CORPORATE SUSTAINABILITY BAROMETER 2012: EXECUTIVE SUMMARY

Executive Summary (English translation)
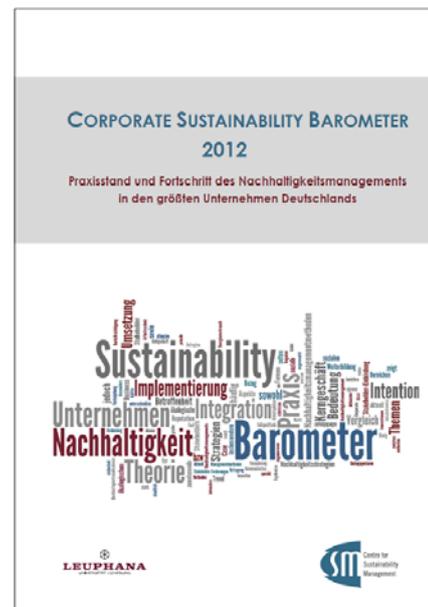
CORPORATE SUSTAINABILITY BAROMETER 2012: EXECUTIVE SUMMARY

The Corporate Sustainability Barometer depicts the current state of practice and the progress of sustainability management in major companies in Germany. The results of the Corporate Sustainability Barometer 2012, with 152 companies taking part, show that in comparison to previous surveys in 2002, 2006 and 2010 considerable progress has been made in some areas of sustainability management, for example, in its integration into the core business. Some aspects have however developed in a negative direction. The most important findings are summarised below.

Structure of the Barometer

The Corporate Sustainability Barometer (CSB) enquires into the intention and motivation of companies to engage in sustainability management and corporate social responsibility (CSR), the extent to which relevant activities have been integrated into corporate activities and how they are implemented. The CSB has the following structure:

- *Intention:* What motivates companies to engage in sustainability, which strategies are pursued regarding sustainability issues and which specific issues are dealt with?

- *Integration:* How successful are companies in integrating environmental and social issues into their core business, embedding them in business practices and involving all organisational areas in this process?

- *Implementation:* What tools are used to operatively implement corporate sustainability, how is its success measured and how are stakeholders involved?

This survey is supplemented by an analysis of the special issue on training and development for sustainability.

1 Intention: Why do companies manage sustainability and what strategies do they use?

Reasons for engaging in sustainability

In assessing such stakeholders as non-governmental organisations (NGOs) and media as supportive stakeholders, the responding companies underline the importance of building and ensuring legitimacy as a motivation for engaging in sustainability management.

At the same time there is confirmation for the trend that sustainability management is becoming more market-oriented. Competitors, investors and rating agencies are also rated as supportive stakeholders, indicating a growing importance of the financial market for corporate sustainability. This increasing orientation to the market could be reflected in an increasingly opportunity oriented and innovative approach to sustainability management.

Suppliers, insurance companies and banks continue to do little to promote sustainability.

Strategies

Although the most popular sustainability strategies remain internally oriented, market-oriented sustainability strategies have gained in importance compared with the 2010 survey. This can be seen in the growing role played by market stakeholders such as competitors, investors and rating agencies.

Interestingly market strategies are not being pursued at the cost of other strategies but in addition to internally oriented strategies. Many companies combine defensive and offensive as well as internal, social and market-oriented strategies. Companies are now using a greater variety of strategies than they did in 2010.

Issues

The surveyed companies report that they are engaged in a large number of sustainability issues, especially in training and development, energy consumption and occupational health and safety. These are also the issues, together with employment, that stakeholders most frequently want companies to be engaged in. In spite of the international year of biodiversity in 2010, this issue continues to be secondary for most companies as well as for stakeholders.

Compared with the 2010 survey the importance of social and in particular human resource issues has increased for both corporate engagement and stakeholder demands. Stakeholder criticism of diversity and equal opportunity for example has gained considerable strength over the last two years.

2 Integration: How do companies embed sustainability in their business practices and organisation?

Core business

Almost all companies report that they integrate sustainability into their core business. This takes place however to varying degrees. More than two-thirds estimate they have integrated sustainability into most or all areas of their core business. This integration is mainly focused on the provision of the company's range of goods and services and the efficiency of the production process. More than half of the surveyed companies can give specific and appropriate examples of this integration.

In comparison to 2010 more companies are now attempting to integrate sustainability into their core business, which indicates an increased awareness of its importance. Even if it is not possible to draw definite conclusions about how well sustainability is integrated into a broad range of core business activities, the large number of companies that are able to give specific examples can however be interpreted as an indication of greater integration.

Organisational areas

Estimates of the degree that different organisational areas are affected by environmental and social issues vary greatly. Alongside the CSR/sustainability department, in particular top management and public relations/communication are involved in sustainability management. This shows the strategic relevance of sustainability as well as its importance for the communication and the reputation of the responding companies.

On the other hand, accounting, management control and finance are still marginal. The integration of these functional areas is however essential in order to anchor sustainability in corporate decision-making processes.

In comparison to 2010 many organisational areas have been more strongly affected by environmental issues, while the impact of social issues, which at any rate were often less important, has declined in some areas. As a result the trend described in the 2010 survey that environmental and social issues were converging in their importance is not at present continuing. This finding indicates that there is not an increasingly integrative approach to sustainability in the functional areas and suggests that instead there is a shift towards some areas being primarily oriented towards the environment and others primarily oriented towards social issues. The fact that organisational areas are less affected by social issues is all the more surprising as corporate engagement in this segment is growing.

Drivers of business cases for sustainability

Companies are now implementing those sustainability measures that help them to increase efficiency, manage risks and enhance their reputation, but they are not addressing innovation. Yet sustainability-oriented innovations are needed so that substitutes can be found for socially undesirable and environmentally harmful processes and products, making innovation essential for an effective market orientation in sustainability management and overall sustainable development.

3 Implementation: How is corporate sustainability operationalised?

Stakeholder involvement

Almost every company actively manages its stakeholder relations, even if to a varying degree. Stakeholders are frequently monitored and informed. More intensive forms of stakeholder involvement, such as increasing their role in decision-making or empowerment, are rarely used and mainly in specific cases. It is worth pointing out that there has been a decrease in the proportion of companies practicing a more intensive form of stakeholder relationship management in most cases or in general (and not only in specific cases).

Management tools

The use of sustainability management tools has increased on average compared to 2010, with a number of tools now established in corporate practice. Among these popular tools are mainly conventional management tools serving to achieve sustainability objectives, including training and development, working time models, quality management systems, proposal systems and incentive systems. The most popular tools are often related to issues in human resource management. Tools originating in accounting and finance however are relatively uncommon.

Integrated sustainability management tools that account for both environmental and social as well as economic factors are, despite being well known, made use of significantly less often. The only exceptions are the sustainability report and the sustainability mission statement. At present then there is no evidence of a trend towards integrative sustainability management.

The most important qualities that sustainability management tools should possess in order to be applied are practicability and cost effectiveness.

Measurement

Companies measure a variety of ecological and social dimensions of business practice, such as energy consumption, workplace/employment and occupational health and safety. Although there are often positive developments in these areas, stakeholder criticism only rarely abates and then only in individual cases.

The influence of sustainability management on corporate performance is only rarely measured, although it is essential for the successful management and long-term integration of environmental and social activities in the value creation activities of the company. Otherwise in times of crisis there is a danger sustainability activities will be cut back.

4 Special issue: Training and development for corporate sustainability

Respondents thought that company personnel were poorly trained to implement sustainability measures. In order to enhance the sustainability competencies of employees, companies generally make use of internal measures. Personal competencies are considered to be the most important for implementing sustainability, while little importance is attached to methodological competencies.