



**THE FUTURE
OF
SUSTAINABILITY**

**INSIGHTS AND
STRATEGIES FOR
BUSINESS LEADERS**

**It's time to walk
the talk!**



Industrial leaders around the world recognize that sustainability can no longer be overlooked. Climate change has been on the agenda since the 1980's but it hasn't necessarily changed the way we do business.

A shift is now happening, however: environmental pressure on industry has increased, from markets and local communities, regulators and governments and, not least, from investors. Let's look at how business leaders are reacting and integrating sustainability within their organizations.

WHY SUSTAINABILITY IS ON THE AGENDA FOR THE CEOs OF INDUSTRIAL COMPANIES

According to a recent Gartner survey (1), the pressures on CEOs around sustainability come from four key areas. Customers (80%), Investors (60%) and regulators (55%) are cited as the three main influencers. However, 42% of younger employees and new entrants into the job market also favor companies with sustainable policies.

As consumers, we now have the power to choose repairable products. Tier-1 automotive suppliers must submit their sustainability roadmaps to car manufacturers when bidding for a project. Governments are also publishing more detailed and precise regulations to meet COP* objectives. And, investments are now analyzed based on non-financial indicators (NFIs), such as evaluating a company's impact on sustainability. This pressure, from multiple angles, to demonstrate sustainability policies will only increase.

Most industrial companies have already committed to reducing their carbon footprint. Some have even set themselves a net-zero emissions target or have developed more circular economies. **In 2022, when setting out their plans for energy supply, 80% of**

companies integrated voluntary carbon offsetting, investments in on-premises renewable energy or renewable energy power purchase agreements. 65% to 75% of companies claim to be engaged in energy demand reduction or in digital energy management.

Yet, the gap between Corporate Social Responsibility (CSR) policies and reality is revealing. **Less than 50% of companies have undertaken electrification of their production or transportation processes.** 48% are still not prioritizing internal carbon pricing and Greenhouse gas (GHG) emissions monitoring and mitigation are not yet underway for 45% of industrial organizations. This disconnect, between what companies pledge and what they actually deliver, is one reason why terms like greenwashing are being bandied around by environmental organizations across the globe.

When decision makers are asked about the challenges they face regarding energy supply and consumption related activities, conflicting priorities and return on investment are cited as the biggest hurdles (43%). 33% say visibility and reliability of data are their primary concerns, while 26% highlight a lack of internal expertise.

*Conference Of Parties (UN) is the highest climate authority



IS IT WORTH INVESTING IN SUSTAINABILITY?

Over 200 sustainability executives from multiple industries and geographies were asked about their investments in sustainability, the importance of direct and indirect value, the role of digital technology, and the impact of sustainability on business resilience and disruption.

Results from the study reveal that 87% plan to increase their investment in sustainability over the next two years. A large majority view indirect value as equally important as direct value. This includes benefits such as enhanced brand reputation (55%), increased customer loyalty (33%), and better employee engagement (24%). These statistics are underpinned by the fact that customers favor “solutions that align with their values”, investors are

increasingly finding sustainable projects “more attractive” and less risky and employees want to make a difference by “being part of something bigger than themselves”. The world has changed.

But, if industrial companies don’t want to be accused of «greenwashing» by non-governmental organizations (NGOs), on social media or by investigative reporters, their investments in sustainability must be reflected in their business and operating models. **Transparency and accountability are crucial in building trust with stakeholders, as is the speed at which sustainability policies are implemented.** Essentially, a real commitment to change has to be visible at every level – from the leadership and throughout the organization.



INTEGRATING SUSTAINABILITY INTO BUSINESS MODELS

EFESO has been actively collaborating with sustainability experts and decision-makers from leading industries, to integrate sustainability principles into design and decision-making processes. As a result of this we have produced a series of scenarios based on thirteen hypotheses, with a focus on evaluating both their probability of occurrence and their potential impact (2).

These scenarios take into account various factors, such as changing consumer behaviors, evolving regulations, emerging technologies, and fluctuating resource availability, to name just a few. By providing insights into potential future trends, these scenarios can help companies make more informed decisions, that align with their sustainability principles and can optimize

their long-term success.

A majority of companies expect sustainability in product design, packaging and manufacturing to become an increasingly important factor in the decision making process for both B2B and B2C customers. The likelihood of this and its potential impact are considered the highest priority by manufacturers in the Consumer Goods sector.

However, proactively investing in sustainability means transforming a company’s operating model. Repair indexes may require innovation in the original product design, while improvements in energy usage and efficiency could mean process redesign and additional investment.

THE ROLE OF DIGITAL TECHNOLOGY IN ACHIEVING SUSTAINABILITY GOALS

In the same study, we found that digital pioneers are also leaders in sustainability. Compared to other companies, they achieve better results in meeting sustainability KPIs (80%).

The Gartner survey also claims that **90% of sustainability executives believe that digital technology is essential to improving sustainability impact.** In fact, Digitalization and Sustainability are mutually beneficial transformations. CIOs should be proactive about identifying opportunities alongside COOs.

The top technological tool for Gartner's panel were Cloud (72%), IoT (54%) and AI (68%). All have the ability to provide operational insight with improved data quality. They are also valuable for tracking energy consumption and optimizing the use of resources. Blockchain technology is used less in industrial environments, but it is seen as creating secure, tamper-proof records of transactions and supply chain data, making it easier for companies to track and trace to ensure their sustainability credentials.

UNFORESEEN EFFECT: PREPARE YOUR COMPANY FOR RESILIENCE

Climate change and other sustainability challenges present risks to businesses, ranging from supply chain disruptions to reputational damage. **86% of companies consider sustainability** as a strategic lever that can help counteract the impact of disruption. They also see cost reduction or optimization - achieved through sustainability programs - as a response to potential disruption.



STOP TALKING THE WALK. IT'S TIME TO WALK THE TALK!

Pressure on industrial companies to deploy sustainability programs is mounting. CEOs can no longer ignore demands from customers, investors, regulators, and employees. The tipping point occurred three or four years ago, when it became obvious that sustainability cannot be ignored.

This pressure is leading industrial companies to evaluate **their strategies in three key areas: Operations, Finance and Marketing.**

Some experts have highlighted that CO2 footprints increase with the development of new technologies. They claim that the only way to reverse climate change is through economic decline.

EFESO's experience with European industrial businesses is that companies are still very much at-risk regarding sustainability issues. Many have appointed Sustainability Officers and have encouraged local initiatives, mainly targeted at energy use and transition. Most published ESG reports showcase some of the initiatives they have implemented, to support their claims. At EFESO we do not think this goes far enough, however - sustainability programs should be complete transformations of business models and company values.

As part of our research, **EFESO found four strategic breakthroughs from industrial companies engaged in Sustainability.** These form the backbone of sustainability roadmaps and involve different departments and functional leaders.

This raises another challenge for the CEOs of industrial companies: how to increase EBITDA by providing products and services that satisfy customers and regulators, at the same time as incorporating sustainable production and transportation processes to avoid alienating investors - or risk them choosing alternative companies that may provide higher "sustainable yields".



Speed up net-zero execution at scale

Everyone understands the need to use renewable energies in scope 1, 2 and 3. The first objective is to work with experts to track energy loss and propose process changes. The real challenge is speed! Management must rely on true expertise to accelerate global decarbonation.

EFESO breakthrough #1:

- Build a replicable dedicated energy transition assessment.
- Develop internal training for process engineers.
- Deploy assessments under the supervision of experienced energy transition experts.
- Set up ESCOs to support CAPEX and generate savings faster.



Sustainability in action : Everyone on board

There can be no sustainability transformation if sustainability issues are not integrated into day-to-day management. The third challenge is the adoption of a new mindset that permeates every part of the company's management processes. How will a supervisor react if sustainability competes against safety, quality, delivery, problem solving or budget, for example? Governance is responsible for translating strategies into pragmatic operational programs, combined with human dynamics management.

EFESO breakthrough #3:

- Increase awareness around sustainability topics among top executives, directors and managers.
- Develop a Hoshin-Kanri style deployment to transform sustainability strategy into work streams across the organization.
- Integrate sustainability issues into the decision processes.
- Extend the Performance Control System to capture data from the field.
- Organize a Program Management Office to create a central dashboard.



Finance & Operations for sustainable growth

The second challenge is the decision-making process to find the optimal trade-off between business growth, profitability, and impact on non-financial KPIs. That is where CFOs and COOs can align around Performance Control Systems and Sustainability data collection. They need to monitor non-financial indicators vs production planning on an almost real time basis, instead of doing so once a year when they are preparing CSR reports.

EFESO breakthrough #2:

- Work with CFOs to outline the spectrum of non-financial indicators.
- Select the ones that are relevant to the business.
- Align NFIs with operational performance KPIs and ultimately with EBITDA.
- Define the right trade-off model.
- Engage CIOs and COOs to select the most efficient digital devices to collect data on a real-time basis.



Scan the full breadth : Nothing off radar

The fourth challenge is to go beyond all of this. Sustainability is not only about GHG and CO2 emissions. Embracing sustainability as a whole can bring up areas that seem unfathomable to some. Artificialization of soils or employees mobility become a concern for Real Estate managers. Companies in the Consumer Goods sector are facing challenges around repairing, reusing & recycling products. Complying with repair indexes affect CTOs and Product Lifecycle Management managers.

It's crucial that organizations at least scan the full breadth of what they could encounter within the sustainability arena – so nothing is off radar.

EFESO breakthrough #4:

- Develop CTOs' awareness on repair indexes.
- Organize product design reviews to comply with repair and recycle requirements.
- Integrate suppliers in the process.
- Expand the sustainability principles to facility management.

Sources:

1. Gartner: Sustainability Survey: Key Findings and Recommendations (2022). 221 Sustainability Executives, across Industries and Geographies, director level and above
2. ROI-EFESO-Trend-Study-Sustainable Turn 2025. (2023)



Pierre Maugery
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Pierre Maugery-Pons is Vice-President for EFESO France. He began his career with BnpParibas and worked at CIC as a proprietary trader. Pierre became a consultant in 2000. He leads assignments on data management, risk, performance, and transparency on financial investments. He has been working on sustainable development issues since 2015 and advises several European institutions on Data Management and ESG ratings.



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Jean-Marc Giraudeau is Vice-President for EFESO France. He supports the Sustainability practice for France alongside Pierre Maugery-Pons. Jean-Marc began his career at GE Plastics. He developed formulas and worked with customers who were using plastic material within their products. In 2000 he joined a Japanese consulting firm, with offices in Paris. He managed teams to deliver Operational Excellence and Lean missions to industrial customers. At EFESO, he monitors missions on Process optimization, Human dynamics, Digital transformation, and Sustainability for customers in businesses such as Discrete Manufacturing, Food & Beverage, Metal processing, Pharma & Cosmetics. He is part of EFESO's global sustainability practice.



When I studied to become an Engineer, the most innovative field was plastics. "Plastic is fantastic" was our saying at that time. Today I feel I owe it to my children's generation to help change the impact of Industry on our planet. I am convinced that the most efficient way to do this is to work with industrial companies to help them become more sustainable. Where else can there be more investments, more brains or more energy dedicated toward sustainability?



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