FINDINGS FROM THE 2010 SUSTAINABILITY & INNOVATION GLOBAL EXECUTIVE STUDY AND RESEARCH PROJECT

The Survey Questions & Answers

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The Survey: Questions and Responses

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

- Innovating to achieve competitive differentiation 50%
- Growing revenue 43%
- Reducing costs and increasing efficiencies 39%
- Profitably acquiring and retaining customers 38%
- Attracting, retaining, and motivating talented people 35%
- Increasing operating speed and adaptability 21%
- Responding effectively to disruption of our business model 17%
- Responding effectively to threats and opportunities of sustainability 16%
- Responding effectively to threats and opportunities of globalization 14%

2. To what extent do each of the following considerations factor into how your organization thinks about sustainability? (Rate on a scale of 1 to 5, with 1 being lowest; responses shown are average rating.)

- Economic sustainability of the organization 4.06
- Increased emphasis on long-term perspective 3.64
- Employee/leadership health and well-being 3.52
- Customer health and well-being 3.51
- Corporate social responsibility issues 3.42
- Environmental issues 3.38
- Improved efficiencies and reducing waste 3.69
- Identifying opportunities to enhance or differentiate brand image through sustainability strategies 3.24
- Building awareness of sustainability in the organization 3.22
- Identifying potential new revenue streams through sustainability-related products, services, or business models 3.21
- Analyzing risks associated with not fully addressing sustainability issues (e.g., environmental, legal, competitive, reputational, resource access, or political risks) 3.11
- Identifying opportunities to build a culture of innovation by pursuing sustainability strategies 3.06
- Including sustainability in scenario planning or strategic analysis 3.04
- Analyzing potential regulations (e.g., carbon prices, etc.) and preparing response 2.90
- Analyzing investor and stakeholder expectations related to sustainability 2.85
- Reducing or eliminating carbon dioxide or other greenhouse gas emissions 2.83
- Benchmarking sustainability practices of competitors and sustainability leaders 2.75
- Highlighting sustainability in the recruitment of employees 2.63
- Revising compensation approaches and management incentives to promote sustainability-related strategies 2.39

3. To what extent is your organization engaged in each of the following activities? (Rate on a scale of 1 to 5, with 1 being lowest; responses shown are average rating.)

- Improving efficiencies and reducing waste 3.69
- Identifying opportunities to enhance or differentiate brand image through sustainability strategies 3.24
- Building awareness of sustainability in the organization 3.22
- Identifying potential new revenue streams through sustainability-related products, services, or business models 3.21
- Analyzing risks associated with not fully addressing sustainability issues (e.g., environmental, legal, competitive, reputational, resource access, or political risks) 3.11
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About the Research

To discover how, and how fast, companies are adopting sustainability management practices, MIT Sloan Management Review in collaboration with The Boston Consulting Group conducted a survey of more than 3,000 business executives and managers from organizations located around the world. The survey captured insights from individuals in organizations in every major industry, ranging from those with fewer than 500 employees to those with more than 500,000 employees. The sample was drawn from a number of different sources, including MIT alumni, MIT Sloan Management Review readers and subscribers, BCG clients, alumni, and other interested parties.

In addition to these survey results, we also interviewed academic experts, subject matter experts, and senior executives from a number of industries and disciplines to understand the practical issues facing organizations today. (See “Interviewees,” page 27.) Their insights contributed to a richer understanding of the data, and the development of recommendations that respond to strategic and tactical questions senior executives address as they work to build a business case for sustainability and embed it into their operations.

Early findings from this research were published in the Winter 2011 issue of MIT Sloan Management Review.
4. How has your organization’s commitment to sustainability — in terms of management attention and investment — changed in the past year? (Please choose one.)

- Somewhat — increased sustainability commitments 42%
- Business as usual — no changes to sustainability commitments 34%
- Significantly increased sustainability commitments 17%
- Do not know 4%
- Somewhat decreased sustainability commitments 2%
- Significantly decreased sustainability commitments 1%

Total 100%

5. How do you expect your organization’s commitment to sustainability — in terms of management attention and investment — to change in the year ahead? (Please choose one.)

- Will somewhat increase sustainability commitments 46%
- Will continue business as usual — no changes to sustainability commitments 26%
- Will significantly increase sustainability commitments 22%
- Do not know 3%
- Will somewhat decrease sustainability commitments 1%
- Will significantly decrease sustainability commitments 1%

Total 99%

6. How influential is each of the following in driving your organization’s attention to sustainability? (Please rate on a scale of 1 to 5, with 1 being lowest; responses shown are averages.)

- Senior leadership 3.75
- Customers 3.47
- Government and regulators 3.35
- C-suite executives 3.16
- Investors/shareholders/capital providers 3.04
- Competitors 2.96
- Advisory board 2.88
- Partners or businesses in supply chain 2.82
- Line leaders 2.79
- Employees not among top leadership 2.66
- Advocacy organizations/NGOs 2.33
- Unions/trade organizations 1.97
- Improved regulatory compliance 18%
- Better innovation of product/service offerings 17%
- Better innovation of business models and processes 15%
- Reduced risk 14%
- Improved ability to attract and retain top talent 11%
- Enhanced stakeholder/investor relations 10%
- Increased employee productivity 5%
- There are no benefits 2%

7. What do you believe is the status of sustainability on the agenda of top management? (Please choose one.)

- On the agenda permanently, but not core 38%
- Already a permanent fixture and core strategic consideration 24%
- Temporarily on the agenda, but not core 22%
- Never considered for the agenda 8%
- Excluded from the agenda because viewed as a passing fad 4%
- Do not know 3%

Total 99%

8. What are the greatest benefits to your organization in addressing sustainability? (Please select up to three benefits.)

- Improved brand reputation 49%
- Reduced costs due to energy efficiency 28%
- Increased competitive advantage 26%
- Reduced costs due to materials or waste efficiencies 25%
- Access to new markets 22%
- Increased margins or market share due to sustainability positioning 21%
- Improved perception of how well company is managed 19%
- Improved ability to attract and retain top talent 22.8
- Enhanced stakeholder/investor relations 23.5
- Increased employee productivity 22.9

9. To what extent do you quantify those potential sustainability-related benefits when evaluating the business cases that frame decisions? (Rate on scale of 1 to 5, where 1 is lowest; responses are average rating.)

- Reduced costs due to materials or waste efficiencies 2.92
- Reduced costs due to energy efficiency 2.92
- Improved brand reputation 2.85
- Increased competitive advantage 2.76
- Improved regulatory compliance 2.69
- Better innovation of product/service offerings 2.66
- Increased margins or market share due to sustainability positioning 2.62
- Access to new markets 2.56
- Better innovation of business models and processes 2.55
- Improved perception of how well company is managed 2.54
- Reduced risk 2.52
- Enhanced stakeholder/investor relations 2.35
- Increased employee productivity 2.29
10. Which of the following describes who in your organization typically factors sustainability considerations into decision making? (Please choose all that apply; responses are average rating.)

- Top management, who determine strategy of organization as a whole 45%
- Managers in sustainability-dedicated roles (chief sustainability officer or equivalent; managers in dedicated sustainability units) 21%
- Managers in certain non-sustainability functions or units (e.g., supply chain functions, or units focused on particular offerings or customers) 18%
- Sustainability is not typically considered anywhere, but it is factored into decision making occasionally by managers 10%
- Our organization does not factor sustainability considerations into decision making 5%
- Do not know 2%
Total 101%

11. When deciding on sustainability-related investments, which financial standards does your organization apply? (Check all that apply.)

- No different standards at all; expectations are same as any investment 21%
- Intangible/qualitative factors are formally considered and influence decision 19%
- Risk scenarios are formally considered, and influence decision 18%
- ROI or IRR expectation hurdles are lower 15%
- Allowable timetable for realizing expected returns is longer 10%
- Do not know 9%
- Our organization does not factor sustainability considerations into decision making 8%
Total 100%

12. Overall, has your organization developed a clear business case or proven value proposition for addressing sustainability? (Please choose one.)

- No 38%
- Yes 32%
- Unsure 22%
- Have tried but too difficult to develop 7%
Total 99%

13. How significant an obstacle is each of the following in evaluating the business case for sustainability-related strategies? (Rate on scale of 1 to 5, with 1 lowest; responses are average rating.)

- Difficulty quantifying and valuing effects of sustainability-related strategies on reputation of brand, company, or offerings 3.20
- Difficulty predicting value of customer response to sustainability-related strategies 3.16
- Lack of model/framework for incorporating sustainability-related factors in business cases 3.09
- Difficulty capturing comprehensive metrics about sustainability-related impacts of organization’s operations 3.09
- Difficulty quantifying sustainability-related future risks 3.04
- Difficulty of considering sustainability at all given competing priorities 3.02
- Lack of individual incentives (compensation, advancement, etc.) that would prompt managers to consider sustainability when deciding strategy 2.82
- Opposition from executives or influential individuals 2.36
- Uncertainty about future carbon pricing 2.31
Total 100%

14. Is pursuing sustainability-related strategies necessary to be competitive? (Please choose one.)

- Yes 54%
- No, but will be in the future 32%
- No 8%
- Do not know 5%
Total 99%

15. In general, how do you believe your organization’s sustainability-related actions/decisions have affected its profitability? (Please choose one.)

- They have added to profit 34%
- They have broken even — neither adding to nor subtracting from profit 24%
- Don’t know 18%
- My organization does not engage in sustainability-related activities 13%
- They have subtracted from profit 11%
Total 100%

16. How much does your organization currently spend on sustainability-related activities?

- Do not know 33%
- Less than 1% of sales 27%
- No spending on sustainability initiatives 13%
- Between 1-2% of sales 12%
- Between 2-5% of sales 8%
- Greater than 5% of sales 6%
Total 99%

Text Responses

17. Name the organizations that you look to as world-class in addressing sustainability.

18. Are there any questions missing from this survey which you would like to see next year?
19. Which of the following best describes your current position? (Please choose one.)

<table>
<thead>
<tr>
<th>Position</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manager or other professional</td>
<td>41%</td>
</tr>
<tr>
<td>Senior company manager</td>
<td>33%</td>
</tr>
<tr>
<td>C-suite executive</td>
<td>19%</td>
</tr>
<tr>
<td>Other</td>
<td>7%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

20. Which statement best describes your expertise about how sustainability affects management? (Please choose one.)

<table>
<thead>
<tr>
<th>Expertise</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Somewhat aware and knowledgeable, but not an expert</td>
<td>66%</td>
</tr>
<tr>
<td>Novice</td>
<td>19%</td>
</tr>
<tr>
<td>Expert / thought leader</td>
<td>14%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>99%</strong></td>
</tr>
</tbody>
</table>

21. Which of the following best describes your organization’s industry? (Please choose one.)

<table>
<thead>
<tr>
<th>Industry</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technology and Telecommunications</td>
<td>18%</td>
</tr>
<tr>
<td>Other</td>
<td>18%</td>
</tr>
<tr>
<td>Financial services</td>
<td>12%</td>
</tr>
<tr>
<td>Consumer products</td>
<td>10%</td>
</tr>
<tr>
<td>Healthcare</td>
<td>8%</td>
</tr>
<tr>
<td>Energy and utilities</td>
<td>7%</td>
</tr>
<tr>
<td>Industrial Goods and Machinery Retail</td>
<td>5%</td>
</tr>
<tr>
<td>Conglomerate/Multi-industry</td>
<td>4%</td>
</tr>
<tr>
<td>Media and Entertainment</td>
<td>3%</td>
</tr>
<tr>
<td>Chemicals</td>
<td>3%</td>
</tr>
<tr>
<td>Construction</td>
<td>3%</td>
</tr>
<tr>
<td>Automobiles</td>
<td>3%</td>
</tr>
<tr>
<td>Commodities</td>
<td>3%</td>
</tr>
<tr>
<td>Industrial Services</td>
<td>2%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>99%</strong></td>
</tr>
</tbody>
</table>

22. What is your organization’s total headcount? (Please choose one.)

<table>
<thead>
<tr>
<th>Headcount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 1,000 employees</td>
<td>41%</td>
</tr>
<tr>
<td>Between 10,000 and 100,000 employees</td>
<td>22%</td>
</tr>
<tr>
<td>Between 1,000 and 5,000 employees</td>
<td>17%</td>
</tr>
<tr>
<td>Greater than 100,000 employees</td>
<td>10%</td>
</tr>
<tr>
<td>Between 5,000 and 10,000 employees</td>
<td>9%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>99%</strong></td>
</tr>
</tbody>
</table>

23. How would you describe your organization’s competitive position?

<table>
<thead>
<tr>
<th>Position</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Slightly outperforming industry peers</td>
<td>38%</td>
</tr>
<tr>
<td>On par with industry peers</td>
<td>27%</td>
</tr>
<tr>
<td>Substantially outperforming industry peers</td>
<td>19%</td>
</tr>
<tr>
<td>Slightly underperforming industry peers</td>
<td>10%</td>
</tr>
<tr>
<td>Don’t know</td>
<td>3%</td>
</tr>
<tr>
<td>Substantially underperforming industry peers</td>
<td>2%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>99%</strong></td>
</tr>
</tbody>
</table>

24. In which region does your organization primarily conduct business? (Please choose one.)

<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global — primary business spread across three or more regions</td>
<td>29%</td>
</tr>
<tr>
<td>North America</td>
<td>27%</td>
</tr>
<tr>
<td>Europe</td>
<td>13%</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>12%</td>
</tr>
<tr>
<td>Latin America</td>
<td>7%</td>
</tr>
<tr>
<td>Africa/Middle East</td>
<td>6%</td>
</tr>
<tr>
<td>Other</td>
<td>2%</td>
</tr>
<tr>
<td>Australia/New Zealand</td>
<td>2%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>98%</strong></td>
</tr>
</tbody>
</table>

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