MIND THE GAP:
HOW MARKETERS FEEL ABOUT SUSTAINABILITY
gyro’s mission, as the first full-service global creative business-to-business powerhouse, is to create ideas that are humanly relevant. In our minds, nothing is more humanly relevant than sustainability. Now is the time for business to drive positive and necessary change, because sustainability isn’t just about business, it is about the future of life itself.

CEOs no longer look at sustainability as a way of looking like they are doing good things. Companies must show a clear commitment to investing in sustainability for the long term. There’s no faking it anymore.

At gyro, we know we are living in an age where feeling is driving business decisions. The only way to connect businesses to people is by leveraging the pure and authentic connection between a brand and its higher purpose. Only then will people feel something. Rather than focusing on reputation alone, brands must make significant changes in order to survive - long-term, strategic solutions that can be felt across the organisation.

B2B customers are only drawn to brands that reflect their deeply-held personal values, especially among millennials. These rising leaders absolutely expect businesses to be responsible, innovative and purpose-driven. And it is up to brands to communicate these values clearly and effectively.

The companies that are leading the way - as shown in this study - are making significant strides to reduce waste, become more efficient, look after stakeholders and protect the environment in which they operate. All of this leads to a stronger, more competitive enterprise.

Dialling up the soul of a business has never been more powerful and relevant when it comes to sustainability. So much so, that a majority of the respondents in this survey say there is an ethical/moral imperative to incorporate sustainability into their everyday practices. It’s now or never.

At the end of the day, we must always remember that businesses don’t make decisions...people do.

What a time to be alive!
INTRODUCTION

Marketers feel strongly about sustainability issues and want to make a positive environmental impact. Sustainability initiatives provide brands with an enhanced reputation, a basis for creating innovative products, and a greater connection to the community.

But while feelings can be powerful, measuring and proving the real returns of sustainability can be challenging, as the full impact of sustainability initiatives can take a bit longer to be felt across the organisation.

Other challenges remain. Marketers cannot strive forward in their sustainability efforts without the strong support of leadership. Our survey finds a big gap between marketers and leadership in how sustainability is perceived within the organisation. The responses suggest that marketers feel a strong moral imperative in comparison to their organisation to incorporate sustainability within processes.

So what is causing this gap? Our survey reveals three main barriers for marketers: an absence of management urgency, cost of initial investments, and a lack of management buy-in. Marketers are looking to their leaders to push the sustainability agenda and drive it to new heights.

This market insight report explores some of these barriers and offers some solutions. The Drum partnered with leading global B2B marketing agency gyro to survey over 200 brands and agencies to gain a more detailed understanding of how marketers perceive their organisation’s impact on the environment, the barriers they encounter, and how they view their role in driving sustainability alongside the c-suite. The survey findings are supplemented by contributions from gyro, included in the report.
Our headline findings included:

Employees feel more strongly about sustainability than their employers. 83% of marketers feel a stronger moral imperative to incorporate sustainability into processes compared to 68% of the organisation they work for.

The marketing department is a key organisational driver of sustainability. 32% of respondents see marketing and sales as a driving force along with operations (32%). The board of directors/c-suite come out on top with 51%.

Marketers want to proactively invest in sustainability. 42% of respondents believe it will lead to long-term financial gains.

Collaboration with competitors is viewed positively. Just over half of respondents (53%) are happy to engage with companies within their respective industries to tackle sustainability. Moreover, 52% of marketers believe that investing in sustainability will result in an overall better perception of their brand.

Sustainability is viewed as a competitive advantage. 41% of marketers think investing in sustainability will put them in a strong position in the market over the next five years.
The word "sustainability" has no single definition and different methodologies have been developed to try and explain it. Corporate Knights, a Canadian corporate sustainability magazine, defines its own global sustainability index with four screening stages: disclosure (sustainability reporting + KPIs), financial performance, whether the products are ethical, and sanctions for negative environmental practices.

The Dow Jones Sustainability Index views corporate sustainability as a "business approach that creates long-term shareholder value by embracing opportunities and managing risks deriving from economic, environmental and social developments."

PricewaterhouseCoopers has its own guiding principles which include: "upholding high professional standards, being transparent, trusted and fair, fostering a culture of partnership and collaboration, valuing the longer-term consequences of our decisions, and leading by example to create a more sustainable future."

While there may not be a single definition, similar themes reside in all of them. Namely, in order to be environmentally responsible, companies need to foster a culture of transparency with strong ethical values and have a forward-looking view to create a sustainable future.
How is sustainability perceived?

We began our research by finding out how respondents feel sustainability is perceived within their organisation. Overall, we find the tone is quite positive, with 61% of respondents noting it as such.

How do you perceive the tone of sustainability communications in your organisation?

- **6% Negative** - sustainability is often expressed as a barrier or impediment to success
- **61% Positive** - sustainability communications have an optimistic, aspirational tone
- **33% Neutral** - sustainability is reported in a neutral tone, focused on hard facts and targets

Sustainability commitment - enhanced reputation, innovations, and financial gains

Have you seen any of the following benefits from a sustainability focus in your firm?

- **Legal compliance prior to our competitors**
- **Most efficient operations / service delivery**
- **Appear more innovative / creative than our competitors**
- **Measurably more sustainable products / services**
- **Most efficient supply chains**
- **Able to engage with sustainability conscious audiences**
- **Measurably more sustainable / service provision**
- **More efficient supply chains**
- **Legal compliance prior to our competitors**
- **More engaged employees (improved recruitment, retention, general engagement)**
- **Reduced cost materials / service provision**

In a McKinsey & Company report, the authors say "sustainability offers an interesting way to scope out product innovations that use fewer resources or that meet specific social needs". About a third of our respondents share the same view as the graph above shows.
Marketers also feel investing in sustainability leads to long-term financial gains and improves the perception of their brands, as the graphs below show.

This supports Nielsen’s 2015 global survey, which found that brands which display a commitment to sustainability experience a 4% uptake in their sales of consumer goods, compared to brands that did not, who only experience 1% growth.

Sometimes, it requires a significant change in the business model to embed sustainability processes and make a lasting change. Veolia, a leading provider of environmental solutions, transformed its business model from being a waste management company to providing sustainable services. It has embraced the circular economy, which now represents 20% of its turnover. In MIT Sloan Management Review’s 2016 report, research found that the organisations that specifically made a business model change related to sustainability saw their profits jump 60%.
Some survey responses express concerns around "getting management buy-in" and a "lack of urgency to act" when it comes to implementing sustainable practices within the organisation. But the barriers appear evenly spread out across the categories.

The top three barriers that create the gap

- **36%** cost of initiative/initial investments
- **33%** lack of urgency to act
- **30%** gaining management buy-in

HARD VS. SOFT: GYRO’S VIEW

While marketers already feel the soft benefits of sustainability, they are also starting to see hard returns.

Patrick O’Hara, Global Chief Strategy Officer, gyro
This “lack of urgency to act” might be further amplified by the disconnect in ethical values between the employer and the rest of the workforce. In a Stanford Social Innovation Review article, the authors admit that it can be tough for organisations to “operationalise sustainability goals”. But even when their employees and leaders care about sustainability issues, the real issue goes a bit further. For the authors, the problem lies in the gap that exists between employees’ values and those of their employers: “It’s not in the why but in the how of embedding sustainability where the gap lies,” the authors say.

Our own survey results indicate employees caring more about sustainability than the organisations they work for as the graphs below show.

**Do you personally believe in an ethical/moral imperative to incorporate sustainability into processes?**

- Yes: 83%
- No: 10%
- Not sure: 9%

**Does your business believe that there is an ethical/moral imperative to incorporate sustainability into its processes?**

- Yes: 68%
- No: 10%
- Not sure: 22%

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**GREAT B2B LEADERS: GYRO’S VIEW**

Great B2B leaders like Hewlett Packard Enterprise (HPE) and General Electric (GE) understand that company values are important organisational drivers, but other companies are still struggling to articulate their values and link them to operations.
This is in line with other research that shows millennials increasingly care about working for brands that represent their values and engage with them on an emotional level. As Keith Weed, chief marketing officer at Unilever notes in a Guardian article: “Today’s consumers, especially millennials, can smell bullshit a mile away.”

Millennials are even willing to take a pay cut to work for a responsible company, as a study by Cone Communications found. Nielsen also found evidence to support millennials increasingly being driven by sustainable values. In the study, millennials were significantly more likely to pay a premium for sustainable products (with almost 75% saying so) which was a substantial increase from Nielsen’s 2014 study.

So what can marketers do to engage with the millennials? The World Economic Forum asked companies who have managed to do this successfully. Some of the suggestions made include: sharing success stories that show sustainability pays off, embedding a unique point-of-view on sustainability in all brand messaging and convincing marketers that sustainability is an enabler of growth.

Companies need to get clearer about the values they represent internally and to the outside world. The Global Reporting Initiative (GRI) says that over the next decade, companies will need to be explicit about their values. The GRI thinks this will be especially important in innovating products and services. Technology is advancing at a far more rapid rate than regulation, giving greater power to companies and individuals in drawing the line on what is acceptable and what is not.

In a Stanford Social Innovation Review article, the authors argue that a company can “implement eight practices to help bridge the distance between an employee’s personal values and a company’s business practices” to help create a sustainable company. These include things like: defining the company’s long-term purpose, making sustainability visible inside and outside the company, and making every employee a sustainability champion.
Does your organisation have a defined sustainability strategy?

As will be mentioned later in the report, many CEOs feel more should be done by companies to measure their environmental impact and to create long-term sustainability goals. But as our stats show, 43% of respondents do not believe their organisation has a sustainability strategy.

This is in line with research by MIT Sloan Management Review, which finds that few companies have developed a sustainability strategy, despite feeling that it is important. In 2016, 90% of its respondents said that a sustainability strategy was essential to remaining competitive. But only 60% of companies had a strategy.

This contrasts with an earlier survey by McKinsey & Company in 2014 which shows a more strategic approach to aligning sustainability within a company’s objectives. In the survey, 43% of executives said that their companies sought to align sustainability with their overall business goals, mission or values - up from 30% in 2012.

How do marketers feel? According to Fiona Bennie, head of sustainability at global consultancy Dragon Rouge, marketers are keen to leave a lasting positive legacy. As she writes in The Guardian, marketers want “a healthy innovation pipeline and long-term brand strategy that extends beyond incremental gain.”

Our findings and the survey results from MIT and McKinsey & Company show that much more needs to be done to formulate clear strategies for incorporating sustainability within organisations. McKinsey also finds that the companies with the most advanced sustainability strategies did the best.
Marketers are playing more of a pivotal role in sustainability initiatives, as the graph below shows. As businesses increasingly try to close the gap between their boards and their marketing functions to meet their expectations for growth, marketers are no longer responsible only for brand messaging and storytelling as functional specialists, but are responding smarter to market needs such as sustainability.

The data shows that the board of directors/c-suite is clearly the driving force behind sustainability within the organisation (51%) followed equally by marketing and sales (32%) and operations (32%).

Traditionally the roles of marketing and the c-suite in driving sustainability might have been seen as separate. But there is clear evidence to show that marketers and CMOs have opportunities to have a bigger say in the c-suite. Google and Millward Brown surveyed over 3,000 B2B researchers on their purchasing habits and use of digital channels. They found that while 64% of the c-suite have final sign-off, so do 24% of the non-c-suite. Interestingly, the non-c-suite have the most influence on purchase decisions (81%).

Furthermore, as mentioned earlier in the report, the increasing influence of millennials in B2B decision-making cannot be downplayed. B2B marketing agency Sacunas found that not only do millennials look at whether they can connect personally with a brand they wish to work for, 73% are involved in product or purchase decision-making at their companies.
This suggests that brands should not dismiss the non-c-suite from connecting with the sustainability missions of the organisation.

But even with a closer working relationship between the c-suite and marketing, other challenges remain. The problem lies in how to trickle down sustainability strategy from the top. According to a survey by MIT Sloan Management Review, within companies, nearly 80% of board members and 85% of c-suite executives say they are fully informed about their organisation’s sustainability efforts. But only 51% of senior managers and 31% of middle managers and front-line employees say they are fully informed.

Strong leadership from the top to communicate the sustainability mission down is certainly an important factor. But perhaps creating a culture of collaboration and listening to ideas from all parts of the organisation could drive substantial change. If employees are encouraged to come forward with ideas on how to improve things, this could drive real organisational change around sustainability.

**Embedding Sustainability: Gyro’s View**

Toyota’s system of manufacturing, Jidoka, became very influential because employees were actively encouraged to come up with small improvements and speak out on problem areas. Enormous success for Toyota led to adoption of this approach by other companies. It is up to management to show people that sustainability is deeply embedded in the culture of the company and is not just propaganda.
In a Guardian article, professor Peter Wells at Cardiff University says as the industry is at a “tipping point”, companies need “Chief Sustainability Officers (CSOs) to function as internal critics and instigate business model change.”

Another Guardian article points to greenhouse gases being at some of their highest rates for 30 years and the UN has estimated that half of the world’s population will be living in areas of high water stress by 2030. With such tough issues to tackle, it makes sense to have a Chief Sustainability Officer on board.

But according to our survey, over half of marketers say there is no CSO or employee focused on driving sustainability in their organisation. Does having a dedicated sustainability expert help drive real change? Or does it simply contribute to more greenwashing by companies?

The Atlantic discussed some of these problem areas in a 2015 article and found that if a CSO can find a way to embed sustainability deep into a company’s culture, then this can make a real impact. It gives the example of IT company EMC and how it “requires every software and hardware product to undergo an energy-efficiency review before launch”. EMC’s CSO Kathrin Winkler says in the article that the review is “not a separate process” but “embedded in the corporate process for all products”.

But in a Harvard Business research paper, Kathleen Miller, CEO of Miller Consultants and George Serafeim, associate professor of business administration at Harvard Business School, argue that while CSOs play a critical part in driving sustainability, their role becomes less central as the sustainability process progresses further down the chain.

Perhaps brands need to visibly measure and show progression in sustainability, as the following section explores.
Without clear sustainability measurement mechanisms in place, it can be difficult to get a clear picture of a company’s real impact on the environment. In PwC’s annual CEO survey, 39% of CEOs said businesses should be going further in attempts to measure their environmental impact.

Some companies have successfully found ways to measure their sustainability practices. Chemical company Dow created the Sustainable Chemistry Index (SCI) which is used to focus business strategies on key sustainability impacts on products. It also enables external stakeholders to track Dow’s progress. Enterprise software provider SAP improved the visibility of its sustainability performance by establishing 400 sustainability key performance indicators and embedding them in existing processes.

Companies that set clear sustainability goals also find better rewards. A 2014 McKinsey report found that the companies that set “external goals” did better on cutting emissions and in return, experienced better financial returns. According to the report, a “lack of goals is a sustainability killer”, and that “what gets measured gets managed”. McKinsey found that only one in five S&P 500 companies sets quantified, long-term sustainability goals and half do not have any.
Collaborating with competitors – a good option?

Our research shows that 53% of marketers are happy to collaborate with competitors around issues linked to sustainability. This is evidenced in the industry with companies teaming up with competitors to solve specific problems. Coca Cola, Pepsico, Red Bull and Unilever came together to form Refrigerants Naturally to combat global warming and climate change “by replacing F-gases in refrigeration equipment with climate-friendly natural refrigerants”. Similarly, 12 of the world’s largest chocolate and cocoa companies have joined forces to make cocoa farming sustainable.

COLLABORATION: GYRO’S VIEW

There is a remarkable amount of collaboration going on that we just don’t get to hear about as it is often buried deep in a brand’s website. This is a great opportunity to tell untold stories. When an analyst or investor is looking at the organisation, these are the kind of stories that demonstrate ethical and positive behaviours.
41% of marketers feel positively about sustainability as a key source of competitive advantage over the next five years. But how will sustainability be used to drive this competitive edge?

One way for companies to gain a competitive advantage is to not just follow existing environmental standards but to act before regulations come into place. In a Harvard Business Review article, the authors argue that while it is tempting for companies to continue abiding by the "lowest environmental standards", it is far “smarter to comply with the most stringent rules” and “before they are enforced”. The same article gives the example of Hewlett Packard (HP) experimenting with alternatives to lead (as it is toxic). This placed HP in a strong position to comply with the European Union’s Restriction of Hazardous Substances Directive as soon as it took effect in 2006.

Another way is for companies to experiment with innovative approaches when tackling sustainability. Veolia famously transformed its business model from being a simple service provider to becoming an innovator in the circular economy. In 2014, 22% of its revenue was derived from circular economy solutions. In addition, 13 employee ideas for improved resource efficiency were approved for testing.

More businesses are challenging themselves to find ways to hold their heads high and assert that they have highly ethical behaviour throughout their supply chains and towards their employees. Organisations without a clearly defined and articulated sustainability strategy will be left behind.
Marketers play a key role in pushing the sustainability agenda, but there are still obstacles to overcome. As the survey shows, management must “buy-in” to sustainability initiatives and have a stronger justification for making investments in this area. But while marketers must take the lead in demanding a sustainability strategy from their leaders, management in turn needs to tune in to its employees’ ethical values and instill a culture of input and innovation to drive sustainability across the organisation.

The task of proving the hard returns of sustainability is no easy feat, but to get management to listen, marketers can bridge the gap by emphasising the hard benefits as well as the soft benefits. Marketers can also act by focusing on how sustainability will be integrated within the organisation, rather than simply focusing on the reasons for it.

The survey shows that many companies still do not have long-term sustainability goals. This presents an opportunity for marketers to actively voice their strategies and communicate this internally as well as externally.
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The Drum partnered with leading global B2B marketing agency gyro to conduct research into how marketers view their organisations’ environmental impact, the challenges they encounter, and their roles alongside the c-suite in driving sustainability.

In order to gauge opinion on marketers’ perception of sustainability, The Drum conducted a survey of 200 marketing professionals. Questions centred on organisational drivers of sustainability, barriers to implementation of sustainability, whether sustainability is seen as a competitive advantage and how willing marketers are to collaborate within their sectors on tackling environmental issues.

Responses were collected during the month of September 2016. Respondents were based in a wide variety of sectors, including financial services, retail, education, and food & drink. The vast majority of our respondents were senior management level or above.
As the world’s first full-service global creative B2B powerhouse, our mission is to create ideas that are humanly relevant. gyro is Advertising Age’s 2016 B2B Agency of the Year and the BMA’s 2016, 2015 and 2014 Global B2B Agency of the Year. Our 700 creative minds in 16 offices work with top companies, including Aflac, Danone, eBay, Google, HP, John Deere, TD Ameritrade, Teva, USG and Vodafone. gyro is a part of the Denstu Aegis Network, which is the 2017 MediaPost Holding Company of the Year.

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