

Sustainability as a Strategy

A new survey shows that consumers around the world are willing to pay more for products from companies that practice social responsibility, and the largest IPO ever involves a company that prioritizes customers and employees over shareholders.

The debate about whether sustainable socially and environmentally responsible corporations report more favorable financial results for shareowners has carried on for many years.

Studies have already shown that highly motivated, more productive employees lead to lower turnover and training costs as well as an improved bottom line. In addition, investments in local charitable organizations and other efforts to burnish reputation also appear to result in positive returns. But the most difficult connection to demonstrate is that customers are willing to pay more for a product made by a company that at least tries to achieve broad social good. Now a recent survey by global consumer research firm Nielsen Holdings N.V. indicates a strong link between consumer actions and their wishes for positive social impact.

The survey report, "Doing Well by Doing Good," is based on an online poll of 30,000 respondents

in 60 countries. The purpose of the survey is to ascertain:

- ◆ "How passionate consumers are about sustainable practices when it comes to purchase considerations.
- ◆ "Which consumer segments are most supportive of ecological or other socially responsible efforts.
- ◆ "The social issues/causes that are attracting the most concern."

The methodology for the study includes consideration of age and gender for each country based on its Internet users, and it's weighted to be representative of Internet consumers. It's based on claimed behavior rather than objective measurement.

Willing to Spend More

The findings show that 55% of global respondents "say they are willing to pay extra for products and services from companies that are committed to positive social and environmental impact." This is an increase from 50% in 2012 and 45% in 2011. The Asia-Pacific (64%), Latin America (63%), and Middle East/Africa (63%) regions express a stronger willingness than the global average. These percent-

ages have increased nine, 13, and 10 percentage points, respectively, since 2011. While the purchasing sentiment in North America (42%) and Europe (40%) is lower than the global average, these regions have increased seven and eight percentage points, respectively, since 2011.

The survey found similar results to a question about whether consumers had made a recent purchase from a socially responsible company. "More than half of global respondents (52%) say they have purchased at least one product or service in the past six months from a socially responsible company, with respondents in Latin America (65%), Asia-Pacific (59%) and Middle East/Africa (59%) exceeding the global average. Four in 10 respondents in North America and Europe say they have made a sustainable purchase in the past six months." Nielsen Holdings supported these conclusions by reviewing comparative retail sales data relating to 34 brands in nine countries.

Importance of Responsible Companies

Other corporate initiatives to protect the environment, be sustainable, and act in socially responsi-



ble ways also are important to consumers. Globally, two-thirds of respondents prefer to work for a socially responsible company, 53% check information on product packaging to ensure sustainable impact, and 49% volunteer with and/or donate to organizations engaged in social and environmental programs.

Amy Fenton, Nielsen's global leader of public development and sustainability, provides a conclusion as to the importance of companies acting responsibly: "At the moment of truth—in store, online and elsewhere—consumers are making a choice and a choice that is heavily influenced by brands with a social purpose." She adds, "This behavior is on the rise, and we are seeing this manifest into positive impact in our communities as well as share growth for brands."

Generational Responses

Nielsen's business collaborator Natural Marketing Institute (NMI) performed a separate nine-country online study looking at the ages at which customers are more likely to respond favorably to sustainability efforts. The goal was "to separate the passive eco-friendly consumer from the passionate [one]" and to better "understand how global attitudes and behaviors are changing with regard to sustainability engagement."

Millennials (ages 21-34) are by far the most responsive to sustainable companies with goals to serve all stakeholders—social and environmental as well as financial. Of the Millennial respondents, 51% pay extra for sustainable products, 51% check packaging to ensure

positive environmental impact, and 49% prefer to work for a sustainable company. Generation X (ages 35-49) respondents are the next most responsive (25%, 25%, and 26%, respectively). Respondents in the Silent Generation (age 65 and older) are least responsive (3%, 2%, and 3%, respectively).

Fenton emphasizes the importance of brand promotion of sustainability: "Precision marketing and knowing your consumers intimately will yield the greatest results. It's no longer a question if consumers care about social impact. Consumers do care and show they do through their actions. The question is 'how is your brand effectively creating shared value by marrying the appropriate social cause and consumer segments?'"

Areas of Concern

Half or more of global consumers list six causes as areas of extreme concern. They are increasing access to clean water, improving access to sanitation, eradicating extreme poverty and hunger,

For guidance in applying the *IMA Statement of Ethical Professional Practice* to your ethical dilemma, contact the IMA Ethics Helpline at (800) 245-1383 in the U.S. or Canada. In other countries, dial the AT&T USA Direct Access Number from www.usa.att.com/traveler/index.jsp, then the above number.

combating noncommunicable diseases, ensuring environmental sustainability, and reducing child mortality.

For companies that want to incorporate efforts to address some of these areas into their practices, the study concludes that a five-part approach is required for success in utilizing sustainability as a brand strategy:

1. "VISION. Be clear, actionable and global.
2. "ENDORSEMENT. Get adoption and action from senior leadership.
3. "STRATEGY. Focus on outward messaging and consistent cause messaging.
4. "ACCOUNTABILITY. Use key performance indicators, internally and externally.
5. "MEASUREMENT. Quantify program outcomes and return on investment consistently across markets."

Alibaba Group Inverts Stakeholder Priorities

Another recent development that suggests the benefits of incorporating sustainable business practices is Alibaba Group's recent initial public offering (IPO), the largest IPO ever. This Chinese company is unique in many respects. It operates as both a wholesaler and a retailer, calling itself a high-technology marketplace where buyers and sellers meet. The prospectus for its IPO contains a very unusual objective for the company: "Our mission is to make it easy to do business anywhere." The document also describes the importance of the company's culture: "We view our

continued on page 61

Ethics

continued from page 14

culture as fundamental to our success and our ability to serve our customers, develop our employees and deliver long-term value to our shareholders.”

Note the order of the stakeholders in that quote. Alibaba intentionally serves customers first, employees second, and shareholders third. This is one of the more significant differences between this rapidly growing company and western companies whose incorporation laws require shareowner interests to be paramount. In an interview with CNBC, the executive chairman of Alibaba Group, Jack Ma, spoke about prioritizing customers first. He believes that if the customer is happy, the company will succeed and shareholders will ultimately benefit. In terms of sustainable practices, Ma noted that the success of the IPO wasn't just the money but a sign of trust. And he believes delivering on that trust involves further developing the company's ecosystem, which includes helping small businesses not only in China but around the world.

Time will tell whether the Alibaba approach is successful in the long run. In the meantime, consumers and investors are paying more attention to issues of sustainability, and companies need to consider these issues when formulating strategy. **SF**

Curtis C. Verschoor, CMA, CPA, is the Emeritus Ledger & Quill Research Professor, School of Accountancy and MIS, and an honorary Senior Wicklander Research Fellow in

the Institute for Business and Professional Ethics, both at DePaul University, Chicago. He also is a Research Scholar in the Center for Business Ethics at Bentley University, Waltham, Mass., and Chair of IMA's Ethics Committee. He was selected by Trust Across America—Trust Around the World as one of the Top Thought Leaders in Trustworthy Business—2014. His e-mail address is curtisverschoor@sbcglobal.net.