Making Business Sustainable:
An Evidence-Based Approach to Generating Real Impact

An Ipsos Global Affairs **Point of View**

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An Evidence-Based Approach to Generating Real Impact

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How can "sustainability" reduce existential threats, bolster business continuity, rally stakeholders, and increase competitive advantage?

The concept of "sustainability" is here to stay: the 2019 Davos agenda was dominated by it; governments and populations are awakening to the multitude of crises created by overpopulation, overconsumption, and the unequal distribution of wealth; and brands are becoming less shy about engaging with social and political issues.

Where businesses are on the spectrum of sustainability activities, with "do no harm" at one end, and "social value creation" at the other, depends on the pressures they face: supply chains threatened by resource depletion, geopolitics, and regulation; stakeholders demanding that business practices reflect their social values; and consumer behavior increasingly mission-driven.

Regardless of whether businesses are making a proactive attempt to become more sustainable, or simply being carried along with the tide of change, the impact is undeniable and inescapable. In this age of ubiquitous technology, the volume and speed of information access creates an unavoidable transparency when it comes to organizational behaviors.

The private sector is being challenged to address problems head-on, find solutions that offer real impact, and to prove and articulate these impacts both internally and externally to their stakeholders and consumers. However, generating environmental and social impact, as well as business return on investment, is not straightforward.

This paper shares what Ipsos knows about how businesses need to think about impact—or return on investment (ROI)—in the context of sustainability: how they can make investments with the greatest potential impact, monitor them to ensure impact is achieved, and communicate that impact to bring their key audiences along on the sustainability journey.

Target investments with greatest potential for impact

There are two kinds of return on sustainability investments:

Sustainability impact: are environmental, social and governance investments achieving their stated objectives, such as reducing the businesses' carbon footprint or improving the livelihoods of laborers? Businesses can't "talk the talk" without "walking the walk"—they have to demonstrate that they are achieving real impact.

Business impact: are sustainability outcomes having their intended impact on the business? Whether it is ensuring the business' license to operate, shoring up the supply of raw materials for the future, enhancing competitiveness, or opening up new markets—what ROI does the business need to demonstrate, and is this being achieved?

To ensure the best chance of demonstrating both sustainability and business impact, organizations should consider the following questions:

- Where are the greatest risks to the business supply chain?
- What are the negative externalities created by the business itself?
- What factors—such as expertise or visibility—positions the business well to respond to the challenges identified?
- And, what best practice programs from across industry can be drawn upon for guidance and support?

The tools that can be used to conduct such assessments are demonstrated in *Figure 1: Tools to Focus Investment Targeting.*

Figure 1:
Tools to Focus Investment Targeting

MATERIALITY ASSESSMENT

- ✔ Organizational mapping and consultation with stakeholders to understand the sustainability issues that are "materially relevant" to the business.
- ✔ Enables businesses to understand where they face the most significant risks and can have the greatest impact.

TRENDS AND GEOPOLITICAL RISK

- ✔ Combines localized presence through 90+ country offices with academic and sector expertise, to understand the market context.
- ✔ Studies 'Megatrends'—the known technology, demographic and environmental changes happening now and in the future.

SUPPLY CHAIN MAPPING

- ✔ Mapping upstream and downstream supply chains to assess compliance with standards, gaps in compliance, and sustainability risks to business.
- ✔ Deep-dive on supply-chain sustainability risks, and alignment with the Sustainable Development Goals (SDGs).

Set realistic and achievable goals

It is important to not set targets that are wildly over-ambitious. In some cases, businesses may succumb to external pressures to address an issue, even though it isn't materially relevant to them or within their sphere of control. Perhaps as they realize the enormity of the problem faced, they commit to taking on more and more. Or they may be unable to understand the complexity of the problem, and do not realize how challenging it will be to solve.

Ambition is a necessary precondition to addressing today's global sustainability challenges. However, private sector sustainability commitments need to be realistic if they are to be achievable. Businesses don't want to be constantly pushing to achieve the impossible, and as a result having to repeatedly report on failures.

A business is more likely to successfully produce and stick to a roadmap for sustainability achievement if the solution can be grounded in the organization's area of expertise. For example, a food and beverage company relying on raw materials like wheat, sugar, and cocoa, is more likely to generate impact using their technical expertise to improve crop yield than if they were to focus on something outside of their realm of expertise and influence, such as improving primary education within farming communities.

One way to overcome this challenge is to think about achieving impact in terms of realistic, stretch and systemic goals: first, prioritize what is achievable within a specific timeframe and commit to it; second, pick stretch goals that are within the realm of the businesses' expertise but require more time and an iterative approach to achieving impact, and treat it as a learning process; and third, consider how to contribute to broader systemic change by engaging in cross-sector discussions and incorporating these goals into the realistic and stretch realms over time. This way of thinking and behaving can also help to overcome business demand to demonstrate results quickly.

Get buy-in from key stakeholders

The importance of the CEO to driving the business sustainability mission is grounded in good evidence. To be effective, sustainability requires a shift in organizational thinking which ultimately needs to come from the top, from a CEO and leadership team that treats sustainability as equal in importance to marketing, finance, and other key business functions. However, the CEO cannot act alone—the businesses *internal and external stakeholders* need to be brought along on the sustainability journey.

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> – IPSOS CORPORATE REPUTATION COUNCIL MEMBER[1]

Businesses often report that their employees are increasingly purpose-focused and are among the primary drivers of social value creation initiatives. Furthermore, it follows that companies that are high-achieving when it comes to sustainability are those that have created the conditions for their employees to own sustainability issues within the business.

External stakeholders have their own values when it comes to sustainability, which should be part of the consideration set for shaping sustainability investments. *Investors and financiers* increasingly factor in environmental, social, and governance variables as key drivers of business value; *supply chain and industry partners* have their own internal and external pressures to deliver on sustainability; and *political representatives and government agencies* have a responsibility to respect the wishes and ensure the futures of the citizens they represent and govern.

Consumers are the ultimate business stakeholder. Despite their oft-stated desire to behave more sustainably, consumers are not currently well-informed about what constitutes good sustainability practices, nor how to make sustainable purchasing decisions. To ensure that businesses can incorporate sustainability into their competitive positioning, consumers must also be brought along on the sustainability journey, especially if a shift towards more sustainable practices is going to mean increased prices for products and services.

Getting buy-in in this hyper-transparent age is about "walking the walk." It's not enough to say you care: you have to follow-through and to demonstrate impact. And the impact story must be told in a way that resonates with this multitude of audiences: in the digital age, the objective is to create a space where stakeholders can achieve their own goals in a way that aligns with a brand's purpose and values—it's about creating a shared experience between the audience and the brand.[2]

The tools that can be used to understand and respond to stakeholder values are demonstrated in *Figure 2: Tools for Understanding Stakeholder Buy-In.*

Figure 2:
Tools for Understanding Stakeholder Buy-In

EMPLOYEE ENGAGEMENT

- ✔ Assesses employee engagement levels, designs balanced scorecards, and empowers managers to drive change and engage their team.
- ✔ Supports the development of a consistent employer value proposition and helps organizations to attract and retain high potentials.

CORPORATE REPUTATION

- ✔ Identifies issue salience, drivers of reputational value, measures reputation performance against ROI, and assesses the effects of corporate crises.
- ✔ Enables clients to align actions with stakeholder values, and integrate actions to tackle reputational issues, and measures reputational outcomes.

CONSUMER EXPERIENCE

- ✔ Offers ERM, customer journey mapping, customer relationship management, and mystery shopping, using traditional research and social listening methods.
- ✔ Analyzes how global trends such as sustainability intersect with consumer trends such as personalization, moment-optimization, and experientialization.

[1] https://reputation.ipsos-mori.com/employer-branding-corporate-reputation-and-the-war-for-talent/
[2] https://www.ipsos.com/en-us/knowledge/media-brand-communication/story-creation-in-the-digital-age?fbclid=IwAR1i0-aZP4jvajBVWYW2-tlf7CrJRlV2vSYWpoLoyoMRh-3a1jbdY2IuiMA

Collaborate across sectors and within own sector

For those focused on limiting the negative consequences of their business operations, it may be possible to have an internally-driven approach to sustainability. For example, reducing water usage or carbon creation within facilities may require consultation with external experts, but the changes made to business operations may be somewhat contained within the organization and overseen by employees.

However, for those focused on challenges related to their broader operating context, such as ensuring the availability of the water needed to produce products in the first place, or building skills that are needed to serve the business, the solution may not be possible to deliver alone. For this type of challenge, collaboration will be very important: the private sector must build strong working relationships with governments, communities, and social actors working in the spaces they want to have their sustainability impact in. They may even need within-sector collaboration *(see Figure 3: Collaboration Approaches).*

Figure 3: Collaboration Approaches

STANDARD

Standard, or simple, collaborations might occur where a business has a requirement that is performed directly by a specialist provider. For example, Ipsos has worked on impact studies for the Coca-Cola STAR Program and the IFC-Bank of Palestine Program, which fits this model.

COMPLEX

Complex collaborations might occur where to resolve a problem, a cross-sector solution is required. For example, Ipsos works with the Cocoa Action and Mondelēz International to achieve aligned metrics for understanding sustainability progress in the chocolate sector.

To ensure a successful collaboration a business needs to know the landscape within which it is attempting to achieve change, build partnerships with experts, speak the language of other actors and sectors, ensure clarity of objectives, be prepared to compromise, and use people with strong inter-sectoral and intercultural skills to manage the process.

Use impact measurement to monitor progress and adapt investment approach

In general, creating a culture of learning is good business practice. To stay relevant and competitive, it is necessary to create an environment where mistakes can be made, discussed, and improved upon. This is particularly true in the fairly new field of sustainability, where the private sector is working in ways they have not worked before to find solutions to complex and evolving problems and contexts.

Being able to identify successes and failures through continual monitoring and impact assessment, and adapt programs to address these and increase impact is essential. As a starting point, using a theory of change or logic modelling—an approach adopted from the social sciences—can be a critical tool for program management, assessment of impact, learning, and adaptation (regardless of whether it is being used by governments, non-profits, or corporate entities).

To understand real impact, businesses have to go beyond auditing. For example, it is not enough to know how many farmers participated in training or received improved planting material for their crop. Rather, it is essential to know whether this improved their yield, and as a result their livelihood, and whether these impacts helped the business to sustain their supply of that crop for use in their products in the long term. There are a range of tools available to help businesses with these types of assessments *(see Figure 4: Tools for Understanding Impact).*

Figure 4:
Tools for Understanding Impact

SUSTAINABLE INVESTMENT VERIFICATION

- ✔ Designs approaches to monitoring and verifying sustainable investments, based on internal needs, public commitments and regulatory obligations.
- ✔ Utilizes tools such as pre-existing certifications, sector-based tools, or standard market approaches, or internally developed and executed systems.

PROGRAM EVALUATION

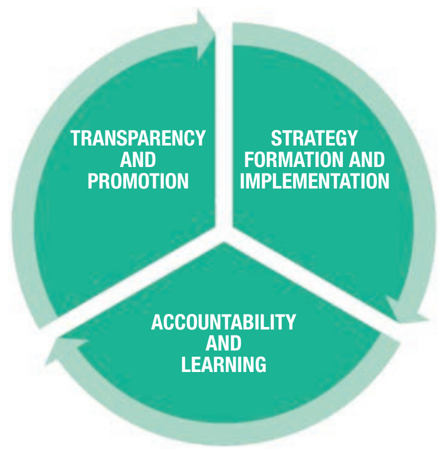
- ✔ Uses logic and theory-based program evaluation tools to understand program implementation quality, effectiveness and efficiency.
- ✔ Collaborates with organizations at multiple levels to socialize the findings and inform ongoing implementation.

IMPACT ASSESSMENT

- ✔ Employs a full suite of impact assessment approaches to understand whether sustainability investments are having the desired impact.
- ✔ Approaches include rigorous experimental, quasi-experimental, and non-experimental design grounded in program theory.

Businesses need to know where they are on the spectrum of potential sustainability objectives, with "do no harm" at one end, and "social value creation" at the other. They also need to understand what are realistic, stretch, and systemic goals that they want to contribute to, where they are in the sustainability cycle based on current practices and resource allocation, and what it will take to reach their goals. This requires deep self-reflection and a strong evidence-base at each stage of sustainability investing: strategy formation and implementation, accountability and learning, and transparency and promotion (see Figure 5: The Corporate Sustainability Cycle).

Figure 5:
The Corporate Sustainability Cycle



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GAME CHANGERS