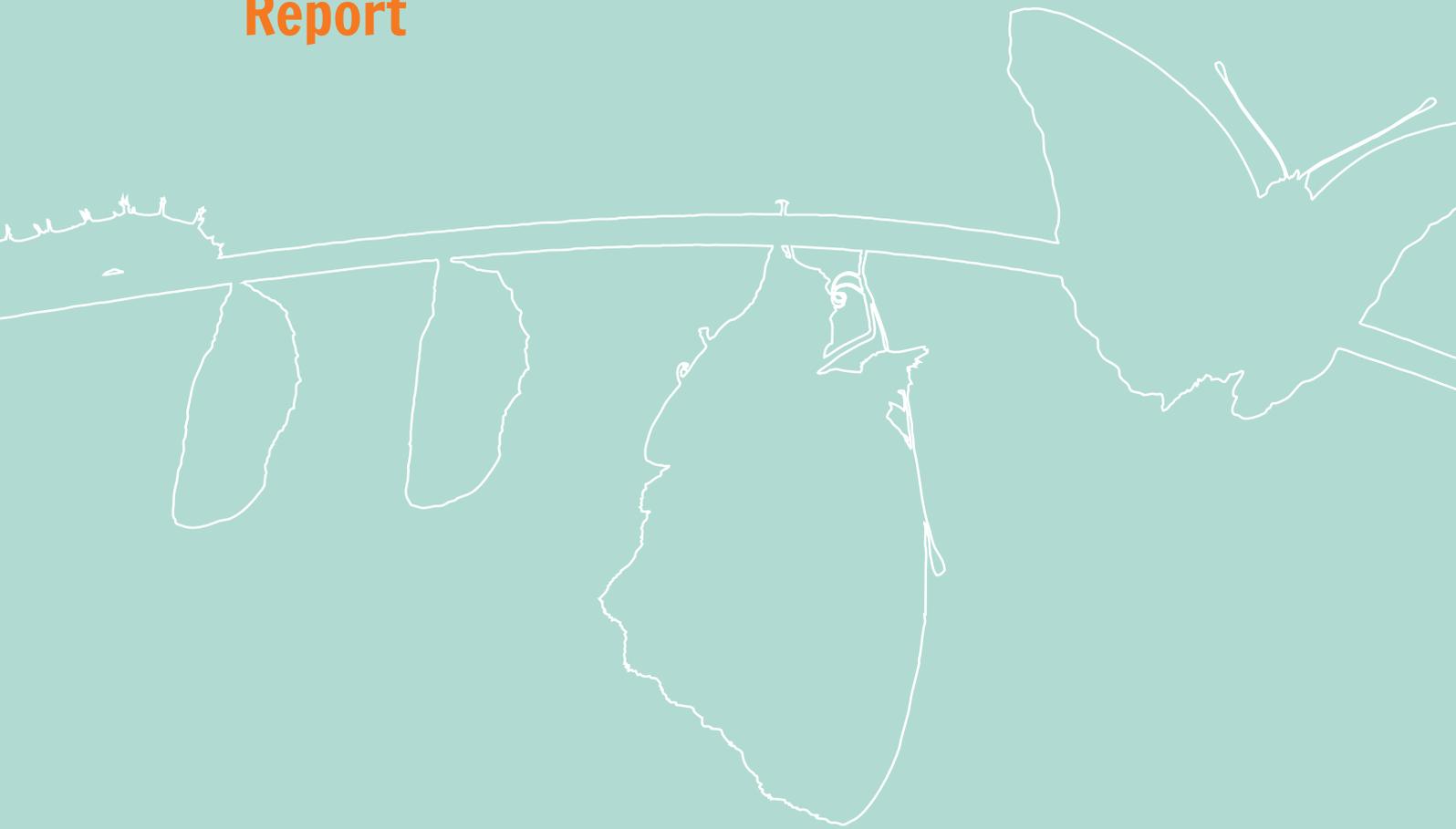


Sustainable change

The state and face
of sustainable business
in Belgium

Report



This study was conducted by Prof. Dr. Lars Moratis, Antwerp Management School in collaboration with ING Belgium.

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Preface

The world is changing quickly and sometimes it's hard to keep up. We at ING are here to help people stay a step ahead in life and in business. We want to help them turn the threats of climate change and fast-changing technology into opportunities. Because doing nothing is not an option. But where can ING have a real impact?

As a bank, we believe our role is to facilitate and finance society's shift to sustainability. In other words: facilitate environmental, economic, and social progress. We want to contribute to a low-carbon and self-reliant society.

We believe it is important to enhance the understanding and the implementation of sustainable transition. To do this we partnered up with Antwerp Management School (AMS). Our first collaboration with AMS resulted in a report on hybrid business models: businesses that not only deliver economical but also a clear social and ecological value.

Only one year later it is clear that sustainability has become a crucial element in every business. That's why we decided to focus this edition on how a business can successfully initiate its own sustainable transformation process. How can a company develop such processes and generate a positive impact on society and yet remain economically viable?

This study is a combination of academic research and testimonials from fellow entrepreneurs who already made the great leap forward. It is meant to inform and inspire business leaders to go for a sustainable transition. It goes without saying that our ING relationship managers will be there to support business clients in this journey.

Erik Van Den Eynden
CEO ING Belgium



Leon Wijnands
Head of Sustainability ING Group



This report in a nutshell

There seems to be a clear trend towards sustainable business in Belgium. Companies have been increasingly addressing social concerns ('People') and ecological concerns ('Planet') and aligning these concerns with their economic and financial performance ('Profit'). The integration of this People, Planet, Profit approach is dubbed to be the success formula for future proof business. But what is the actual state of sustainable business in Belgium? How are companies implementing sustainability in practice? What are the positive effects of the sustainability efforts in their experience? Which barriers do they encounter in the process of sustainable change? What are the main lessons that can be learned from their experiences? And how do they expect their attention for sustainability to develop in the coming years?

This report aims to answer these questions not only by seeking to uncover the current state of sustainable business in Belgium, but also investigating the practical sides of the process of sustainable change Belgian companies are going through. The practical concerns include the choices companies make when investing in sustainability, the motivations they have for doing so, and the success factors they identify for embedding sustainability into their business. In addition, it reports on the maturity stage companies are in, the robustness of their sustainability efforts and the prospects of sustainable business in Belgium.

This report hence paints a comprehensive picture of sustainable business in Belgium and offers insights in the process of sustainable change and lessons learned by companies that are in the midst of it. As such it is highly relevant for business leaders, entrepreneurs, sustainability managers and policy makers.

Key findings

While, overall, the results are remarkably consistent for various company characteristics, some differences, including some regional differences, emerge from the data. For instance, Flemish companies see more substantial benefits of having attention of sustainability when compared to their Walloon counterparts. Also, the orientation of Flemish companies towards sustainability is more focused on product innovation when compared to companies from Wallonia.

Implementation of sustainability efforts

- The overall picture that emerges from this report is one that shows that the majority of Belgian companies have been implementing sustainability within their operations and even strategies: nearly nine out of ten companies respond that they have at least some attention for sustainability.
- Companies are in different stages of integrating sustainability into their core business. The results suggest that companies view sustainability-related activities as a type of activity that can and needs to be planned and managed rather than addressing them as

separate activities. Almost half of the companies indicates that sustainability has at least some relation to the overall business strategy.

- The sustainability activities companies take are primarily ecological, although over one-third says that there is a good balance between ecological and social initiatives. Social activities tend to be dominantly oriented towards employees, which emphasizes the central role that employee programs have to play in the development of sustainability within companies.
- A relatively high portion of companies that has had less than two years attention for sustainability indicates that sustainability is their business strategy. This could signal a trend that younger companies are choosing to make sustainability their core business from the outset.
- Companies that identify themselves as sustainability leaders indicate that there is substantially more leadership within their organization than organizations in a beginning stage. This suggest that sustainability leadership co-evolves with the maturity of the organization, rather than being present when starting sustainability.

Motivation for implementing sustainability efforts

- National and international sustainability standards appear to be most important factors for spurring companies' attention for sustainability.
- The sustainability commitment of companies is primarily inward-oriented on reducing operational costs and oriented towards compliance. It tends to be least oriented towards product innovation and changing the compa-

ny's business model. This suggests that companies find it difficult to translate sustainability into actual benefits or value for customers.

- When it comes to motivation, being an ethical choice surfaces as the main motivation for having attention for sustainability, followed by reducing costs and making the organization more future proof. Better attracting new talent is hardly seen as an important motivation.

Satisfaction & effects of sustainability efforts

- Companies do not seem not be very satisfied with (the effects of) their sustainability efforts as they score the state of sustainability within their company only 6.4 out of 10.
- Together with cost reductions, the most positive effects of sustainability efforts experienced by Belgian companies are an improved company image and increased employee engagement and pride.

Barriers for sustainability effort

- While employees are seen by companies to be a main driving factor for sustainability, they are also viewed as the main internal barrier. A closer look reveals that companies should enhance their employees' knowledge about sustainability, the time they have available for sustainability, and their enthusiasm for sustainability.
- Companies identify upstream and downstream external barriers for implementing sustainability. Suppliers appear to be the most important external barrier for implementing sustainability, closely followed by investors and financiers and customers. Here, a lack

of money to invest in sustainability is the most important type of external barrier.

Lessons learned & outlook

- The most important lessons learned as identified by companies relate to structurally embedding sustainability within the organization, developing sustainability bottom-up, and that sustainability can contribute to companies' economic and financial performance.
- Companies tend to agree with the statement that the attention for sustainability can potentially fade quickly. Looking at determining factors, embedding sustainability within the systems and structures of the organization and the presence of leadership for sustainability within the organization are deemed most important.
- Companies expect the impact of sustainability on strategic decision-making to increase during the coming three years. At the same time, they are planning to do more in terms of sustainability with similar budgets.

Conclusion

Clearly, when it comes to sustainable change in Belgium, it is work in progress. The results suggest that while a large part of Belgian companies identify themselves as being in a more advanced stage of sustainability, a comparable amount indicates that they are in a beginning stage. This may explain the relatively strong inward orientation of sustainability that has been found and **the relatively low level of satisfaction companies currently have with the state of sustainability they are in.**

It appears that **employees have an important role to play** in spurring sustainability within companies. Still, companies need to find more effective ways to address and enable this driving factor beyond giving employees a voice in sustainability, suggesting **an important role for HR** within the company.

At the same time, **many Belgian companies appear to have a strong ambition** when it comes to sustainable business and the overall prospect for sustainable business in Belgium is positive: many companies indicate that they think sustainability will increase in strategic importance and they intend to have more attention for sustainability, even in the face of unchanged budgets.

This report hence shows that Belgian companies are in the midst of sustainable change, seeking ways to better integrate sustainability into both their operations and their strategies.

Did you know that there is an infographic available with this report that shows you the main findings in a very compact and clear manner? You can download this infographic at www.antwerpmanagementschool.be/sustainablechange.

Research method and report structure

To obtain the data for this report, a **questionnaire** was developed and sent out in the Fall of 2017 to companies from Flanders, Wallonia and the Brussels Capital Region. It concerned both small and medium-sized enterprises (≤ 250 employees) and large companies (>250 employees), across all sectors.

Topics that were covered in this questionnaire range from:

- the type of commitment to sustainability
- the motivations companies have for this commitment
- the barriers they experience when implementing sustainability
- the effects of sustainable business
- the lessons companies have learned when it comes to sustainable business
- the adoption of the Sustainable Development Goals.

In order to arrive at some geographical balance in responses, the initial responses to the questionnaire were complemented by the responses obtained through a company database developed by Bpact. Also, specific efforts have been taken to include so-called institutionals (privately held organizations that operate with a public mission, such as hospitals and water companies).

All this has led to a **total of 293 responses** to the questionnaire, most of which concern fully completed questionnaires.¹ Although, strictly speaking, the reported results are not representative for the entire Belgian population of companies, **the results provide**

a credible picture of the actual state of sustainable business in Belgium and the prospects for its development.

This report has been ordered in a logical way: from general overview to specific details, evidenced with testimonies.

Part I: a comprehensive, overall picture of the state of sustainable business in Belgium, including companies' motivations for sustainability, the sustainability-related activities companies undertake in practice and the effects of their sustainability efforts.

Part II: the details of sustainable change based on the topics covered by the questionnaire, including the barriers and success factors for implementing sustainability as experienced by companies and the prospects for sustainable business in Belgium.

Part III: the future of sustainable business: robustness and prospects.

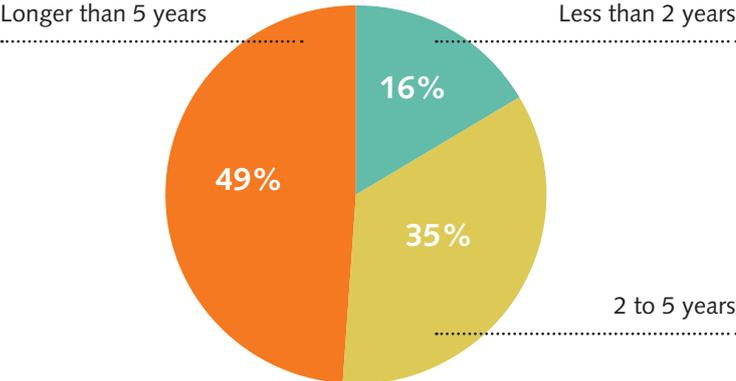
In addition, this report contains two intermezzos, respectively dealing with the commitment of companies to the Sustainable Development Goals (**Intermezzo A**) and the most striking differences between companies based on their demographical characteristics (**Intermezzo B**).

In addition to collecting data through the questionnaire, interviews were held with Belgian companies and institutionals. The purpose of these interviews was to get more detailed, qualitative insights into the topics included in the questionnaire and to provide some extra 'taste and color' to the findings. While excerpts of these interviews have been included in this report, extensive accounts of these interviews have been bundled in the booklet 'Faces of sustainable change'. This booklet can be downloaded for free at www.antwerpmanagementschool.be/sustainablechange.

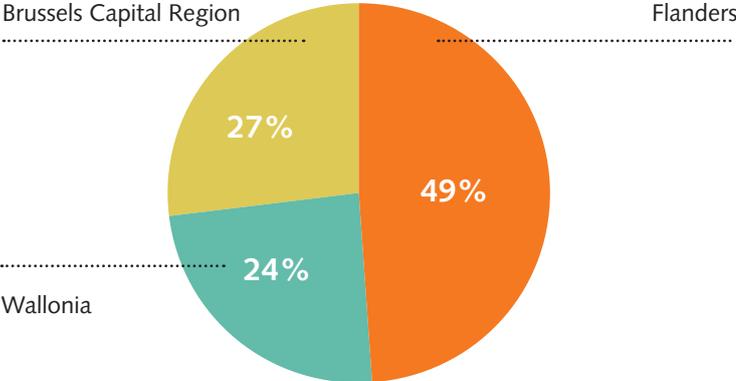
¹ Of these 293 responses, 255 indicated that they have a degree of attention for sustainability. Most results in this report, therefore, are based on these 255 responses.

Response demographics

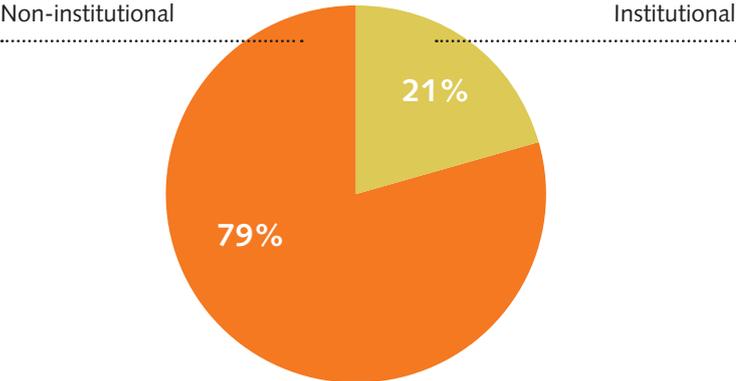
Years organizations have had attention for sustainability



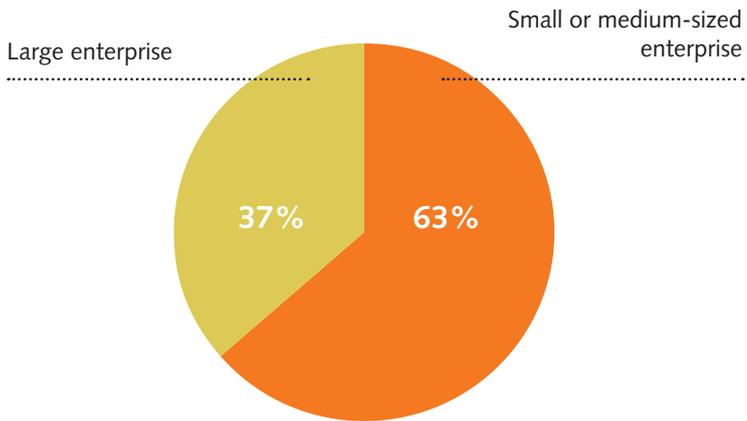
Region



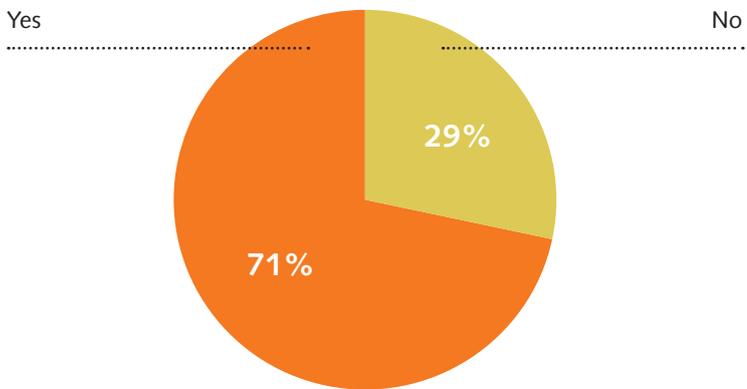
Organization type



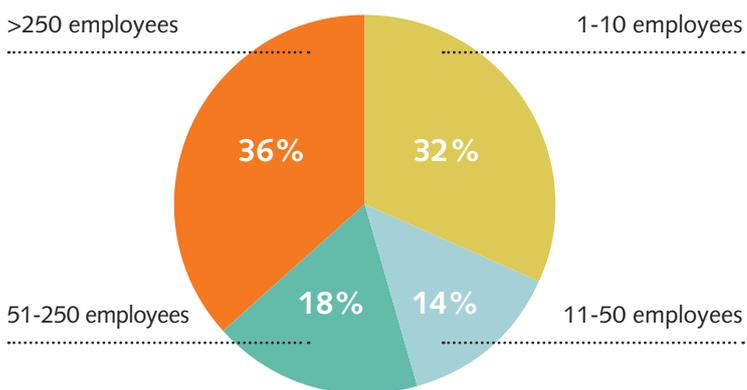
Company size



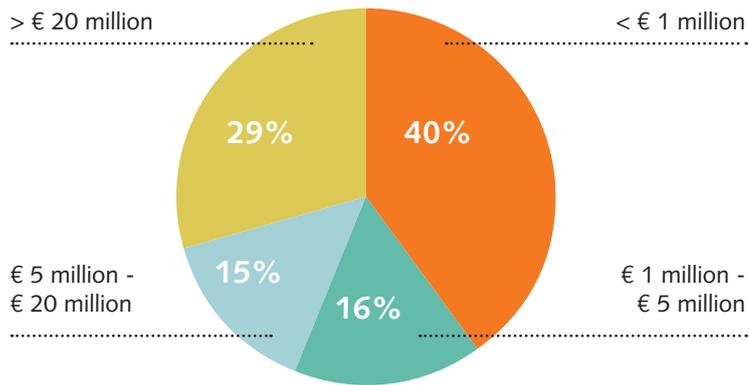
Family business



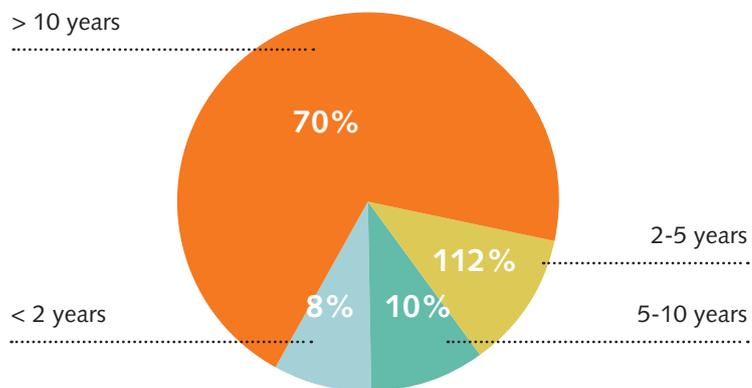
Company size (full-time equivalents)



Annual turnover



Organization age



Part I.

Commitments to sustainability: level, nature and effects

The story in short

While the majority of Belgian companies has attention for sustainability, **they do not seem to be very satisfied with the state of sustainability**. Less than 10 percent of the respondents consider themselves as a sustainability leader; most companies are in a beginning or more advanced stage of sustainability.

Sustainability-related activities tend to be planned and managed rather than separate activities, although **a minority of companies has linked sustainability strongly to the overall business strategy**. Companies seem to prefer ecological over social activities and most are 'reduction activities', for instance related to water and energy use and waste. This aligns with cost reduction being an important motivation for sustainability, although sustainability as an ethical choice surfaces as the primary motivation.

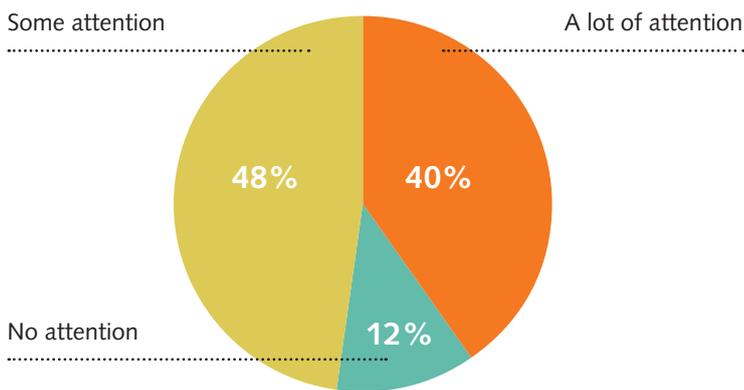
Companies see the effects of sustainability particularly in an **improved company image, cost reductions and increased employee engagement and pride**. But they seem to find it somewhat difficult to translate the value of sustainability in terms of realizing higher revenues and increasing their innovative ability into practice. Of the companies that currently have no attention for sustainability, the majority indicates that they will have attention for sustainability in the near future.

Perceived levels of sustainability

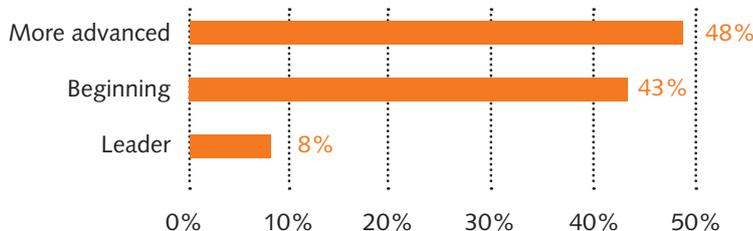
By far, most respondents indicate that they have attention for sustainability.

- Nearly half of all responding companies say that they have some attention for sustainability.
- No less than four in ten companies indicate that they have a lot of attention for sustainability.

Attention for sustainability (in %)



Sustainability maturity stage



When asked how they would rate the current state of sustainability within their companies, respondents attribute a grade of 6.4 out of 10 on average.

- Almost half of the respondents (47%) indicate that the state of sustainability within their companies deserves a grade 6 at best.
- Little over one in five companies (23%) rates this with an 8 or higher, of which only 6% a grade 9 or 10.
- Companies that have been working on sustainability for longer than five years appear to be more satisfied with the current state of sustainability within their organization, scoring it with a 6.9.

6.4

Average score on a 10-point scale that respondents attribute to current the state of sustainability within their companies.

Of all respondents, only a small group perceives their own organization as a leader in sustainability. Nearly half of the respondents consider themselves in a more advanced phase of sustainability and 43% consider themselves as being in a beginning stage.

On average, respondents agree that they are developing sustainability within their companies at a necessary pace (as perceived by themselves) from a societal point of view (3.13 on a 5-point scale).

- Companies that consider themselves as being in a beginning stage of sustainability appear to be quite self-aware. They indicate that from a societal point of view they were developing sustainability at a slower pace than necessary. This suggest that these companies themselves think that they are not

keeping pace with societal reality.

- The inverse finding was found for companies that consider themselves as sustainability leaders: on average, they indicate that they think they are developing sustainability at a somewhat higher pace than necessary.

29% of the companies that pay attention to sustainability, indicate that sustainability-related activities are organized in a somewhat coordinated way. This suggests that they view it as a type of activity that needs a certain level of planning, management and alignment rather than addressing them as one-off activities, separated from the organization. Nevertheless, one in five indicate that they have taken only some sustainability-related activities, not linked to the company's operations or strategy. This result resonates a so-called bolt-on or plug-in approach leading to sustainability efforts being scattered around the organization.

Still, a large part of the respondents indicate that sustainability is actually linked to the core business of the organization. While around one in five companies say they have a sustainability policy in place that has a limited relationship to the

overall business strategy, in 16.4% of the companies, sustainability is said to be fully integrated in the business strategy. Around one in eight companies indicate that sustainability actually is their business strategy.

Overall, the results show that the longer a company exists and has had attention for sustainability, the more likely it is to integrate sustainability into its overall business strategy.

A notable exception to this is a relatively high portion (one in ten companies) that has had less than two years attention for sustainability, indicating that sustainability is their business strategy. This could signal a trend that younger companies are choosing to make sustainability their core business from the outset.

Which of the statements below best describes the situation in your organization?



Orientation of sustainability

When asked what the primary orientation of the organization's sustainability commitment is, the results show that sustainability is mainly oriented on reducing operational costs and towards compliance (sum of the percentages of respondents that agreed and fully agreed).

- Third in place comes a focus on supporting good causes.
- Strikingly, sustainability tends to be least oriented towards product innovation and changing the business model of the company.

Clearly, more advanced approaches towards sustainability are only followed by a minority of companies. While it is speculation, this may also suggest that companies find it difficult to align sustainability with their actual core business and lack the ability to link it to their most important value drivers.

A further analysis of the data shows that for institutions an orientation on law and regulations is substantially more important than for other companies (5.30 vs. 4.74), while an orientation on product innovation and changing the organiza-

tion's business model is substantially less important (respectively 3.84 vs. 4.58 and 3.57 vs. 4.51).

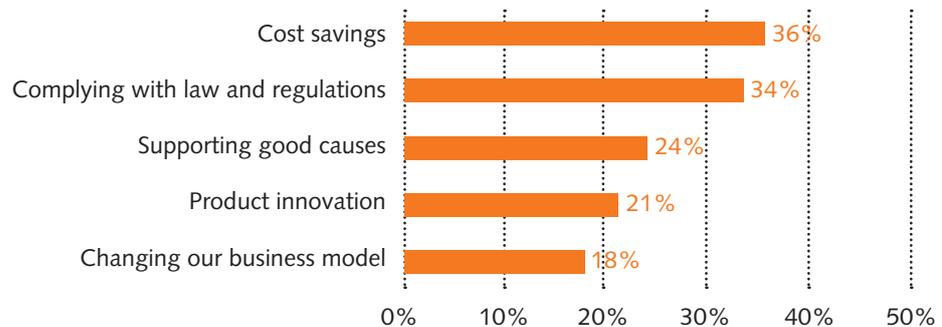
These results hence suggest that sustainability is still very much inward-oriented rather than focused on the external business environment and that this applies even more for institutions than for other companies. Overall, it seems that companies are able to relate sustainability to their internal operations and processes, but find it difficult to translate sustainability into actual benefits or value for customers.



For us, sustainability is a process of continuous improvement by constantly monitoring organizational processes and performance. We try to go beyond the requirements that are mandated by law.”

- Annick Wauters, ZNA

Orientation of sustainability



One-third of respondents appear to neither agree nor disagree with the statement ‘creating sustainability impact is considered more important than maximizing profits within my organization’. Substantially more respondents tend to disagree (38%) than agree with this statement (27%). Interestingly, **this is a result that can be viewed negatively as well as positively:**

- It may indicate that companies do not perceive sustainability as a goal equally important to pursue as profit maximization.
- It also indicates that almost two-thirds of the respondents actually do not disagree with this statement.

A similar result was found for the statement ‘Within my organization sustainability is subordinate to other priorities’. While the majority of the respondents says this is sometimes the case, more than one in four companies indicate that this is usually the case. This also reflects the choice for sustainability impact versus profit maximization.

Ecological vs. social activities

When it comes to the type of sustainability-related activities, overall, companies seem to prefer or prioritize ecological initiatives over social initiatives:

- 29% indicates that the attention for sustainability is particularly manifested through social initiatives.
- 34% indicates that this is done through environmental initiatives.

While the data cannot explain why companies prefer or prioritize ecological over social initiatives, three reasons for this may be that:

1. ecological initiatives are easier or perhaps even less costly to take
2. social initiatives may require an alignment with the culture of the organization, while many ecological initiatives can be taken as stand-alone initiatives.
3. ecological initiatives have a more clear economic return and that this result is achieved on a shorter term than social activities (also see the section ‘Effects of sustainability’).



Nearly four in ten companies, however, say that there is a good balance between ecological and social initiatives.



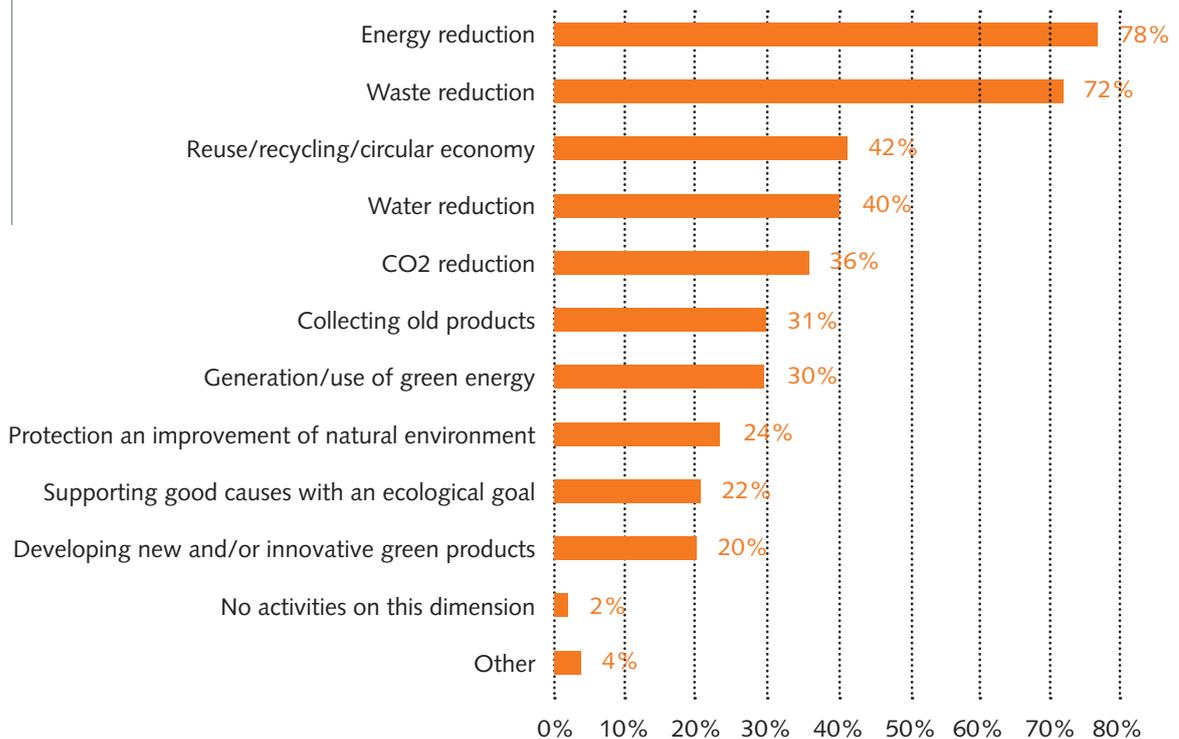
Working on sustainability does not only mean protecting the planet. It is in fact much broader than that. When people talk about sustainability, they often refer to obvious issues such as climate change, but the topic is way bigger. When evaluating suppliers, for instance, it is impossible to ensure that the goods they deliver are 100 percent child labour-free.”

- Hugues Ronsse, IBA

Taking a closer look at the ecological dimension, it appears that ‘reduction activities’ account for most of the top-5 sustainability activities taken by companies: particularly (1) energy reduction and (2) waste reduction and, to a lesser extent, (3) water reduction and (4) CO2 reduction account for a large share of activities. The top-5 is completed by actions in the (5) category of re-use/recycling/circular economy. These activities represent a category of activities that have a relatively direct and positive effect on cost savings, which probably accounts for their popularity among companies.

Developing new, ecologically sustainable products, on the other hand, scores very low when it comes to the preferred activities taken by companies on the ecological dimension. This result corresponds with the aforementioned result of product innovation not being a main orientation towards sustainability.

Activities on the ecological dimension



Social activities tend to be dominantly oriented towards employees. A top three:

1. attention for the wellbeing of employees surfaces,
2. attention for the employability of employees
3. attention for diversity in cultural background within the organization

This is an important result, since it emphasizes the central role that employee programs have to play in the development of sustainability within companies. Put differently, in order for sustainability to progress within companies HR policies and employee programs should be complemented with a sustainability dimension. When it comes to social activities, product-related activities come lowest in rank.



In the end, we have been able to integrate sustainability into the HR perspective and we now speak of sustainable HR policy. That has really paid off.”

- Ann Vandenhende, Spadel

Activities on the social dimension



Motivations for engaging in sustainability

With half of the companies indicating so, **sustainability being an ethical choice surfaces as the main motivation** for having attention for sustainability for companies. This motivation is more frequently mentioned than the other top-5 motivations:

- saving costs
- making the organization more future proof
- improving the image of the organization
- increasing employee engagement and pride

It should be noted that the prevalence of sustainability as an ethical choice does not imply that sustainability is merely about ‘doing good’ without addressing the business side of the matter.

In the first place, while surfacing as the primary motivation, choosing for sustainability since it is an ethical choice is only one in the top-5 of motivations: **the other motivations are directly or indirectly related to the continuity of and economic benefits for the business.**

In the second place, an ethical motivation for sustainability says something about the starting point or **initial reason to choose sustainability, but is translated into business terms after.** The results on the sustainability activities companies undertake is an illustration of this: many of these have a direct link to cost savings (see section ‘Ecological vs. social activities’).



Our organization attaches a lot of importance to values. Value really are a driver. We are a family-owned company, which allows us to look ahead further than other companies – not only to the next five years, but also to the next generation.”

- Joost Callens, Durabrik

Also, it should be noted that the prominence of cost reductions as a motivation aligns with the dominants inward orientation of sustainability and that sustainability is translated practically into internal efforts. Speculating on this, **companies may lack the knowledge or ability to translate their motivation for sustainability in other types of activities than cost reduction and compliance.** This may also signal a relatively early stage of sustainability.

Interestingly, especially because this is part of popular sustainability discourse, the motivation of better attracting new talent is hardly seen by respondents as an important motivation. The fact that competitors have attention for sustainability appears to be the least important reason to engage in sustainability.

Motivations for sustainability



Supplier requirements

More than half of the responding companies requires their suppliers to conform with sustainability demands. Examples of such requirements are conforming with the company's code of ethics, using low-carbon transportation modalities or ensuring decent working conditions at overseas production facilities. Of this group, 12% say they impose these requirements on all suppliers. Of the same group most indicate that these requirements are of an ecological nature (39% vs. 27% for social requirements), although one-third indicates that there is a good balance between ecological and social aspects when it comes to supplier requirements.

Still, over one-quarter of the companies indicate that they don't have sustainability requirements for suppliers, of which 17% says they will do so in the future. Nearly one in five respondents indicates that they do not know whether their company has such requirements for their suppliers.



Our suppliers are selected based on values and mission, not so much because of their sustainability strategy. We learned that we attract like-minded companies.”

- Didier Pierre, NNOF

To put these results in perspective, two remarks should be made here:

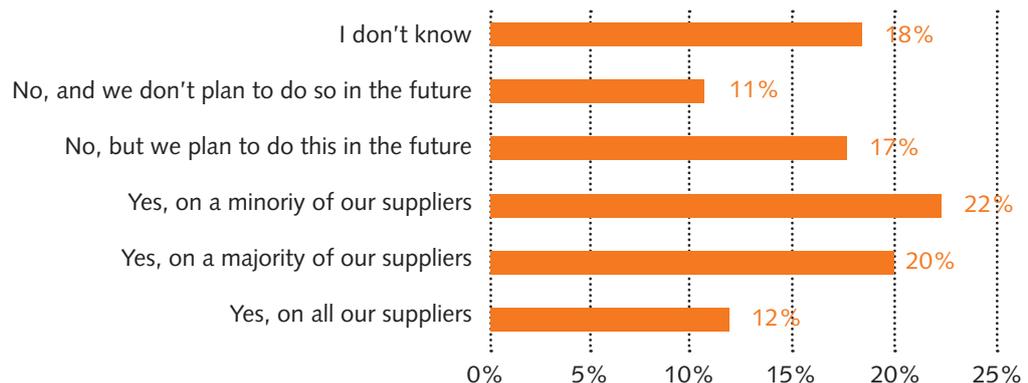
1. Many of the companies that have responded to the questionnaire themselves are also suppliers to other organizations. These results hence suggest that the companies themselves will also be increasingly confronted with sustainability requirements.
2. The results also indicate that companies tend to identify suppliers as one of the most important external barriers for implementing sustainability. This may for instance relate to a lack of time that suppliers experience to implement sustainability within their organization (see section 'Internal and external barriers' in Part II).



It is quite a challenge to make sure suppliers comply with high sustainability requirements. Since 2009, we have started with a product passport, that shows all information of products and raw materials. We have also started an awareness campaign in order to convince both our suppliers and clients about the benefits of our sustainability philosophy.”

- Frank Vancraeyveld, Werner & Mertz

Does your organization impose sustainability requirements on suppliers?



Effects and benefits of sustainability

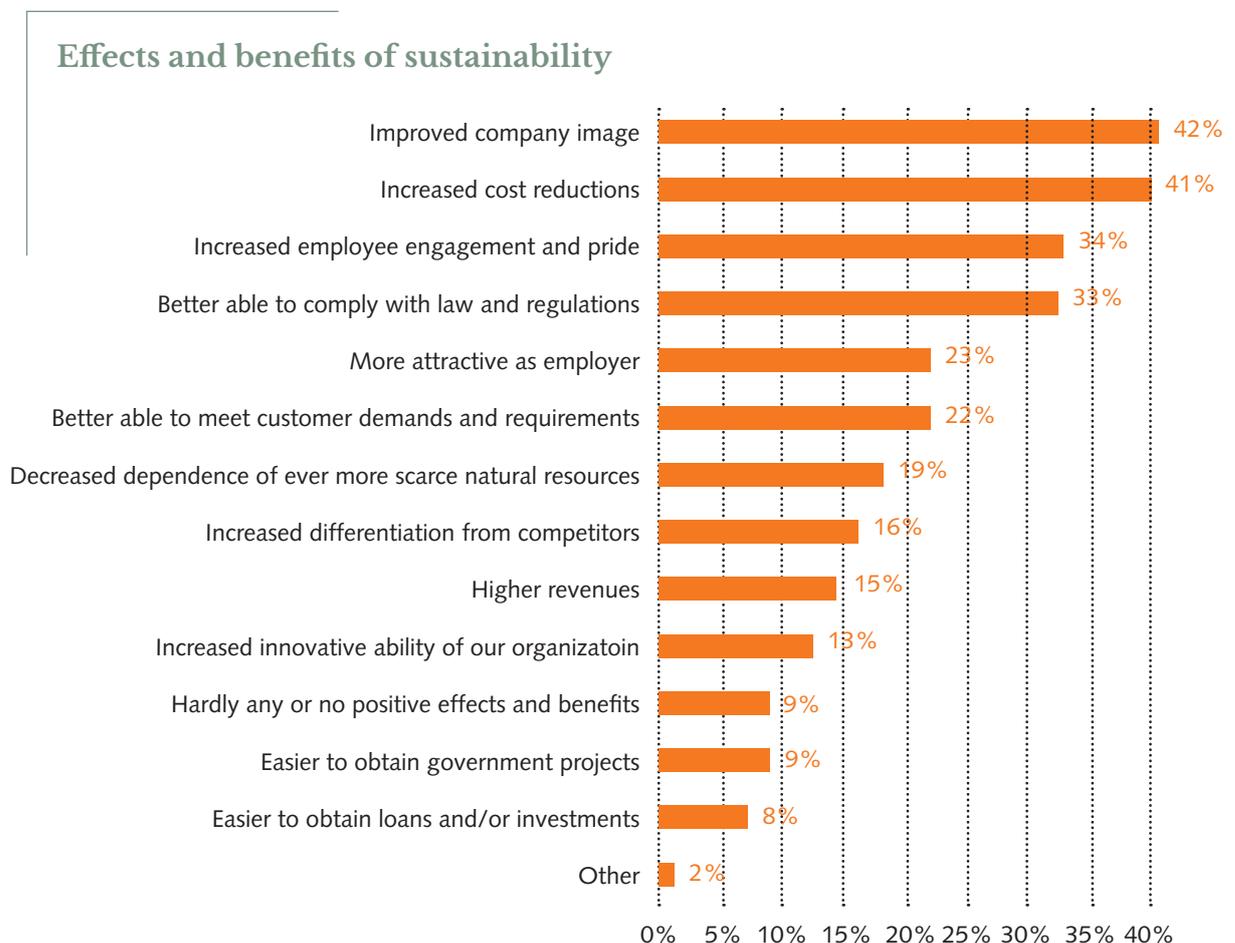
When asked to reflect on the results of their sustainability efforts, **companies indicate that sustainability has lived up to their expectations, but definitely no more than that** (2.94 on a 5-point scale). Only a small portion of the respondents report that sustainability has no or has hardly any positive impact on their companies.

While hardly any differences between different types of companies are observable, institutionals appear to be slightly more positive about this than non-institutional companies. Also, companies that consider themselves to be sustainability leaders tend to think that sustainability has lived up to their expectations to a higher degree

when compared to companies that are in an early stage of sustainability.

The most positive effects of the attention companies have for sustainability are particularly found in four categories: (1) an improved company image, (2) bigger cost reductions, (3) increased employee engagement and pride, and (4) a better ability to comply with laws and regulations. Interestingly, two of these effects are internally oriented and two externally oriented, suggesting that the impacts of sustainability manifest themselves both within the company and in the relationships companies have with their external stakeholders.

However, companies seem to find it somewhat difficult to translate the value of sustainability in terms of realizing



higher revenues and increasing their innovative ability into practice. This may hold companies back to invest in sustainability. Even though the previous years have demonstrated an increase in the integration of sustainability aspects in public tenders, respondents also indicate that they hardly see the effects of sustainability on obtaining government projects. Only a small percentage indicates that their attention for sustainability helps them in getting better access to loans and investments.

In sum, these results indicate that when it comes to the financial benefits of sustainability, especially cost reductions are

recognized as such by companies; market-related benefits, such as increasing turnover, are only recognized by a small portion of respondents.

When asked whether or not they measure the various impacts of sustainability, it appears that 52% of the companies measures the impact of their ecological efforts. The same percentage applies to companies that measure the impact of their social efforts. These non-economic dimensions are more frequently measured than the economic or business impact of sustainability (43%). While this pattern holds for each of the dimensions on almost all company characteristics, the results show that large enterprises measure their ecological impact substantially more than small and medium-sized enterprises.

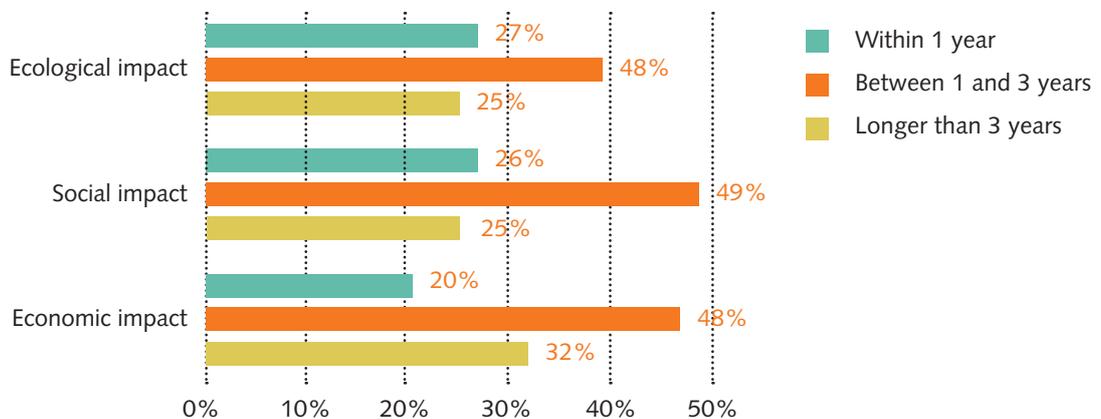
Around half of the companies expect the ecological, social and economic impacts of efforts to occur within one and three years. However, respondents tend to expect non-economic impacts to be visible quicker than economic impacts: 28% and 26% of them expect ecological and social impacts respectively within one year, against 20% for economic impacts.



Measuring the societal impacts of our efforts is not straightforward. Sustainability is a broad concept and includes, for instance, servitude, safety, and health. At Durabrik, we invest a lot in education for our people, so they can also grow personally.”

- Joost Callens, Durabrik

Visibility of sustainability effects



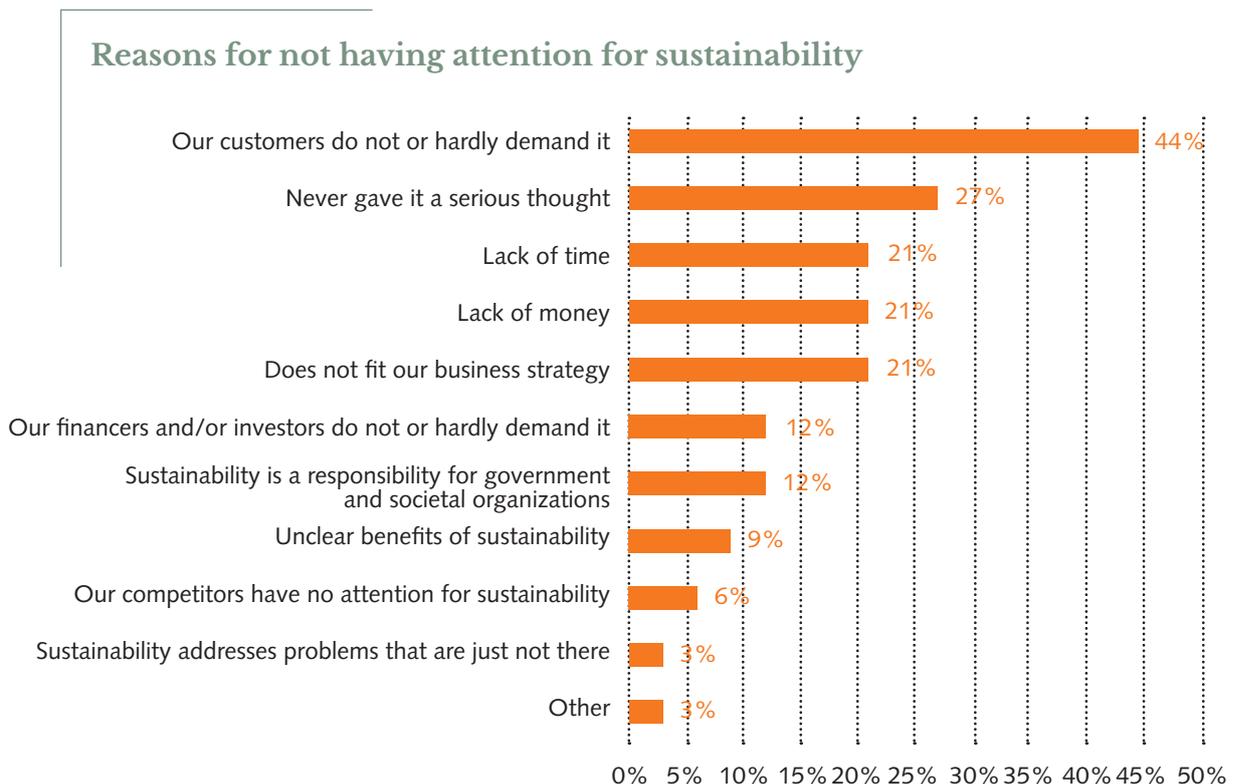
Subgroup: no attention for sustainability

Only some 12% of the companies report to have no attention for sustainability at all. Of this group, nearly four out of ten companies do not consider themselves as laggards when it comes to sustainability, even though the results clearly show they are. The same percentage of companies says that they do not know whether or not they can be considered laggards when it comes to sustainability. Within this group, though, a total of nearly 62% thinks their companies will have more attention for sustainability in the near future.

Their reasons for not having attention to sustainability are that:

1. customers do not or hardly ask for it.
2. they have never given sustainability a serious thought.
3. they experience a lack of time and money to invest in sustainability
4. they have the idea that sustainability does not fit their overall business strategies.

Interestingly, only some companies indicate that unclear benefits of sustainability explain the fact that they do not have attention for sustainability.



What factors would drive these companies to have more attention for sustainability?

Top reasons:

- Customers asking for or requiring sustainability.
- Government intervention enforcing sustainability through the rule of law and (fiscal) encouragement.
- Employees also are a factor in having attention for sustainability for one in five companies.

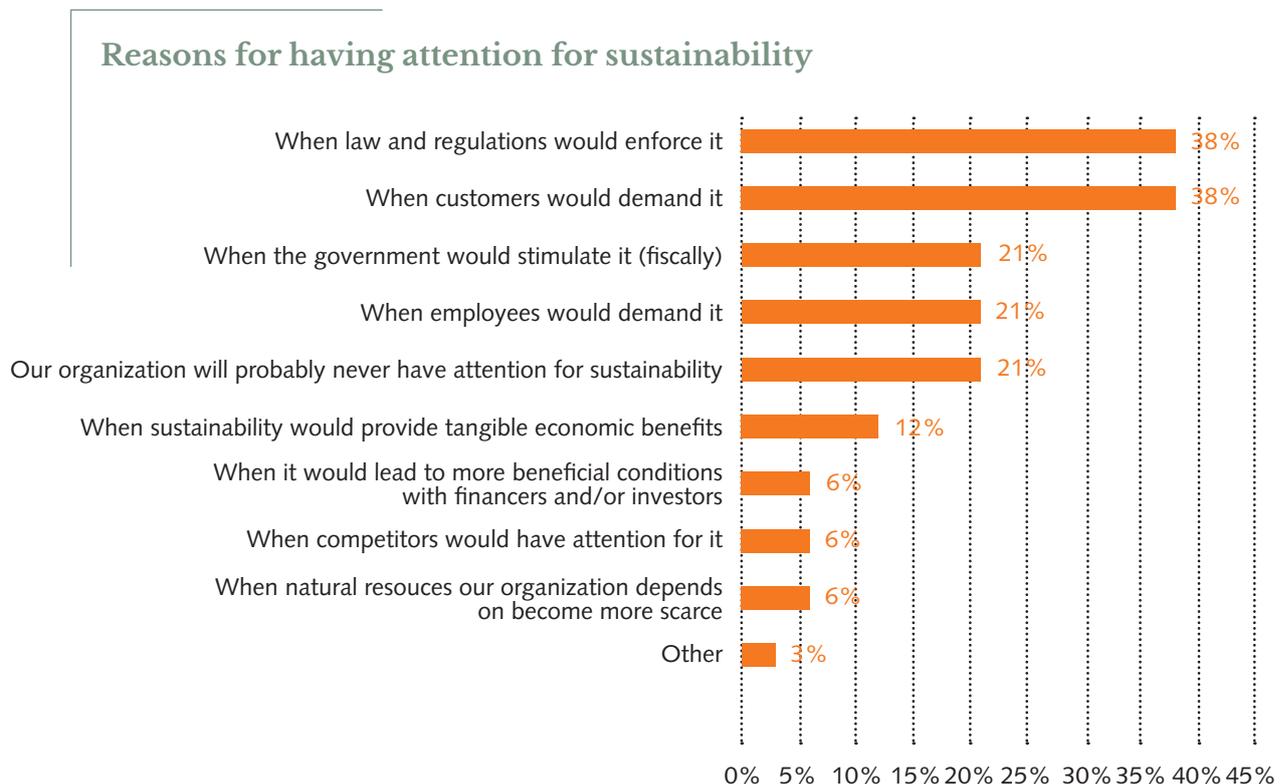
Other reasons only seem to play a marginal role:

- More advantageous conditions with financiers or investors.
- Companies dependence on natural resources becoming ever more scarce.

Some 20% of companies in the ‘no sustainability’ group even indicate that they will probably never have attention for sustainability.

Looking at the factors that would hinder these companies in having more attention for sustainability are more or less in line with the reasons why they do not pay attention to sustainability now.

So, while market- and government-related factors would drive these companies towards having more attention for sustainability, it seems important to link sustainability to their employee programmes in order to develop the knowledge and enthusiasm necessary to bring about sustainable change within their organization.



Intermezzo A: Sustainable Development Goals



For many Belgian companies national and international sustainability standards prove an important frame of reference when implementing sustainability. The Sustainable Development Goals (SDGs) represent such an international frame of reference. They contain a set of interrelated global goals that address many of the world's most pressing sustainability challenges, including eradicating poverty, climate action, and gender equality.

The SDGs were incepted in 2015 as part of the United Nations Agenda 2030. Over the past few years many organizations worldwide (including companies, institutionals, and governments) have adopted the SDGs and have used them as an important point of reference for their sustainability strategies, policies, and actions. In Belgium, for instance, a lot of progress has already been made:

- Sustainability business network 'The Shift' has prioritized the SDGs
- The SDG Voices (national ambassador organizations) were launched in in 2017
- The VOKA Charter Sustainable Business was based on the SDGs.
- The first National Voluntary SDG Review has already been conducted.

Even though actions related to the SDGs are widespread, **nearly half of the companies involved in this research project indicate that they do not know the SDGs.** Little over 30% says that they are partly familiar with the SDGs, while only one in five say they know the SDGs. Of the companies that are (partly) familiar with the SDGs, nearly half report that they have committed themselves to the SDGs, while 36% indicates that they have not done so. **Large companies tend to be more familiar with the SDGs than small and medium-sized companies.**

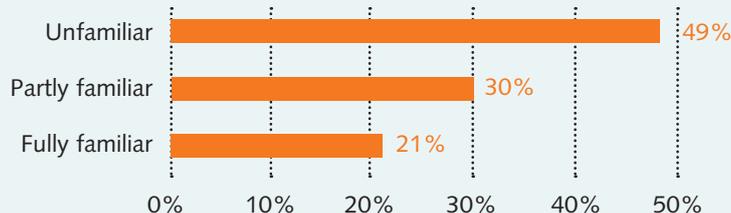
When asked which SDGs companies are focusing on more specifically, a set of seven out of the 17 SDGs stand out. In order of decreasing importance, these are:

- Responsible production and consumption
- Affordable and clean energy
- Climate action
- Gender equality
- Good health and well-being for people
- Decent work and economic growth
- Quality education.

The SDGs that are least prioritized are Zero hunger, Life below water, and Peace, justice & strong institutions.

Although the SDGs may be perceived to represent rather abstract, planet-spanning goals, by far most companies that have engaged themselves to the SDGs have taken concrete actions (79%). Interestingly, these concrete actions appear to have a national rather than an international orientation. Around two-thirds of the companies indicate that their SDG actions are primarily oriented towards their own organization and focus on Belgium. While one in four indicate that their projects and activities are internationally oriented.

Familiarity with the Sustainable Development Goals



Part II.

Implementing sustainability: driving factors, barriers, and lessons

The story in short

The main driving factors for sustainability appear to be national and international sustainability standards, law and regulations, ideas from employees, and market demand for sustainability. Nearly half of the respondents want the government to require sustainable business, for instance through law and regulations.

Employees are considered as the most important internal barrier for implementing sustainability, with companies naming a lack of knowledge, time, and enthusiasm as the main hurdles. Suppliers appear to be the most important external barrier for implementing sustainability.

The main lessons learned by companies that have experience in implementing sustainability are that:

- sustainability should be structurally embedded within the systems and structures of the organization.
- sustainability should be developed bottom-up.
- sustainability can actually contribute to the economic and financial performance of companies.

Finally, the results indicate that most companies coordinate their sustainability activities and have a level of management responsibility for sustainability within the organization.

Driving factors

While motivations primarily relate to internal reasons companies have to engage in sustainability ('inside-out'), drivers tend to reflect the results of analyses of the external business environment, such as a SWOT analysis ('outside-in'). When asked to indicate on a 10-point scale what factors companies deem most important for spurring their attention for sustainability, **national and international sustainability standards** come out as the highest scoring factor overall. The results show that this factor is substantially more important for large enterprises than for small and medium-sized enterprises (7.30 vs. 6.28).

Law and regulations seem appear to be the second most important driving factor of sustainability for companies; this factor even has the most scores of 9 and 10 among the respondents. Interestingly, for family-owned companies, law and regulations are a substantially less important driving factor than for other companies (5.87 vs. 6.86). For institutionals, this factor is actually substantially more important than for other companies (7.34 vs. 6.38). Similarly, law and regulations is a substantially more important factor

for large enterprises than for small and medium-sized enterprises (7.13 vs. 6.24).

Also, overall **ideas from employees** scored relatively high as a driving factor for sustainability as well as market demand for sustainability. Interestingly, **what peer companies do**, and this relates to both direct competitors and sustainability leaders, appeared to be less important.

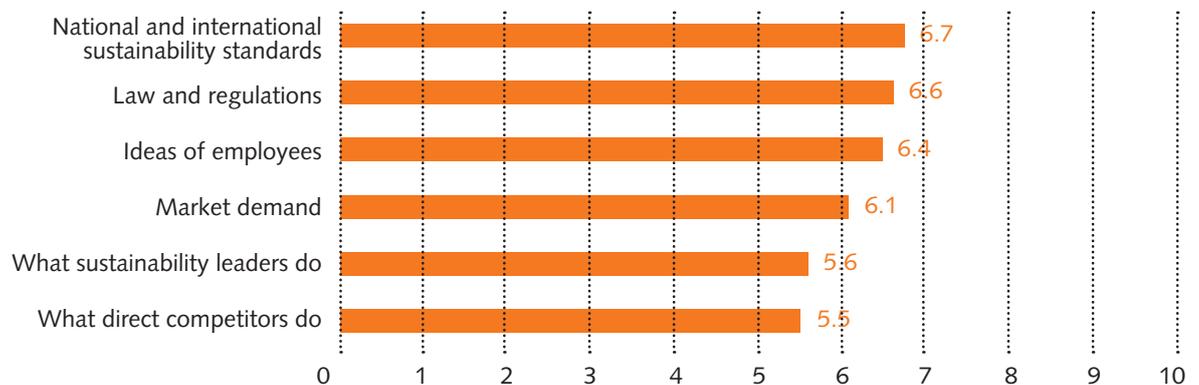
In sum, compliance aspects, whether they relate to standards or law and regulations, seem to constitute the primary category of driving factors for companies when it comes to sustainability. The results hence seem to suggest that **sustainability is not crucial for differentiating the company from its competitors, but serves as an important part of companies' license to operate.**



The new shareholders specifically asked for a sustainability policy. This call does not surprise me: sustainability also means reducing accidents and insuring assets.”

- Christine Vanoppen, LINEAS

Driving factors of sustainability



The role of the government

Companies were asked to what extent they would agree with the statement that sustainable business should be required by government (e.g., through law and regulations).



Undoubtedly, the biggest challenge is the role of the government. Or, better, the role that the government currently does not take. The government is the only one that can design, implement and enforce a new economic model.”

- **Didier Pierre, NNOF**

In the group of respondents that said their company currently has attention for sustainability, it appeared that 44% indicate that they would somewhat or entirely agree with this statement, while only one in four respondents was indifferent to it.

For the group that has no attention for sustainability, most respondents were indifferent towards this. However, in sum, **more respondents disagreed than agreed with this.**

Internal barriers

Looking at the barriers for implementing sustainability, a distinction is made between the location of the barrier within the organization and the type of barrier that is most prominent. As for the former, employees are considered as the most important internal barrier for implementing sustainability by companies. Whereas management is also in many cases seen as a serious barrier, boardroom directors surface as the least important barrier. As for the type of barrier, companies indicate that a lack of knowledge about sustainability is the main barrier when implementing sustainability, followed by a lack of time and enthusiasm for sustainability. When it comes to lack of time, it should be noted that this result may be caused by the fact that sustainability is not yet fully integrated within most companies and hence they (assume they) need to dedicate additional time to plan and manage it. Interestingly, lack of money to invest in sustainability and lack of importance attributed to sustainability are mentioned as internal barriers that are perceived as somewhat less important.



Cooperation between different value frameworks is difficult. You can have the same objectives, but even then success in the field of sustainability is still not evident. I am convinced that people with the right value frameworks in important positions within our company have enabled the pace of development we have gone through.”

- **Ann Vandenhende, Spadel**

The fact that employees surface as the main barrier is an interesting and somewhat counterintuitive result, since ideas of employees have also been identified as a relatively important driving factor for having attention for sustainability. While the data from this research do not offer an explanation for this, it may point at an intricate problem that companies are experiencing: while they identify employees as an important factor in spurring sustainability within the organization, they find it quite difficult to see how they can enable their employees in practice to do so and engage and motivate them for sustainability. In other words: **identifying the solution is easier than putting the solution into practice.**

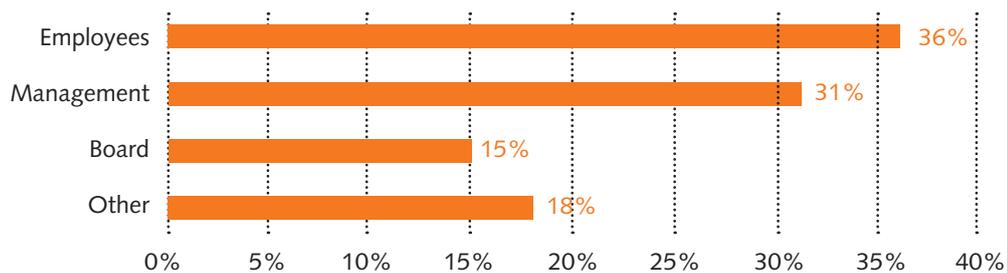
Hence, these results again suggest that employee programs have an important role to play in the implementation of sustainability within companies. Through HR policies, for instance, employees can be stimulated to become better engaged in companies' sustainability initiatives from the start (also see the section 'Lessons learned').



In the organizational structure of Biobest there is currently no specific role for sustainability. We try to integrate sustainability in every department and into every position in the hierarchy. We are convinced of the idea that every employee has to make decisions with sustainability in the back of their minds.”

- Jean-Marc Vandoorne, Biobest

Most important internal barrier for implementing sustainability



External barriers

The results clearly indicate that companies experience external barriers for implementing sustainability both upstream and downstream. Although the percentages for the different external barriers are relatively close, **suppliers appear to be the most important external barrier** for implementing sustainability (18%), closely followed by investors and financiers as well as customers (both 15%).

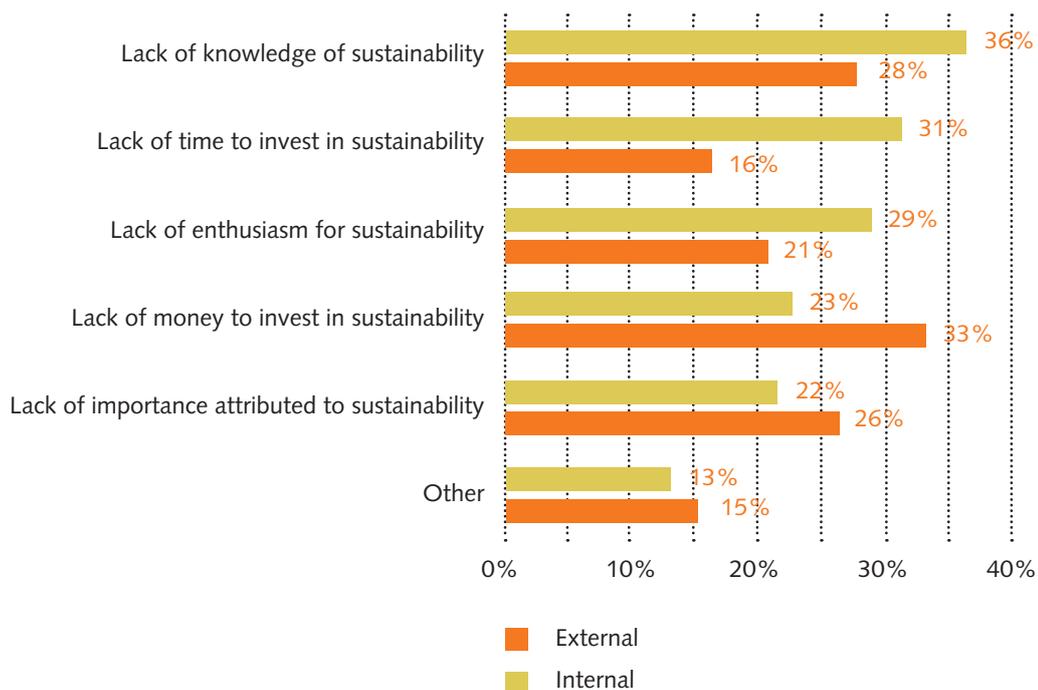
Looking at the type of barriers, a slightly different picture emerges compared to internal barriers, though: respondents indicate that a lack of money to invest in sustainability is the most important external barrier. While lack of time was seen as an important internal barrier, this barrier is mentioned as the least important barrier when it comes to external barriers, according to respondents.

Lessons learned about implementing sustainability

Many lessons were mentioned by respondents when asked what their top-3 most important lessons are when it comes to implementing sustainability. Within the large diversity of lessons (see below), three recurring themes can be distinguished.

The first theme relates to the importance of structurally embedding sustainability. Companies indicate that sustainability should become part of both the existing operation, strategy and vision rather than being relatively uncoupled from the reality business. As one respondent notes within this theme: “When sustainability is not integrated into the core business of companies, it remains but a layer of veneer. As a consequence, all credibility will be lost.”

Type of barrier for implementing sustainability



Obviously, this also relates to top management support for sustainability, which was earlier identified as a barrier for implementing sustainability. As another respondent indicates: “When the top of the organization does not have a vision or strategy or simply does not want to go this way, implementation will never succeed.”

The importance of developing sustainability bottom-up is the second theme. Many respondents recognize the crucial role of employees in developing sustainability and a culture of sustainability within their company. This aligns with companies identifying employees as an important driver. As one respondent notes: “For sustainability to really work, you have to make sure that it is translated into the realm of employees and how they experience working at the company. You need to make it relevant and useful for them.”

The results also indicate that respondents find this theme a difficult one, as they observe that this relates to a change of mentality and change management and that it implies breaking through silos within the organization. This may help explain why companies have also identified employees as a barrier for implementing sustainability, although it clearly relates to organizational culture and structures as well.

A third theme that surfaces from the results is that sustainability can actually contribute to better economic and financial performance of the organization, although this seems to be particularly interpreted from the perspective of cost-savings rather than increasing revenues. On the other hand respondents indicate that cost savings may be realized on the long-term as well and that sustainability may require large upfront investments. This seems rather contradictory, but it is not. Small cost cuts can be made fairly quickly, while larger cost cuts take investments and time to become profitable.



We experience that it is difficult to realize behavior change. Nobody loses a night’s sleep over one or two meals wasted in a department of a hospital, but many small amounts accumulate to make a large amount.”

- Annick Wauters, ZNA

Organizing sustainability

Looking at the ‘organization’ of sustainability within companies, the results show that

- 29% of the respondents have an internal sustainability working group, consisting of multiple employees and managers.
- around one in five companies have a dedicated sustainability manager or coordinator (not necessarily full-time),
- 16% has a sustainability department (mainly larger organizations).
- in 27% of the cases a director within the company has sustainability within his or her portfolio.

These results clearly show that most companies coordinate their sustainability activities and that there is a level of management responsibility for sustainability within the organization.

19.1

Percentage of companies that has a dedicated sustainability manager or coordinator.

Developing sustainability within the organization through a bottom-up approach was one of the main lessons learned by companies. Allowing employees to express their ideas on sustainability is one way to engage them. When asked to indicate the extent to which companies actively engage with employees to express their voice in developing the development of sustainability, 72% of the companies indicated that employees have some or a lot of opportunity to do so. This suggests that most companies value the input of their employees and probably see building support among employees for their sustainability strategy as a crucial success factor.



Throughout the organizational structure there is a vertical line that is in charge of all kinds of sustainability aspects, the so-called CSR committee. This committee is mandated to communicate about sustainability to the board. Currently, there are 17 people in this committee from various backgrounds and functions.”

- Jan Daem, Barco

It is important to note that this result does not say anything about the actual input by employees; it is only an indication of the opportunity companies offers them to do so. **Flemish companies appear to offer employees a lot of opportunities to express their voice on sustainability: 31% compared to 8% for Walloon companies.** Companies that consider themselves sustainability leaders, indicate that their employees have clearly more opportunity to influence the development of sustainability when compared to companies that are in an early stage of sustainability.

Part III.

The future of sustainable business: robustness and prospects

The story in short

Companies indicate that the attention for sustainability can potentially fade quickly, possible because many of them take a compliance approach towards sustainability and that sustainability is dominantly inward-oriented. However, this is less the case for sustainability leaders when compared to companies in a more advanced or early stage of sustainability.

Embedding sustainability into a company's systems and structures as well as the presence of leadership for sustainability within the company are the most important factors for making sustainability robust.

Most companies, including those that currently have no attention for sustainability, indicate that they will have (much) more attention for sustainability in the near future, making those companies that will have no attention for sustainability an exception to the rule. A majority of the companies expect the impact of sustainability on strategic decision-making to grow during the coming three years.

The robustness of sustainability

Starting a sustainability initiative within a company is one thing, but the actual proof of the pudding lies in being able to continuously develop sustainability. This especially applies to developing sustainability in the face of adverse events.

In order to determine the extent to which the attention for sustainability is robust (or durable) within companies, respondents were asked to indicate their level of agreement with several statements on a 7-point scale. Interestingly, and perhaps worryingly, the results show that companies tend to agree with the statement that the attention for sustainability can potentially fade quickly.

3.96

Average agreement score on a 7-point scale for the statement that the attention for sustainability within the company can potentially fade quickly.

This may be explained by the fact that many companies take a compliance approach towards sustainability and that sustainability is dominantly inward-oriented. Initiatives aimed at reducing water, energy, and waste, for instance, will probably be quick wins. Companies would subsequently have to seriously invest in further reductions.

Also, taking into account that law and regulations and sustainability standards

are among the most important frames of reference for companies in developing sustainability, it is clear that sustainability will likely result in limited economic or financial benefits for many companies and is not actually linked with the core business of companies. When other priorities rise, the level of attention for sustainability could fall back rather easily.

It is important to note that the finding 'attention for sustainability can quickly fade' applies to the entire set of respondents. Thus including companies that consider themselves to be at a relatively mature stage of sustainability. Still, companies that consider themselves as sustainability leaders tend to agree less with this statement than companies in a more advanced or early stage of sustainability. Also, Walloon companies indicate more strongly than Flemish companies that sustainability can fade quickly within their organizations.

In sum, the attention for sustainability within Belgian companies can be labelled only somewhat durable.



To future entrepreneurs I say: dare to confront your fears and realize the necessity of sustainability. Not only because it is a legal requirement, but because we should want it. Economy and ecology are in constant tension with each other. Leadership means standing rightly within this tension.”

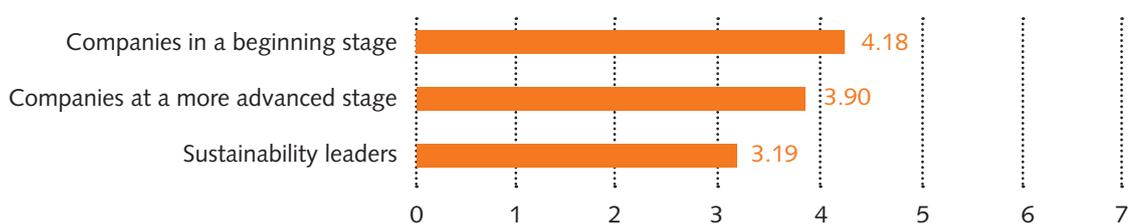
- Joost Callens, Durabrik

According to the responses of sustainability leaders, two factors scored the highest for determining the level of robustness:

- the embeddedness of sustainability within the organization's systems and structures
- the presence of leadership for sustainability

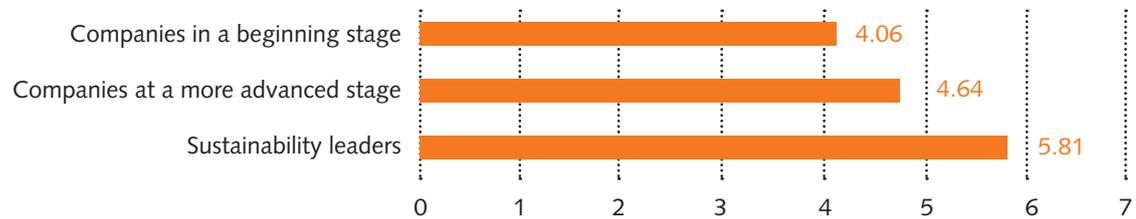
Attention for sustainability can fade quickly

(7 = totally agree)



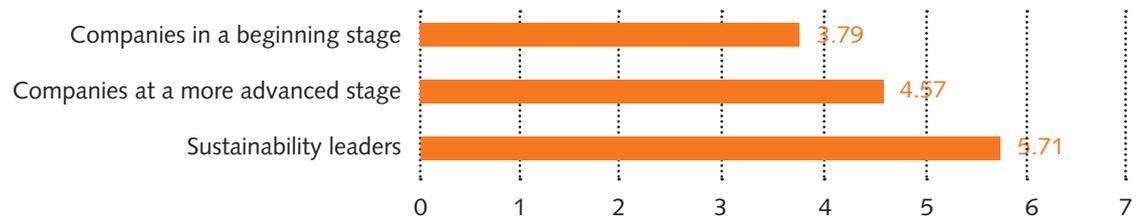
Embeddedness of sustainability within systems and structures

(7 = totally agree)



Presence of sustainability leadership

(7 = totally agree)



Sustainability leaders attribute a score for this factor of 5.81 (again on a 7-point scale) compared to 4.64 and 4.06 for companies that are in an advanced and beginning stage of sustainability respectively.

This indicates that sustainability leadership is something that co-evolves over time with the maturity stage of the organization rather than being a precondition for starting or developing sustainability from an early stage.

Interestingly, a relatively low score was found for the factor ‘Customers of my organization are aware of the attention my company has for sustainability’ for companies that are in a more advanced stage of sustainability (4.62). Taking into account the earlier finding that market demand is an important driver for sustainability, this seems to suggest that **customers are particularly an important factor for starting sustainability within a company or for companies that are in a beginning stage of sustainability, but less so for companies that are in a more advanced stage of sustainability.**



Sustainability is multidimensional and asks for broader frame for corporate decision-making and making choices. That is why continuous attention and training on leadership level is necessary.”

- Ann Vandenhende, Spadel

The future of sustainability

Looking at the future of sustainable business within Belgium, these are the responses of companies that already have attention for sustainability:

- Half of the companies indicate that they will have somewhat more attention for sustainability in the coming years.
- One in five companies say that they will have much more attention for sustainability the coming years.
- Around one in four companies indicates that the level of attention for sustainability will be the same as it is now.
- 6.0% will have less attention for sustainability the coming years.

For the companies that indicated that they currently have no attention for sustainability:

- 62% indicate that they expect the attention for sustainability will somewhat or strongly increase.
- 38% say they expect they will still not have attention for sustainability in the coming years.

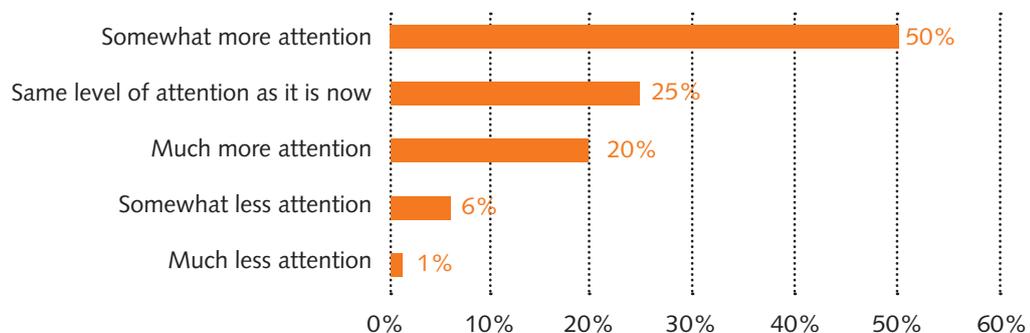
In sum, these results suggest that the vast majority of Belgian companies will have at least some level of attention for sustainability and that the companies that will not have attention for sustainability will be even more of an exception to the rule.



The industry evolves in the direction of sustainability, which prompts our company to follow this development and even take the lead.”

- Jan Daem, Barco

Future attention for sustainability

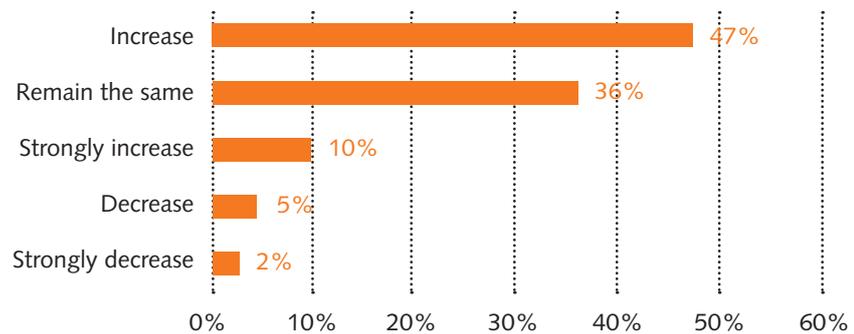


Consistent with the overall increasing level of attention for sustainability, companies expect the impact of sustainability on strategic decision-making to grow during the coming three years:

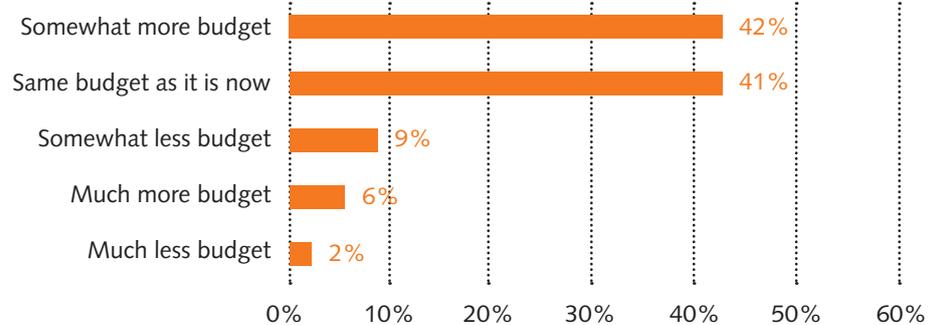
- Almost six in 10 companies indicate that this impact will be greater
- One-third of the respondents say this impact will remain on the same level as it is now
- 7% think the impact will decrease.

A similar pattern occurs when looking at the **development of the budget for sustainability** within companies, although there is one difference: the percentage of companies responding that there will be somewhat more budget available (42%) is similar to that of companies indicating that the budget will be the same as it is now. These results suggest that, **overall, companies are planning to do more in terms of sustainability with similar budgets.**

In the next 3 years, the impact of sustainability on strategic decisions of my organization will...



Expected development of sustainability budget in the coming years



Intermezzo B: Did you know that...?

The results of this research appear remarkably consistent over the different demographical categories included in the questionnaire. Nonetheless some findings regarding sustainable business in Belgium stand out, notably regarding company type and regional differences.

- Using sustainability standards as a point of reference for implementing sustainability within the organization appears much more important for **large companies and institutionals** than for other company types.
- More often than larger enterprises, **small and medium-sized enterprises** tend to prioritize more often either people or planet topics. Large enterprises generally choose a more balanced approach towards sustainability.
- An orientation on laws and regulations appears much less of a determining factor for sustainability in **family-owned companies**.
- For **institutionals**, such an orientation on laws and regulations is more important than for other companies. Within this group, focusing on product innovation and changing the business model are relatively unimportant orientations towards sustainability.
- **Sustainability leaders**, on the other hand, appear more oriented on product innovation than companies in earlier stages of maturity.
- **Flemish companies** appear to offer employees more opportunities to express their voice on sustainability than Walloon companies.
- For **Flemish companies**, attention for sustainability appears to be a bigger reason for developing their innovative capability than for Walloon companies. The same applies to the potential benefits of sustainability to improve corporate image and differentiating the company from competitors.
- Overall, **Flemish companies** see substantial more benefits of having attention of sustainability when compared to their Walloon counterparts.
- The orientation of **Walloon companies** towards sustainability is much less focused on product innovation than with companies from Flanders.
- **Small and medium-sized enterprises** more often say that their attention for sustainability will increase in the coming years than large companies.
- **Companies from Flanders** indicate more often than their Walloon counterparts that there is leadership for sustainability within their organization.
- **Walloon companies** indicate more strongly than companies from Flanders that their attention for sustainability can potentially fade quickly.

Sustainability in practice: 9 lessons, tips and suggestions

1. Make a list of existing initiatives (if any), such as the use of sustainability frameworks and standards and employee projects.
2. Define the sustainability strategy. Make sure it's aligned with and integrated in the company's dominant strategy (cost reduction, customer value, innovation) and identify the impact, risk and opportunities.
3. Link sustainability to the company's key values and DNA. This can be achieved by:
 - Looking at how much sustainability fits in with existing key values
 - Adding sustainability as a key value.
4. When implementing the sustainability strategy, select and focus on priorities and make sure that you get those right.
5. Formulate goals based on the priorities and define concrete milestones and performance indicators. That way you can monitor and evaluate progress. Regularly review these sustainability goals and the approach taken.
6. Ensure support for sustainability inside as well as outside the organization. You can do this by:
 - Communicating and starting a conversation with customers, suppliers and stakeholders why sustainability is important to the company.
 - Demonstrating senior management support for sustainability.
 - Organizing community projects (preferably connected to your core business).
7. Create an environment in which your organization and employees can learn about sustainability and its implementation. Organize internal trainings where you discuss and explain:
 - Why the company has attention for sustainability.
 - What the main priorities are.
 - How sustainability is organized.
 - How employees can contribute.
 - Sustainability dilemmas between people, planet and profit.
8. Ensure a balance between a central direction and local initiatives:
 - A central direction ensures efficient decision-making on the strategic level and coordination of activities.
 - Local initiatives ensure a practical translation of sustainability to the different departments and functions, an increased level of support and involvement, and input for improvement from within the organization. Starting small and locally is an option. Later on, the initiatives can be brought together through an overall policy.
9. Sustainability should become part of your organization's culture and behavior. This takes times and requires patience. Emphasize it constantly and integrate it in your HR, employee objectives and remuneration schemes.



I am convinced that sustainability and sustainable business will not go away from the societal agenda. It has earned its place and it will stay there.”

- Sabine Schellens, Aquafin

An infographic as well as the cases regarding this 'Sustainable Change' project are available at:
www.antwerpmanagementschool.be/sustainablechange

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