for future growth.





Priority of sustainable business

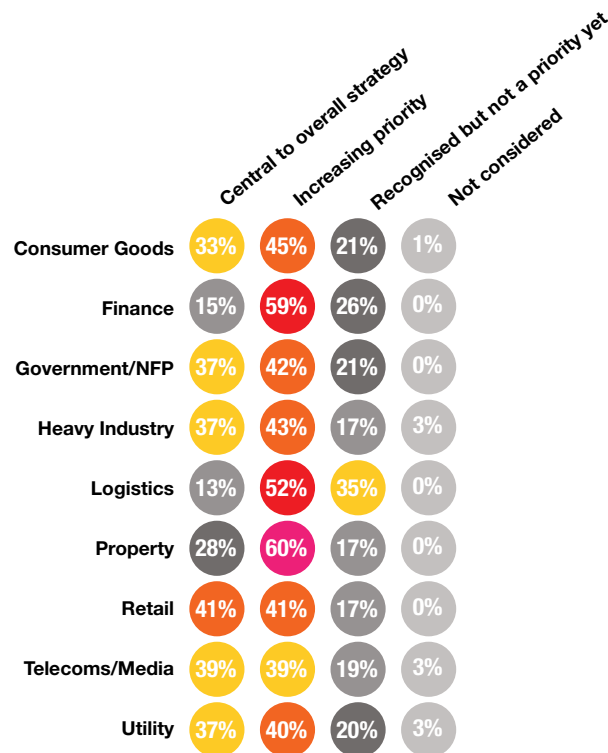


It is increasingly apparent that a sustainable business approach will protect against a more uncertain world. In the recent past, sustainable business was an exception on the business agenda, and rarely considered a strategic issue.

When asked about their attitudes to sustainable business, all respondents said it was either a current or emerging priority.

For the purposes of the survey, sustainable business was defined as “initiatives which help businesses cut costs, reduce risk and grow by being more sustainable”.

Industry priority for sustainable business



Logistics, property and finance less engaged. But that is changing

Examining by industry sector, retail, heavy industry, government/not-for-profit, telecoms/media and utilities show the highest levels of engagement, with around 40% in each sector saying that sustainability is central to their business strategy.

Over a third (35%) of logistics businesses say sustainable business is recognized but not a priority – the lowest level of engagement on sustainable business within any sector. This is somewhat surprising given the sector's significant contribution to global greenhouse gas (GHG) emissions, and the scale of the potential benefits associated with addressing it. However, 52% say it is an increasing priority, and we would therefore expect this sector to focus more intently on this issue in the future.

Property is another industry making a large contribution to global GHG emissions. And with the Carbon Trust estimating that greater energy efficiency of UK buildings could save up to \$21bn by 2050, it is surprising that less than a third (28%) of property companies state that sustainable business is central to their strategy.

But, like logistics companies, the scale of the potential cost savings may be driving a change in approach, with 60% saying that sustainable business is an increasing priority.

The finance sector also shows lower levels of engagement on sustainability when compared to other sectors. However, 60% of finance companies said sustainability was an increasing priority for their business, which as in other sectors is a sign that awareness is growing and a shift in focus is coming.





Whether central to a companies' strategy or not, the results revealed one challenge common to driving sustainable business in all sectors: engagement.

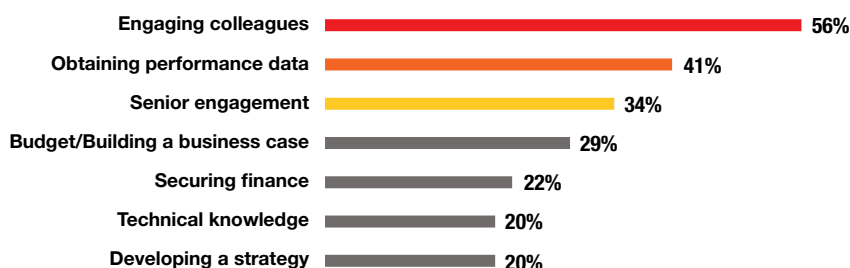
But it appears that once the initial arguments concerning the merits of sustainable business have been overcome, there is a marked progression in levels of engagement.

In organizations that are in an earlier phase of their sustainable business journey, senior engagement and engaging colleagues are the biggest challenges to driving forward their sustainable business agenda (65% and 47% respectively). Even in companies where sustainable business is an increasing priority, engagement remains the top barrier, albeit showing marked progression.

Once it has become central to overall strategy the importance of engaging colleagues remains but the focus begins to move towards sourcing the finance and performance data which will enable businesses to realize the benefits of sustainability.

However, the issues don't disappear – even for those companies furthest along the journey. As engagement becomes embedded, the operational barriers become more real.

Challenges for sustainable business (Property sector)



Regardless of maturity of strategy or priority area, engagement remains top barrier

Engagement, of both peers and senior management, remains the principle barrier across nearly every industry sector. However, in finance senior engagement is a larger proportion (55%), while in logistics, property and telecoms/media engaging colleagues takes greater importance. A notable exception is in heavy industry where the leading challenge is access to budget or building a business case.

When considering the key challenges based on business aims, engaging senior management or colleagues are once again the leading challenges for those businesses that are currently driven by compliance, reputation and cost saving resource efficiency (consistently approximately 50%).

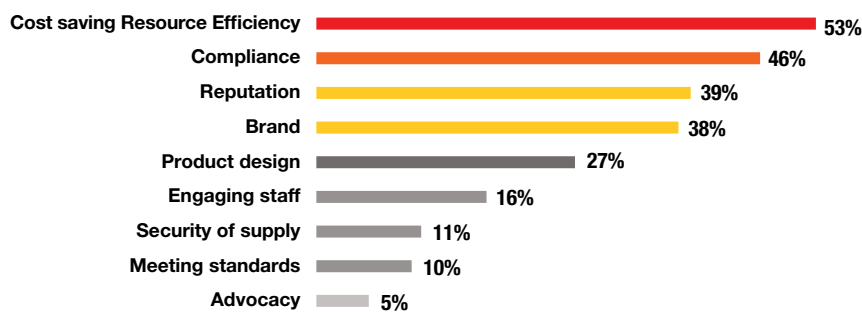
And senior engagement and engaging colleagues remain the top two challenges for most sustainable business priorities – whether that is energy efficiency, waste, water, raw materials, etc. – with senior engagement consistently at around 50%, with engaging colleagues at 55%. Notably, for water, product design and supply chain securing finance emerged as a priority challenge and for energy generation and transport/fleet, budget/building a business case emerged alongside engagement.



Approaches to sustainable business are evolving, with companies moving at different paces, and driven by different aims.

Overall, cost saving resource efficiency was the primary driver for sustainable business practise followed by compliance and reputation or brand.

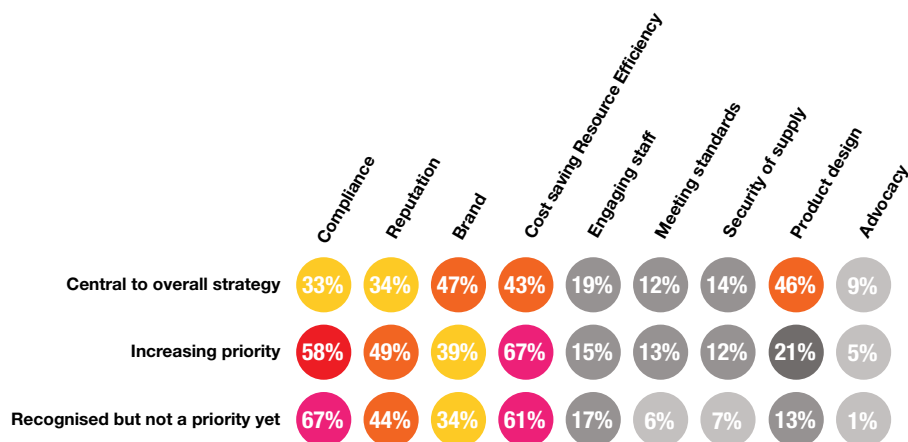
Primary aims for Sustainable Business approach



However, the reasons given for their sustainable business approach differ depending on the priority they assign to it. These differences may provide an insight into the stages a business goes through when integrating sustainability practises.

Cost saving resource efficiency remains paramount regardless of the level of priority assigned to sustainable business. However, for businesses in which it is seen as more strategically central, brand and product design are seen as the key drivers. In contrast, for those businesses for which it is not a priority, compliance is seen as the primary motivation for action.

Industry aims for Sustainable Business strategy/approach



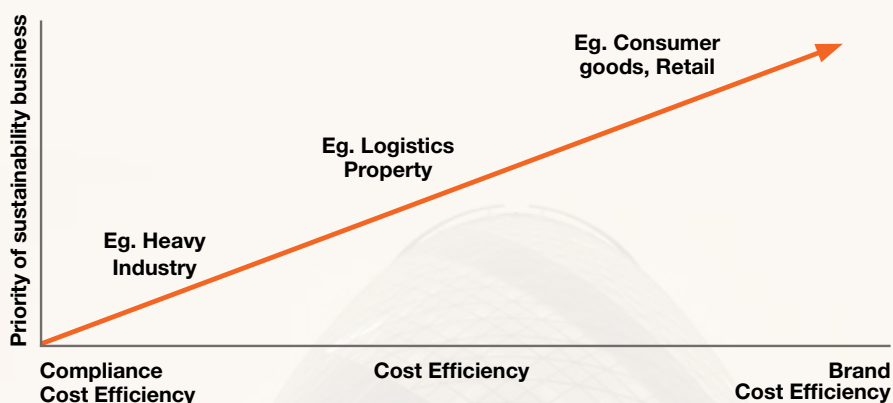
Sustainable business goals evolve

Those taking their first steps cite compliance as the over-riding driver, which would indicate that the initial decision is motivated by procedural considerations rather than strategic concerns which impact the bottom-line. However, once this journey has begun and the value of a sustainable business approach becomes clear, the opportunity for growth overtakes compliance.

Looking at a sector level, heavy industry and logistics state compliance as the principle driver whereas for consumer goods and retail, brand closely follows cost saving resource efficiency as their main aim. Finance and telecoms/media cite reputation as the main driver for their sustainable business approach, suggesting that they recognize the opportunity to apply this as a competitive advantage for grow market share.

This may indicate that different people are making the decisions around sustainable business in different industries depending on the level of engagement they demonstrate. In those engaged industries where the key drivers are brand and reputation it may be the brand or communications teams, rather than the sustainability professionals, which are the principle decision-makers.

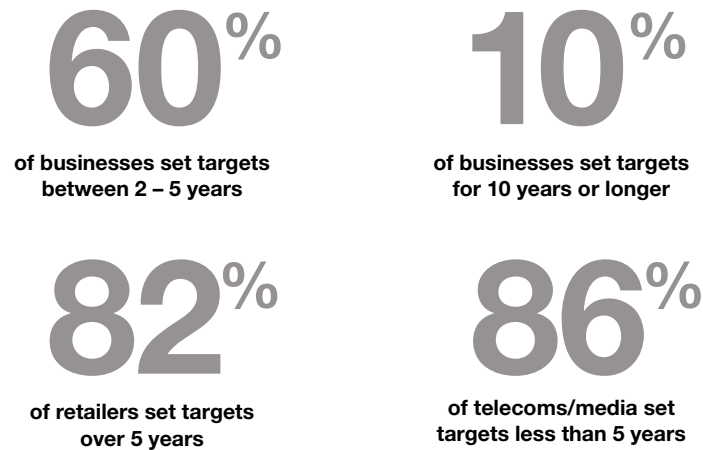
Primary aims for sustainable business



Targeting and budget mismatch



Time



There are no shortcuts to a truly sustainable business approach. It should not simply be measured against quarterly reporting or year-on-year management targets. Sustainability is a long-term concern which should underpin the business practises and strategic vision which guide an organization.

Sustainable business is still seen by most as something to track and measure alongside short-term reporting cycles, which may be a mismatch between their ambitions and how they are measuring performance.

However, those companies which embrace a truly sustainable business approach understand that sustainability is a key driver of an overall strategy – not simply a procedural exercise. And as a strategic driver, sustainable business targets must be set for the long-term, which means five years or more. Only then is a business able to accurately judge the value of a sustainable business approach.



Budget

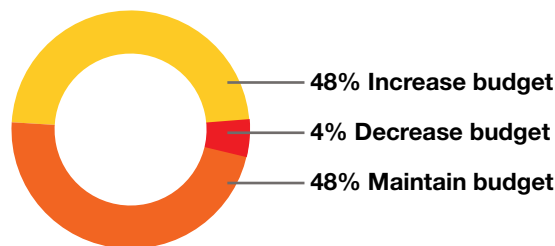
How much sustainable business costs remains a challenge. While there are practical energy saving measures which businesses can take for a minimal cost, to have a real impact throughout a business and supply chain is difficult without a strong budget.

The survey findings show a wide variation in budget levels for sustainable business. Nearly 60% of businesses said they have budgets of less than \$165,000 and more than 30% of these had no budget.

Even large business of more than 5,000 staff, 23% had less than \$165,000 and 15% had no budget. And 10% of respondents said they had a budget of over \$1.6m and up to \$8m, with 7% allocating more than \$8m to sustainable business measures.

Just as with the time targets, retail is the standout sector: 90% have allocated budgets and over 60% of these hold budgets over \$1.6m. By contrast, the majority of companies in telecoms/media, logistics, government and property have budgets of less than \$412,000, and nearly half of businesses in the consumer goods and heavy industry sectors have no budget allocated, indicating a mismatch between their aims and ability to achieve.

Outlook for sustainable business budget over next 12 months



However, a promising sign of future commitment to sustainability and the value it can deliver can be seen in the budget outlook.

Nearly half of businesses intend to increase their budget for sustainable business over the next 12 months, including 56% of those with budgets over \$412,000.

At an industry level, nearly 60% of retail businesses intend to increase budget, including the 23% of those already spending over \$1.6m. Half of utilities and 40% of logistics and property companies also intend to increase budgets.

This suggests that there is a virtuous circle to sustainability spending: the more resource a business dedicates the better the results and so the more resource it allocates for future activity.



Sustainable business priorities

57%

of businesses put energy efficiency as a top priority

50%

of businesses put waste as a top priority

25%

of businesses put water as a top priority

Energy Efficiency, Waste and Water: Top Priorities

Energy efficiency is an issue that cuts across all sectors and is a focus for many, with nearly 70% of respondents saying energy efficiency is a key priority for their business over the next 12 months.

Specifically, consumer goods, logistics, property and telecoms/media companies saw waste as a leading priority and water was identified as a priority by consumer goods, government and property. Finance, telecoms/media and heavy industry all cited product design as a key priority in 30% of cases.

Consumers and businesses have faced rising energy bills in recent years, particularly across Europe, so the focus on energy efficiency is unsurprising. The cost of energy is outlined starkly by respondents, 50% of which spend more than \$1.6m on their annual gas and electricity bills, with 16% spending more than \$16.5m on electricity alone.



Engaging and financing

Taking the perspectives of those directly accountable for the energy performance in their businesses, over half of respondents said the key barriers to action on energy efficiency were engaging colleagues and securing finance.

Once again, engagement remains a key barrier. However, the survey findings also show that the barriers to action change when sustainability moves from a peripheral concern to a central one.

Once established, sustainability is a strategic driver, engagement falls as a concern with finance concerns rising in importance to become the biggest recognized barrier – a consequence seen when any issue becomes central to a company's wider strategy. However, the results of moving sustainable business into the board room and securing the necessary finance can have a substantial impact on profit.

Perhaps the best-known example in the UK is Marks & Spencer's Plan A program, through which it made a profit of \$173m in 2011/12 and has achieved a cumulative net benefit of \$305m over its first five years of implementation. The company says it has achieved this by using less energy, less packaging and recycling more, alongside the opening up of new revenue streams.

Measuring and monitoring

83%

83% of businesses monitor carbon use

47%

of those businesses use software to monitor carbon

56%

of businesses disclose carbon footprint through 3rd party organisation

Progress on carbon reporting is clear from the survey findings, with 83% of respondents saying they monitor their carbon outputs, although only 47% said they use specialist software to do this.

Given the continued focus by policymakers on climate change and the drive to curb emissions, a long-term sustainability plan should include an accurate system for monitoring carbon output. Without this, companies may find themselves reacting to future regulatory developments rather than approaching from a position of preparedness.



What's working and what's not?

To help companies understand which sustainable business initiatives they should prioritize, the Sustainable Business Trends Tracker assesses different energy performance initiatives undertaken by businesses, the extent to which these have been implemented, how successful these have been and what the future plans are by industry.

Respondents were asked to assess their level of satisfaction with the different services and technologies they had implemented, and one technology stood out above all others: low-energy lighting. Another technology which ranked high for satisfaction was on-site solar, with 61% of respondents satisfied with the results of the technology, and 50% of those who have yet implement intending to do so in the next 12 months.

Installing low-energy lighting is a relatively simple, immediately effective, cost-effective measure all businesses could take to reduce energy costs.

55%

of businesses have implemented low energy lighting

69%

of businesses are satisfied with their low energy lighting

59%

of those yet to implement low energy lighting plan to this year

The majority of businesses which have implemented an off-site renewable energy supply have saved money.

However, nearly 78% of businesses said that they had no plans to implement off-site renewables. Industries who have implemented building control initiatives such as government and consumer goods, also responded with a high degree of satisfaction with the results they have achieved. Nearly 57% who have invested in building controls said they were satisfied with the results, with just 8% dissatisfied.

However, 36% have no plans to invest in building controls, which given levels of satisfaction achieved by those which have implemented them, suggests businesses are missing a chance to save money. This is especially true for the property sector, where building controls are crucial.

Despite the successes businesses are having with a range of energy-saving technologies, a large proportion of respondents said they had no plans to implement measures such as wind, solar, off-site renewables or new heating technology. Only low-energy lighting has been attempted by the majority of respondents.

Despite its importance, 50% of businesses who have invested in staff engagement in the last 12 months found it unsuccessful, indicating it is critical to approach this correctly to maximize success, but crucial to overcome in order to make progress.



Useful indices

4.8

initiatives implemented
per retail business

3.4

satisfied initiatives per
retail business

3.1

3.1 planned investments
planned in the next 12
months per retail business

The **Sustainable Business Trends Tracker** provides a number of indices to assess energy performance initiatives including the **Heavy Investor Index**, which indicates which industries are most active in implementing the energy performance initiatives assessed. Retail is the highest performer with an average of 4.8 initiatives per respondent. In contrast telecoms/media managed 1.8 initiatives per respondent.

The **Emerging Investor Index** provides data on which technologies each industry has invested in over the last 12 months, and how they plan to invest over the next 12 months. It also shows the level of satisfaction for each technology and which technologies are emerging.

“This important survey shows the tremendous amount of good practice being adopted as companies begin to manage their energy more effectively. It empirically backs up what energy professionals find on the ground. It also highlights there is there a great opportunity for improvement.

“It is not enough to merely pick low-hanging fruit. The organization that puts sustainability at the heart of its business-planning is more profitable and a better corporate citizen.”

Richard Felgate, chairman, Energy Managers Association
and head of energy management, Mitchells & Butlers

The one thing all companies have in common is their desire to survive and grow. To be in a position to do this, they will need to respond to the shifting realities of an increasingly resource-constrained world.

For businesses to maximize the opportunity, sustainable business practices need to be integrated into strategic decision-making processes. The survey results showed that there is still progress to be made in this respect, with fewer than 40% saying sustainable business is central to their overall strategy.

And there are still few set sustainable business targets which run for ten years or longer. This confirms there is still a tendency to view sustainability measures not as long-term strategic drivers but items against which short-term progress can be made.

It is also clear that engagement generally, and senior engagement particularly, is critical to moving sustainable business from a peripheral to a central concern.

The high levels of dissatisfaction with staff engagement efforts suggest that businesses recognise the importance of engagement in achieving a cultural shift, but have been frustrated in their efforts to address it. Businesses need to ensure that engagement efforts are focused and structured in the right way. This means providing employees with the tools they need to act in a more sustainable way. Positively, the survey showed that once senior individuals within an organization have been persuaded of the benefits, sustainable business becomes a priority. This is an instructive finding and demonstrates the importance of winning over senior decision-makers.

In terms of industry sector, a number of industries are leading on sustainability and placing it at the heart of their business strategy. Others are playing catch-up, with logistics and property companies faced with a clear opportunity to drive growth through a focus on energy savings and emissions reduction. Consumer-facing businesses may also be risking their brand identity and reputation by failing to place sustainability at the heart of their strategy.

There are huge savings to be made by taking a sustainable approach to business. From procurement, to energy efficiency, new technologies and collaboration through the supply chain, the opportunities are numerous. The winners will be those who respond successfully to these opportunities and position themselves to thrive in a changing global economy.



trends tracker

The **full 2degrees Sustainable Business Trends Tracker** report reveals attitudes towards sustainable business and the measures companies are taking to operate more sustainably in order to reduce costs and drive growth. The report considers by industry the priorities, aims and challenges in sustainable business, as well as how successful initiatives have been to date. The report looks in greater depth at the measures undertaken by those accountable for energy performance, assessing how successful these have been and where opportunities for energy performance improvements still exist. It examines in detail fourteen common energy performance tools/services to identify their extent of implementation, level of satisfaction, which are growing fastest and across which industries.

Thank you

2degrees would like to thank all of the responding companies for taking the time to provide their views and insights for the **Sustainable Business Trends Tracker**. Responding companies included, but were not limited to:

AkzoNobel

Britvic

BT

Centrica

Coca-Cola

Delta Airlines

DHL

Ecodesk

GE Capital Real Estate

GSK

Guy's and St Thomas' NHS Foundation Trust

London Stock Exchange Group

McDonald's

RBS

Southern Water

Tata Steel

Tesco

The Body Shop

Toyota Material Handling Europe

Unilever

United Technologies

Yorkshire Water

2degrees

Making Sustainable Business Happen

2degrees helps major corporations cut costs, reduce risk and achieve smarter growth by being more sustainable. It does this by helping them transform out-dated business practices, using fully-linked collaboration to make it simple and efficient for them to work closely and at scale with suppliers, internal operations and customers.

It also manages an online collaboration platform with more than 33,000 professional members which acts as an important facilitator, helping to engage, inform and enable companies in a value chain to work together to realize the benefits of being more sustainable. Access to this unique community enabled 2degrees to carry out such a comprehensive survey.



For the full **2degrees Sustainable Business Trends Tracker Report**,
or for further information, please contact:

E: trends@2degreesnetwork.com | T: 01865 597 640

W: www.2degreesnetwork.com