

The future of sustainable business

A report on the CISL round table with 30 sustainability
leaders

11 July 2018

Introduction

On 11 July 2018, 30 business leaders came together in London to celebrate the 3rd anniversary of [Rewiring the Economy](#) and the launch of [Rewiring Leadership](#).

The *Roundtable on the Future of Sustainable Business* explored key questions and shared emerging thinking and practice on business leadership in relation to four critical tasks for business:

- aligning organisational purpose, strategy and business models
- setting evidence-based targets, measuring and being transparent
- embedding sustainability into organisational practices and decisions
- engaging, collaborating and advocating for transformational change.

Delivering these tasks – creating commercial value that is aligned with positive and environmental outcomes – is at the heart of sustainable business.

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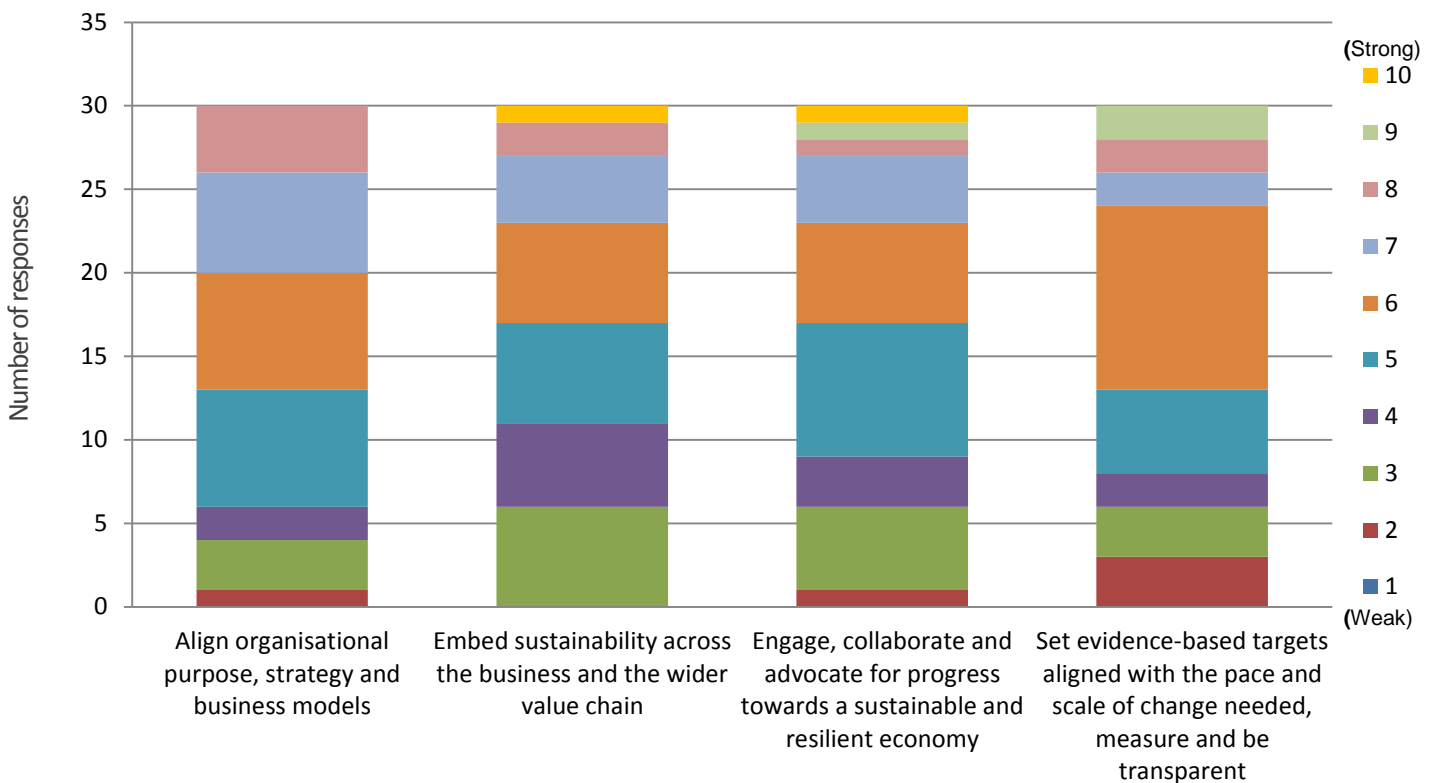
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1. External trends and business responses

Prior to the workshop, participants indicated the trends that are affecting their sectors. Almost all participants noted that they are subject to increasing levels of scrutiny, and every trend on the chart is affecting at least half of sectors which were represented in the room.



Although there is significant diversity in responses, on average, participants ranked their sector as performing between 5 and 6 (on a 1–10 scale) in response to the four business tasks below.



2.a What are the most positive news stories over the last year?

Substantive progress towards the Sustainable Development Goals (SDGs)

Good progress in the UK in meeting its carbon reduction targets and the frequency of days where renewable energy usurped fossil fuels in the UK.

Expansion in access to healthcare, education, housing and jobs for otherwise marginalised people.

Cape Town municipality reducing water consumption from 1.6 billion litres per day to less than 500 million litres per day without social unrest.

Financial institutions integrating sustainability into their investment and lending decisions

Major asset owners and investors integrating sustainability into their stewardship policies.

Leading investors divesting from companies on the basis of poor sustainability performance.

Increased scrutiny and engagement by lenders leading to improved sustainability performance in major infrastructure projects.

Disclosure requirements driving board and executive engagement and greater transparency

TCFD¹ recommendations being implemented, leading to greater integration of climate-related financial risks into business strategy and corporate governance.

Increased stakeholder pressure driving pension funds and trustees to manage and disclose sustainability risks and impacts.

Government action through regulation and procurement

Switzerland adopting legislation on a duty of vigilance for companies in relation to human rights.

EU commission developing a guide for social/supply chain responsibility in public procurement.

Government announcing UK-wide deposit return scheme for plastic bottles.

Greater interest from government over environmental impact of fashion industry.

Business action to align strategy with SDGs and to harness technology to address sustainability challenges

Tech developments enabling step-change progress in business management of resources and supply chains, eg battery storage in South Australia, use of blockchain in supply chain transparency.

More companies in different sectors adopting UN SDGs as a strategic framework and making pledges about their contribution to SDGs.

Consumer and citizen action on sustainability

Strong consumer pressure and business response to the plastics issue.

Millennials seeing climate change as top priority and factoring this into their employment and purchasing decisions.

Increase in vegan/vegetarian diets, eg fastest growing food range at M&S is their vegan line.

¹ Task Force on Climate-Related Financial Disclosures – commissioned by the Financial Stability Board.

2.b What are the most significant challenges to sustainable business?

Making progress in challenging operating contexts

Working in parts of the world where we see growing harm to human rights defenders and closing civil society spaces.

Operating in a context of lack of political leadership or accountability for the SDGs, political, regulatory and economic uncertainty and a near-term focus on delivering Brexit.

Trying to transition to a low carbon economy in the absence of financial incentives to support decarbonisation.

Preparing for the loss of a significant number of manual jobs; harnessing technology across society without increasing social inequality or economic exclusion.

Aligning purpose and strategy with a sustainable future

Building organisational purpose and a business model that creates sustainable value for society.

Convincing the leadership team that social agenda items really matter to business – as opposed to paying lip service to perceived trends.

Engaging customers and consumers

Effectively engaging consumers on sustainability in a way that really resonates with them and changes behaviours, leading them to aspire to more sustainable lifestyles.

Building customer support for long-term investments in sustainability projects when the regulatory cycle drives a shorter term view.

Achieving long-term transition while delivering short-term results – reconciling profitability and sustainability

Reconciling ‘doing the right thing’ for the long term with the inevitable short-term expectations of investors and shareholders.

Embedding sustainability into every business decision when it will have a negative financial impact in the short term.

Selling a sustainable business case to all parts of the business when market forces go against sustainability.

Reconciling business growth with increased (positive) sustainability impact.

Aligning culture and fostering the necessary leadership and skills

Changing the culture of the organisation to be one capable of supporting ‘rewiring the economy’.

Cost effectively and efficiently up-skilling the entire workforce of people on areas of sustainability which relate directly to their roles.

Integrating sustainability capabilities (eg systems thinking) into the organisation’s leadership programmes.

Embedding across the business

Creating business integration on sustainability from global corporate level to regional and divisional level.

Setting meaningful science-based targets, and targets aligned to SDGs.

3.a Working with other businesses, government and consumers to bring about change

Greatest challenges:

- **Lack of common goals and incentives:** Identifying goals that are relevant to all stakeholders, and sharing risk and costs fairly across diverse stakeholders are challenging and time-consuming.
- **Lack of government action and frameworks:** Government responses are often siloed, piecemeal, reactive, and lacking vision and imagination. Many countries lack a proactive, integrated, systematic response from government to deliver the SDGs and a framework to enable business engagement.
- **Regulatory barriers:** Competition Commission rules often prevent collaborations or dilute their impact.
- **Culture and mindsets:** Corporate focus on competitive edge, an orientation towards transactional rather than collaborative relationships and development of technical rather than social skills often stymie collaboration. Leaders have often made it to the top in a paradigm which valued winning relative to peers rather than building effective collaborations – it is hard to pivot.
- **Lack of systemic insight:** Businesses often don't know who else shares their goals, which partners they need and the value that other stakeholders could contribute.
- **Under-leveraging the value of NGOs:** NGOs have an important role to play as a 'critical enemy' to business but businesses tend to have a binary response rather than an open, collaborative response and therefore miss some of the potential value of collaboration.
- **Lack of inspiring narrative:** Although there are huge issues to address, the focus on reducing risks and impact isn't motivating or engaging, nor is the focus on targets and accounting. These won't address the fundamental consumer/consumption challenge. Do we need to change the conversation?

Most promising solutions:

- **Identify opportunities for collective gains:** The onus is on business to create common domains and congruent goals, to find opportunities for win-wins with stakeholders.
- **Enable consumers to drive change:** Consumer interest in sustainability is growing rapidly and we have seen evidence of mass behavioural change. Can we further stimulate and harness this trend?
- **Experiment and communicate:** We need to be able to see what collaborations look like, and identify how to achieve them. It is up to business to create and share case studies.
- **Encourage government to remove barriers and create frameworks for business action:** Lobby government to provide a framework enabling collaboration in a pre-competitive phase.
- **Build government insight:** Help government to develop a deeper and richer understanding of sustainability, and the benefits to society and the economy of a proactive government strategy.
- **Learn from examples of change:** Reflect on the story of change behind examples of progress, eg the response to the plastics issue and the achievement of the Paris climate agreement. What can we learn from these to apply to other situations where collaboration is required?
- **Educate and inspire others:** Thought leaders such as CISL can create dynamic conversations and develop new leadership capabilities to enable current and future leaders to engage and take action.

3.b Building a purpose and business model that creates value for all stakeholders

Greatest challenges:

- **Disconnect between shareholder value and sustainable business:** Top-level commitments on sustainability from institutional investors are not trickling down into practice quickly enough. The majority of investors and shareholders are still focused on short-term financial results rather than long-term sustainable value creation, and the majority of listed businesses are still oriented towards delivering against these shareholder expectations rather than focusing on transitioning to sustainable businesses.
- **Reconciling growth and sustainability:** Virtually all businesses seek growth and – for most – this growth will increase their use of resources and production of waste. Until we decouple business activity from negative impact and achieve circular approaches to resources, the drive for growth will undermine progress towards sustainability.
- **Inherently unsustainable business models:** It isn't possible to superimpose a sustainable purpose over a business model that wasn't developed with this purpose in mind. Some sectors (eg fashion) face fundamental challenges and will need radical transformation to align with a sustainable economy.
- **Action and impact vs optics:** Much corporate focus on 'purpose' has been about marketing, reputation and virtue-signalling rather than meaningful change. This has resulted in purpose fatigue, calls of 'peak purpose' and risked increased cynicism and lack of trust in business.
- **Gap between aspiration and action:** It can be hard to translate high-level ambitions by the Board into practical action within the business – there is a need for a systematic focus on embedding.
- **Translating group-level purpose to regions and divisions:** How to develop a group-level purpose that will encompass all divisions and all regions, without it becoming bland and meaningless? And how to translate a group-level purpose to be authentic and useful at divisional level?
- **Sustaining momentum through changes of CEO:** How to ensure that sustainability is so deeply embedded that a new CEO can't row back on progress?

Most promising solutions:

- **Address false dichotomy between profit and purpose:** Challenge perceptions that a purpose aligned to sustainability will damage commerciality. Businesses that are successful in the long term are clear about their contribution to society and are profitable because they are valued by society and stakeholders.
- **Be honest and authentic:** Get back to basics and really understand the core purpose and values of the business, and be frank and honest about the sustainability challenges it faces. This is likely to serve a business better than a focus on reputation management and PR.
- **Create space for meaningful discussions at board and exec levels:** Fundamental changes of purpose and strategy require proper time and space for leaders to reflect and build alignment at the level of hearts and minds, and can require education to raise awareness of drivers and solutions. Create this space.
- **Innovate and identify new forms of value creation:** Foster innovation across the business to create new business models, products and processes that align sustainability and commercial performance.
- **Communicate impact, not just financial performance:** Develop meaningful impact metrics, collaborate with others to develop common standards, and report against these.
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3.c Embedding sustainability into the business

Greatest challenges:

- **The size of the change required is significant:** People are okay at change but not yet great at transformational change.
- **In many cases, there are not strong drivers for change:** Stakeholders – especially customers and shareholders – often do not require good performance on sustainability. This is particularly pronounced in some sectors and some regions, but individual organisations recognise that they can do more without external influence.
- **It is unclear what to do:** In many instances, responding to sustainability challenges is hard and unknown but teams and businesses need to experiment and find their own solutions through trial and error.

Most promising solutions:

- **Do and then commit:** Some individuals indicated that it was easier to build momentum on sustainability where there was a track-record, indicating that there may be a need for organisations to covertly experiment and then showcase their findings.
- **Make a strong business case and ‘hard-wire’ good practices:** There is still a need to articulate sustainability in the language of business, understand the nuance of the business case and ‘hard-wire’ sustainability into processes, such as procurement and property management.
- **Find willing partners:** Building customer demand can increase social capital and enable an organisation to accelerate more quickly.
- **Map skills and needs:** By giving permission and offering clarity to employees at all levels, there is considerable scope to embed sustainability into business.

4. Summaries of key arguments in Cambridge-style debates

“The SDGs will not be met if business does not actively help consumers (and customers) prioritise sustainability”

- **Those for the motion** argued that this is indeed a business imperative. Tilting consumer demands towards sustainable choices is critical to delivery of a sustainable future. Consumer choices are often determined by business offers, so ensuring businesses are prioritising sustainable choices and actively working to educate consumers and customers will be imperative to the delivery of the SDGs. The pace of change required is not currently being met by governments so businesses must harness their own influence to drive positive change at the pace and scale required.
- **Those against the motion** highlighted the importance of collaborative action and the role of popular culture alongside business action – businesses cannot enable change alone. They must work with governments to develop stronger legislation which empowers and drives sustainable actions. Planet Earth II and David Attenborough’s focus on plastic pollution has delivered a step change in consumer behaviour; similar opportunities must also be created and harnessed to influence positive change.

“Achieving a sustainable future will require a different kind of leadership within business than the kind we have developed and rewarded to date”

- **Those for the motion** highlighted the need to be bold and to take risks with new approaches if we are to succeed in rewiring our economy. When leaders have been able to step outside the traditional mould we have seen strong results (eg the England football team’s performance in the World Cup). New leadership is needed in the form of leaders who are able to have positive impact through collaborative action, understand the consequences of decisions within a wide operating context and maintain a focus on the long term whilst continuing to deliver success in the short term.
- **Those against the motion** argued that we already have effective leaders: it is not the leadership which needs to change but rather the framework against which success is measured. If we are able to offer a new framework then good leaders will continue to be good leaders and will reframe their leadership and activities to align with a sustainable future.

“Technological progress will accelerate inequality and destabilise the operating environment for business”

- **Those for the motion** argued that we are already seeing significant inequality fuelled by technological exclusion; many low-income homes are at a significant disadvantage in society as everything moves online, from shopping to banking to social service access. This is equally true for developing economies where access to the internet can enable greater trading and educational opportunities but conversely leave communities isolated where this is not possible. Information and expectations relating to business are also transferred at a far greater speed via technology – citizens globally are looking to business to respond to many of society’s challenges and are able to critique and impede business operations and markets through social media campaigns, thereby destabilising the ability of business to make progress in a planned and strategic way.
- **Those against the motion** highlighted that technology has empowered development since the start of humankind – from tools to steam engines there have always been naysayers but technology has driven our society’s advancement and we should embrace the opportunities it offers. The data collected today can: enable breakthroughs in medical science; create smart solutions for direct trade ensuring greater benefit goes to those at the start of supply chains; provide greater transparency to reduce the potential for human rights violations; and create economic development and build new markets for business.

The University of Cambridge Institute for Sustainability Leadership

For 800 years, the University of Cambridge has fostered leadership, ideas and innovations that have benefited and transformed societies. The University now has a critical role to play to help the world respond to a singular challenge: how to provide for as many as nine billion people by 2050 within a finite envelope of land, water and natural resources, whilst adapting to a warmer, less predictable climate.

The University of Cambridge Institute for Sustainability Leadership (CISL) empowers business and policy leaders to make the necessary adjustments to their organisations, industries and economic systems in light of this challenge. By bringing together multidisciplinary researchers with influential business and policy practitioners across the globe, we foster an exchange of ideas across traditional boundaries to generate new solutions-oriented thinking. A particular strength of CISL is its ability to engage actors across business, government and finance. With deep policy connections across the EU and internationally; dedicated platforms for the banking, investment and insurance industries; and executive development programmes for senior decision-makers, it is well placed to support leadership in both the real and financial economies.

Rewiring the Economy

Rewiring the Economy is our ten-year plan to lay the foundations for a sustainable economy. The plan is built on ten interdependent tasks, delivered by business, government, and finance leaders co-operatively over the next decade to create an economy that encourages sustainable business practices and delivers positive outcomes for people and societies.

Rewiring Leadership

Rewiring Leadership outlines the kind of leadership which will be required to achieve these goals. It highlights the need for leadership which is guided by a purpose to rewire the economy, which fosters the necessary capabilities, and which holds itself accountable for delivering change at the pace and scale required.

Participants

The round table was attended by 30 senior representatives of multinational companies from the following sectors: apparel, aviation, banking, chemicals, extractives, FMCG, ICT, luxury (fashion), manufacturing, pharmaceuticals, property, retail and utilities.

Disclaimer

The views and perspectives shared in this report are those of individual attendees at the round table meeting and do not represent the official position of CISL or the wider University of Cambridge.

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