The Survey Questions & Answers

Access the full report “The Innovation Bottom Line” online at mitsmr.com/sust2013.
The Survey: Questions and Responses

1: Of the following, which are the primary business challenges facing your organization over the next two years? (Please indicate top 3 in order of significance, with 1 indicating the most significant.)

- Innovating to achieve competitive differentiation: 48%
- Reducing costs and increasing efficiencies: 46%
- Growing revenue: 45%
- Attracting, retaining, and motivating talented people: 39%
- Profitably acquiring and retaining customers: 37%
- Increasing operating speed and adaptability: 25%
- Responding effectively to disruption of our business model: 20%
- Responding effectively to threats and opportunities of sustainability: 17%
- Responding effectively to threats and opportunities of globalization: 15%

2: Which of the following does your organization associate with sustainability? (Please choose all that apply.)

- Economic sustainability of the organization: 63%
- Environmental issues: 62%
- Corporate social responsibility issues: 61%
- Increased emphasis on long-term perspective: 53%
- Employee health and well-being: 52%
- Customer health and well-being: 35%
- Safety issues: 35%
- None of these: 1%
3: Which sustainability trend(s) do you see as most critical for your company over the next 3 years? (Please indicate the top 3 in order of significance, with 1 indicating the most significant.)

- Energy scarcity and energy price volatility: 78%
- Waste and waste management: 52%
- Scarcity of and limited access to raw materials: 51%
- Climate change: 37%
- Water scarcity: 28%
- Food security challenge: 14%

4: Has your organization’s business model changed as a result of sustainability?

- Yes: 48%
- No: 42%
- I do not know: 10%

5: What elements of the business model has your company changed in connection with sustainability? (Please choose all that apply.)

- Product/service offering: 40%
- Value chain processes: 35%
- Organizational structure: 30%
- Cost model: 29%
- Target segments: 24%
- Revenue model: 18%
- No business model change: 25%

6: What factors have led to changes in your business model? (Please choose all that apply.) (Only those who answered “Yes” on Question 4 are considered)

- Customers prefer sustainable products/services: 52%
- Resource scarcity: 39%
- Competitors increasing commitment to sustainability: 38%
- Legislative/political pressure: 37%
- Owners’ demands for broader value creation: 36%
- Customers willing to pay a premium for sustainable offering: 30%
- Stricter requirements from partners along the value chain: 29%
- Competing for new talent: 27%
- Maintaining “license to operate”: 20%
- Meeting demands of existing employees: 17%
- None of the above: 9%
7: If you are facing resource scarcity issues, which of the following methods are you using to deal with them? (Please choose all that apply.)

<table>
<thead>
<tr>
<th>Method</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improved efficiency of physical processes</td>
<td>40%</td>
</tr>
<tr>
<td>Research into new technologies</td>
<td>39%</td>
</tr>
<tr>
<td>Material substitution</td>
<td>36%</td>
</tr>
<tr>
<td>Reduction of costs not related to commodity prices</td>
<td>30%</td>
</tr>
<tr>
<td>Internal recycling of process material</td>
<td>25%</td>
</tr>
<tr>
<td>Changes to pricing strategy</td>
<td>22%</td>
</tr>
<tr>
<td>Financial risk management</td>
<td>16%</td>
</tr>
<tr>
<td>Improved internal communication</td>
<td>16%</td>
</tr>
<tr>
<td>Resource scarcity issues do not apply to my organization</td>
<td>16%</td>
</tr>
<tr>
<td>Upstream integration</td>
<td>11%</td>
</tr>
<tr>
<td>Don’t know</td>
<td>7%</td>
</tr>
</tbody>
</table>

8: Is pursuing sustainability-related strategies necessary to be competitive?

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>60%</td>
</tr>
<tr>
<td>No, but will be in the future</td>
<td>31%</td>
</tr>
<tr>
<td>No</td>
<td>5%</td>
</tr>
<tr>
<td>Do not know</td>
<td>3%</td>
</tr>
</tbody>
</table>

9: In general, how do you believe your organization’s sustainability-related actions/decisions have affected its profitability?

<table>
<thead>
<tr>
<th>Effect</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Added to profit</td>
<td>37%</td>
</tr>
<tr>
<td>Neither added to nor subtracted from profit</td>
<td>31%</td>
</tr>
<tr>
<td>Subtracted from profit</td>
<td>22%</td>
</tr>
<tr>
<td>Do not know</td>
<td>10%</td>
</tr>
</tbody>
</table>

10: Where do you see profit from sustainability? (Please choose all that apply.)

<table>
<thead>
<tr>
<th>Source of Profit</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovation advantage – identifying better solutions early</td>
<td>67%</td>
</tr>
<tr>
<td>Intangible benefits</td>
<td>52%</td>
</tr>
<tr>
<td>Cost advantage with their sustainability efforts</td>
<td>51%</td>
</tr>
<tr>
<td>Price premium for their sustainability positioning</td>
<td>35%</td>
</tr>
<tr>
<td>Outsized market share for their sustainability positioning</td>
<td>28%</td>
</tr>
</tbody>
</table>

11: Why do you see sustainability as subtracting from profit? (Please choose all that apply.)

<table>
<thead>
<tr>
<th>Reason for Profit Loss</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Higher operational costs</td>
<td>40%</td>
</tr>
<tr>
<td>Increased administrative costs</td>
<td>33%</td>
</tr>
<tr>
<td>Insufficient economic incentives</td>
<td>31%</td>
</tr>
<tr>
<td>There are no revenues from sustainability for our company</td>
<td>21%</td>
</tr>
<tr>
<td>Limited market size</td>
<td>22%</td>
</tr>
<tr>
<td>Pure philanthropic investments</td>
<td>18%</td>
</tr>
<tr>
<td>Do not know</td>
<td>14%</td>
</tr>
</tbody>
</table>

*Including “My organization does not engage in sustainability-related activities” (2010)
12: What are the greatest benefits to your organization in addressing sustainability? (Please choose up to three reasons.)

- Improved brand reputation: 40%
- Better innovation of product/service offerings: 29%
- Improved perception of how well company is managed: 26%
- Increased competitive advantage: 22%
- Reduced costs due to energy efficiency: 22%
- Reduced costs due to materials or waste efficiencies: 26%
- Better innovation of business models and processes: 19%
- Improved regulatory compliance: 15%
- Increased margins or market share: 14%
- Access to new markets: 13%
- Enhanced stakeholder/investor relations: 13%
- Improved ability to attract and retain top talent: 12%
- Reduced risk: 12%
- There are no benefits: 8%
- Increased employee productivity: 7%

13: Overall, has your organization developed a clear business case or proven value proposition for addressing sustainability?

- Yes: 38%
- Have tried to, but too difficult to develop: 15%
- No: 32%
- Unsure: 15%

14: What are the most significant obstacles in your organization to evaluating the business case for sustainability-related strategies? (Please choose all that apply.)

- Difficulty quantifying intangible effects: 40%
- Competing priorities: 37%
- Difficulty capturing comprehensive metrics: 33%
- Lack of model/framework: 30%
- Difficulty predicting customer response: 26%
- Difficulty quantifying sustainability-related risks chain: 25%
- Lack of individual financial incentives: 19%
- Opposition from executives or influential individuals: 12%
- Uncertainty about future carbon pricing: 7%

15: How has your organization’s commitment to sustainability—in terms of management attention and investment—changed in the past year?

- Business as usual / No changes: 63%
- Significantly / somewhat increased: 29%
- Significantly / somewhat decreased: 5%
- Do not know: 3%
16: How do you expect your organization’s commitment to sustainability—in terms of management attention and investment—to change in the year ahead?

- Will increase significantly / somewhat: 70%
- Will decrease significantly / somewhat: 4%
- Business as usual / No changes: 24%
- Do not know: 2%

17: To the best of your knowledge, which of the following best describes the status of sustainability on the agenda of your organization’s top management?

- On the agenda permanently, but not core: 39%
- Already a permanent fixture and core strategic consideration: 26%
- Temporarily on the agenda, but not core: 20%
- Never considered for the agenda: 5%
- Excluded from the agenda, because viewed as a passing fad: 7%
- Do not know: 2%

18: Regarding sustainability in your organization, does your organization have… (Please choose all that apply.)

- Strong CEO commitment to sustainability: 62%
- Clear communication of responsibility of sustainability: 42%
- Company/operational KPIs related to sustainability: 34%
- Separate sustainability reporting: 33%
- An executive-level steering group: 32%
- A separate function for sustainability: 27%
- Responsible person for sustainability per business unit: 22%
- Personal KPIs related to sustainability: 19%
- Link between sustainability performance and financial incentives: 18%
- A chief sustainability officer (CSO): 16%

19: Which stakeholder groups are driving the sustainability agenda of your company today? (Please choose all that apply.)

- Senior management: 51%
- Customers: 42%
- Governments/policy makers/regulators: 40%
- Employees: 34%
- Investors, shareholders and/or capital providers: 30%
- Competitors: 22%
- Industry associations: 19%
- Local communities affected by operations along the supply chain: 16%
- Suppliers: 14%
- NGOs: 13%
- None of the above: 7%
- Contractors: 6%

Sum of respondents answering “Yes” and “Used to have but now embedded in our organization”
20: Has sustainability caused your company to increase its collaboration with any of the following? (Please choose all that apply.)

- Customers: 40%
- Suppliers: 40%
- Governments/policy makers: 34%
- Industry associations: 32%
- Internal business units across functions: 29%
- Local communities affected by operations along the supply chain: 25%
- Internal business units across geographies: 21%
- Contractors: 17%
- NGOs: 17%
- None of the above: 17%
- Competitors: 11%

21: How does your company communicate its sustainability efforts and commitments? (Please choose all that apply.)

- No special sustainability communication: 32%
- Integrated in annual report: 28%
- Corporate Social Responsibility report: 27%
- Sustainability report: 24%
- Dedicated website or section on company website: 24%
- Integrated into all internal communication chains: 23%
- Investor communication: 23%
- Social media platforms: 20%
- External conferences/stands/roundtables: 18%
- Integrated into all external communication: 17%
- Participation in sustainability rankings/indexes: 16%
Articles published in MIT Sloan Management Review are copyrighted by the Massachusetts Institute of Technology unless otherwise specified at the end of an article.

MIT Sloan Management Review articles, permissions, and back issues can be purchased on our Web site: sloanreview.mit.edu or you may order through our Business Service Center (9 a.m.-5 p.m. ET) at the phone numbers listed below. Paper reprints are available in quantities of 250 or more.

To reproduce or transmit one or more MIT Sloan Management Review articles by electronic or mechanical means (including photocopying or archiving in any information storage or retrieval system) requires written permission. To request permission, use our Web site: sloanreview.mit.edu, or E-mail: smr-help@mit.edu. Call (US and International): 617-253-7170. Fax: 617-258-9739.

Posting of full-text SMR articles on publicly accessible Internet sites is prohibited. To obtain permission to post articles on secure and/or password-protected intranet sites, e-mail your request to smr-help@mit.edu.

Customer Service
MIT Sloan Management Review
238 Main Street E48-570
Cambridge, MA 02142