Executive Summary
(English translation)


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The vision of corporate sustainability as management that is financially successful as well as both socially acceptable and environmentally safe is now well established in the German economy. The Corporate Sustainability Barometer shows that companies in Germany no longer need to be convinced of the importance of sustainability in business and that they are already working hard on its implementation. Three out of four companies in our survey see sustainability as being at least partially related with their core business. A number of organisational areas and individuals, especially management and corporate communication, are working to put sustainability management into practice. This shows that the awareness for sustainability has reached a high level in the organisation.

This commitment to sustainability has not been weakened by the financial and economic crisis. The majority of the companies surveyed do not believe that they are less committed to sustainability and a quarter see themselves as actually being more committed.

The structure of the Barometer

The goal of the Corporate Sustainability Barometer is to depict the current state and progress of sustainability management and corporate social responsibility (CSR) in companies in Germany. It has the following structure:

- Motivation and direction: Depending on the motivation behind a company’s commitment to sustainability, different strategies for dealing with sustainability issues will be appropriate.
- Integration: The hallmark of corporate sustainability is how well it is able to integrate environmental and social policies into a company’s core business, relating them to its profit-making activities and involving all organisational units in this process.
Implementation: The implementation of corporate sustainability can be seen in how systematically sustainability management tools are known and used, how they are put into practice, how precisely the success of corporate sustainability is measured and how closely relevant stakeholders are involved in the process.

The measurement of the state of sustainability practice is supplemented by an analysis of current research literature.

**More and more companies are facing the demand of the market**

Most of the companies surveyed experience the demands placed on them by the public and media (77%) together with non-governmental organizations (71%) as drivers for their commitment to sustainability. But also stakeholders in the market such as consumers and competitors are increasingly – and to a greater extent than was found in previous studies – considered to advance levels of commitment. So market, or “pull” factors, are gaining in importance. However, retailers, insurance companies, trade unions and banks are showing less initiative, even though insurance companies and banks in particular have considerable potential to use their contracting policies to push companies towards more sustainable actions.

**Strategy: internal perspective dominates market orientation**

To a great extent companies use their sustainability activities to position themselves strategically in an internal orientation (enhancing efficiency or employee motivation) or towards society (reducing environmental or social risks). There are only few cases of sustainability management being oriented strategically to the market. This is surprising considering the growing expectations of consumers. In order to take advantage of the opportunities this presents companies will have to better manage their innovations and offer more sustainable products and services in the future.

**Which issues are relevant to practice today?**

The sustainability issues that companies are committed to are most often directly related to their business activities. Today these issues include energy use, employee training and development as well as emissions, waste water and waste. This is another example of the focused internal perspective of sustainability management. Newer issues such as biodiversity or water availability have so far received little commitment from the companies surveyed, despite growing media coverage and political interest. The company that positions itself as a leader here can expect to gain advantages as a first mover, enhancing its reputation while at the same time pre-empting anticipated regulatory requirements.

**Companies link sustainability to their core business**

Three out of four companies surveyed link sustainability either in part or completely to their core business activities – and demonstrate this with at least one concrete example. Among the most common examples are a more sustainability-oriented extension and development of product lines (55%), managing elements of sustainability in the supply chain (14%) as well as in the production process (13%). The development and maintenance of this integration is currently the central challenge to sustainability management.

**Drivers for business success used differently**

Similar to the dominant internal and society-oriented strategies, attempts to increase business success, or create business cases for sustainability, are accomplished by increasing efficiency and employee motivation as well as by risk and reputation management. Increasing sales, promoting innovation or sinking costs were mentioned less often by the companies surveyed.
Sustainability hardly an issue for finance and accounting

Alongside management the organisational areas responsible for implementation are, as expected, environment, occupational health and safety and CSR/sustainability. This also holds for corporate communication, emphasising how important sustainability management is seen for a company’s reputation. There is conspicuously little involvement on the part of finance or accounting. This is a crucial shortcoming in integration attempts as these areas are responsible for providing management with information for decision-making, for example about the costs of CO₂ emissions. In view of the importance of sustainability to business success, companies that fail to integrate finance and accounting into sustainability management will be unable to take advantage of the opportunity to use established information management approaches linking sustainability with financial information.

Systematic involvement of stakeholders

As part of stakeholder relationship management, the majority of companies go beyond information and try to involve stakeholders actively – through meetings, input in decision-making or in the form of networks. Companies are considerably less likely to empower stakeholders by delegating decision-making competencies. Interestingly, though, only about one in ten companies state that they do this regularly. An example of empowerment would be involving stakeholders in committees and granting them specific powers or veto rights.

Sustainability management methods take hold

Among the most common management methods are quality and environmental management systems, suggestion programmes and environmental audits. Socially oriented and methods that integrate social, ecological and economic elements are still less common than environmental management approaches. Furthermore sustainability-oriented efficiency analyses are seldom used, thus confirming the poor integration of finance and accounting.

Performance measurement neglected

Almost all companies in our survey keep track of ecological and social data and indicators, such as energy use (94%) or employment trends (88%). However by contrast there is still a considerable need for measuring the impact of sustainability management on the business success of a company. As only half of the respondents analyse the effects their engagement for sustainability has on efficiency and productivity. Most companies do not yet assess the consequences for their business success in terms of economic risks, corporate reputation and their attractiveness as an employer, although it is these areas that are important drivers for a business case for sustainability. It is rare for a company to measure the influence of its engagement for sustainability on innovation.

Discrepancy between science and practice

Research into the relevancy of sustainability management shows that not only has the number of specialized magazines and journals greatly increased since the 1990s. Also general management and business journals are much more interested in the topic of sustainability. Sustainability management has become a discipline in its own right and is establishing itself in the mainstream of business research.

A comparison of the organisational areas debated in academia with those discussed by practitioners reveals that there is a noticeable difference. While leading academic journals focussed on sustainability management mainly discuss production, marketing, finance and accounting, in business these are exactly the areas that do not concentrate on sustainability issues. Finance and accounting lag far behind.
Challenges today and outlook
Many of the results of the Corporate Sustainability Barometer are positive but there are still a number of challenges to be overcome. Sustainability management strategy today has chiefly a defensive and internal orientation, but is still not oriented enough towards the market. It is necessary to have a stronger integration of all organizational areas – such as marketing but also and especially accounting and finance – if opportunities to increase corporate economic success are to be recognised and taken advantage of. An increased use of sustainability accounting will allow companies to target cost cutting opportunities and create business cases for sustainability. And this will benefit not only us and our environment but also the economy.

The Corporate Sustainability Barometer is a joint project between the Centre for Sustainability Management (CSM) of the Leuphana University Lüneburg and PricewaterhouseCoopers (PwC). The survey questionnaire was conducted between November 2009 and February 2010, with 112 companies headquartered in Germany from all types of industries and with different sizes taking part.