

The stakeholder equation:

Driving sustainability together



Introduction

Sustainability unleashed: A shared responsibility

Companies face growing pressure from every corner of society to be more sustainable, but if business leaders respond to each demand in isolation, they will fall short. Instead, they must engage with and get support from a diverse range of communities and stakeholders to make their businesses more sustainable.

Our new research flips the script, exploring what business leaders need from key stakeholders whose influence and input significantly shape corporate sustainability strategies. Rather than focusing solely on the demands placed on companies, our study emphasises the often-overlooked needs of businesses to achieve their sustainability goals. It underscores the importance of mutual understanding and collaboration, starting with the acknowledgment of what companies require from others to thrive.



[Chart 1]

The sustainability support network: The number one action that companies want from each of their stakeholder groups

Investors/shareholders	Guidance on environmental strategy
Government	Greater regulation and binding frameworks on environmental matters
Customers	Feedback on social and environmental priorities and views on deal-breakers when selecting a product or service
Employees	A focus on sustainability as part of their work
Non-governmental organisations	More pilot projects
Suppliers	Transparency in their emissions data
Industry peers	Co-investment initiatives to develop innovative technologies
The scientific community	More cross-sector partnerships
The next generation	A dialogue about what kind of future they want

We surveyed global leaders of large companies in a range of sectors to find out where they stand, and we discovered that many of today's business leaders are progressive thinkers. Forty-five percent, for instance, say they are willing to sacrifice profits for sustainability. A majority agree that so-called degrowth is essential for a sustainable future. And many believe that there are more inclusive ways to measure success than through GDP.

This is encouraging, but it also raises questions. Business leaders seem to have positive intentions, but are they making enough progress on sustainability? Where are the best opportunities to go further or speed things up? And what can businesses' stakeholders do to help them do more?





In exploring those questions, our research found that:

- **Driving sustainability is all about teamwork**, with business leaders and key stakeholders working in harmony. By understanding and tackling the needs and challenges of each group, companies will create a much more robust and practical sustainability strategy. It's equally important for companies to be clear about what they need from stakeholders and to communicate it in order to keep everyone on the same page.
- **A significant part of the challenge is the mindset that leaders bring.** Effective sustainability leadership involves a range of critical skills and attitudes – especially the willingness to embrace uncomfortable situations and to have tough conversations. Leaders who actively organise contradiction and welcome diverse perspectives tend to make real progress.
- **Revisiting traditional ways of prioritising stakeholders is also crucial.** By reassessing which stakeholders are most important for sustainability goals and dealing with potential points of friction, leaders can better manage these relationships and inspire their organisations to achieve meaningful sustainability outcomes.

The views and opinions expressed in this article are those of the participants of the survey or interviewee and do not necessarily reflect the views or opinions of ING.

Society is transitioning to a low-carbon economy. So are our clients, and so is ING. We finance a lot of sustainable activities, but we still finance more that's not. See how we're progressing on [ing.com/climate](https://www.ing.com/climate)

Part 1.

Navigating stakeholder harmonisation

Even the most efficient and forward-thinking leaders face challenges when juggling the views and demands of a mix of internal and external stakeholders. Our research suggests that although business leaders have a clear understanding of what they need from their stakeholders, getting it can be a struggle. How can they change that?

One place to start is by categorising and prioritising stakeholders: business leaders need to work out who is crucial to each part of their sustainability goals. To do so, they will need to shift their thinking away from a more traditional, financially-driven mindset. Our study suggests, for example, that by prioritising the views of shareholders or government, business leaders may be taking a business-as-usual rather than a sustainability-focused approach.



Next, business leaders need to look at where there's friction when they try to collaborate on sustainability. For the leaders in our survey, there are four main areas:

- 1. Conflicting agendas.** Each group of stakeholders has its own priorities, which makes it difficult to get everyone to move towards the same sustainability goal.
- 2. Leaders lack confidence.** When leaders lack confidence in their own abilities, it's difficult to get stakeholders on board and collaborate.
- 3. Poor information flows.** A lack of communication channels, connections and information silos can block the spread of important sustainability-related data and insights.
- 4. Resource constraints.** Limited resources, whether financial, human or technological, can really slow down companies' sustainability progress.

If they can smooth out these areas of friction, business leaders will be in a position to form good stakeholder relationships and push for better sustainability outcomes.

1. Agendas in conflict: balancing stakeholder priorities

Business leaders say that four groups of stakeholders are especially important in terms of their potential to help them achieve their sustainability goals. Investors/shareholders, who provide capital, and the government, which sets sustainability regulations, are the most critical by some margin, followed by suppliers and customers. But to achieve their objectives, business leaders may need to rethink the way they prioritise stakeholders.

Friction points hold back progress

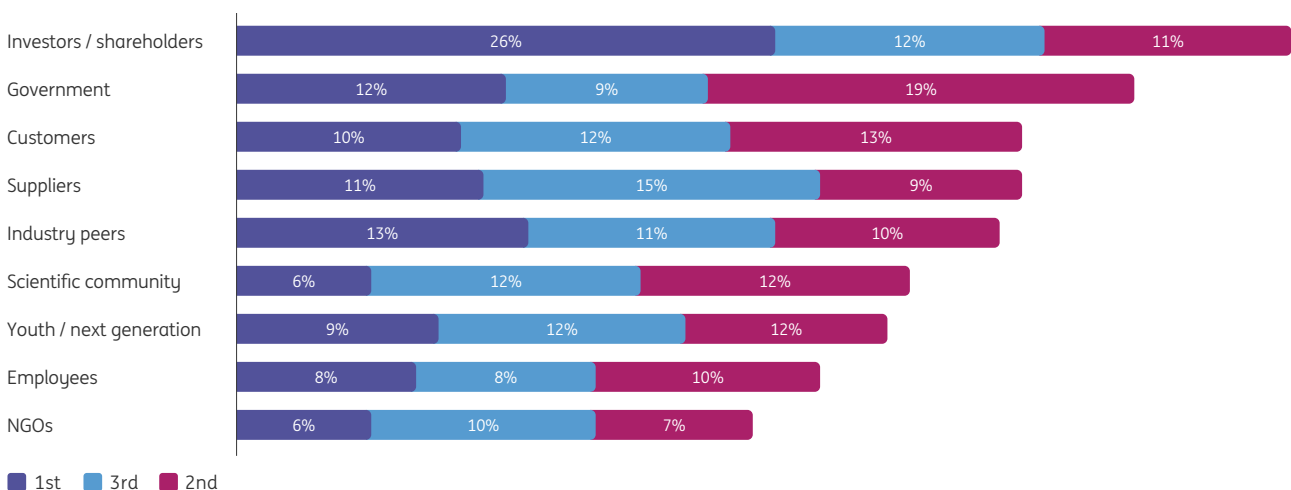
All stakeholder groups inevitably have different priorities and those priorities sometimes clash. Indeed, conflicting agendas emerge as the top point of friction for six of the nine groups of stakeholders in our survey.

When it comes to both investors/shareholders and government, 44% of the business leaders in our survey say conflicting agendas are the biggest source of friction. Looking at investors, a majority are investing with a short time horizon, often focusing on immediate gains rather than long-term value, influenced by quarterly earnings reports and market volatility. These investors won't want a company to devote resources to sustainability issues because they think it could be better used somewhere else.

As for government, priorities may clash altogether when policymakers and companies hold opposite views on how to achieve public welfare. Paul Lightfoot, general manager of Patagonia Provisions, a regenerative food business owned by the international retailer Patagonia, says there's a clear lack of alignment between his company and the US Department of Agriculture (USDA), which administers the farming system. "There have been some initiatives over the past couple of years that are very good, but the bulk of the USDA's

[Chart 2]

Investors/shareholders are businesses' most important stakeholder as they try to become more sustainable





work is causing our problems,” says Lightfoot. “In the US, most of our farmland is grown into feed for industrial animal operations with the help of synthetic fertilisers made from natural gas. It means that our farming operations are basically a factory for the climate crisis and are contributing to the extinction crisis.”

2. Leadership confidence gap: bridging the divide

Many leaders are confident that their organisation can confront its sustainability responsibilities: 85% believe in its ability to transition to net zero by 2050, and 59% say the same about transitioning to a fully sustainable business model by 2035. But their personal confidence in driving sustainable transformation is somewhat muted. Nearly half of the business leaders in our survey (61%) say their contribution to their company’s sustainability efforts is either just average or low, yet 71% say their peers are performing strongly.

They praise their industry peers for their “systematic steps towards sustainability”, “strong policies and procedures”, “determination to stay competitive”, and “effective stakeholder engagement”. But they find it challenging to collaborate with their own colleagues: 37% of business leaders say their biggest challenge in sustainable transformation is getting other departments on board.

And there are other challenges: about one-third (32%) say they have gaps in their knowledge about sustainability, and 30% say their personal KPIs and incentives don’t motivate them to work towards sustainability – they are encouraged to prioritise revenue growth instead, and too many competing priorities mean they lack the time needed to focus.

“It’s about being able to craft a story that’s simple enough for people to understand but ambitious enough for people to be proud of it”

Timo Nurmi
Head of Communication, Strategy and Sustainability
at Posti Group

[Chart 3]

Business leaders have their own challenges as they work on sustainable transformation

Challenges getting other business teams to engage and collaborate on sustainability initiatives

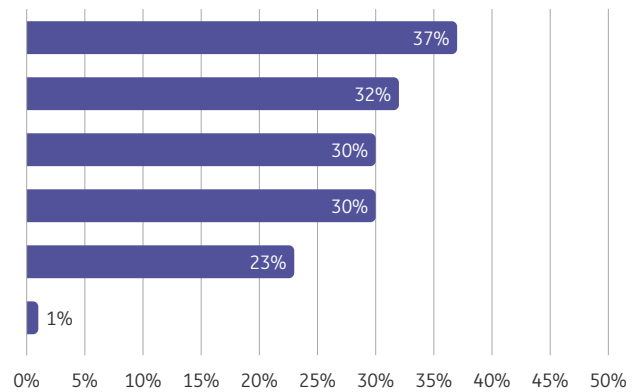
Gaps in my knowledge / expertise on sustainability issues

Personal KPIs and incentives don't focus enough on sustainability / Pressure to prioritise revenue growth

Lack of time to focus on sustainability initiatives / Too many competing priorities

Not given enough autonomy/empowerment to make changes I want to implement

No challenges



Leaders need to sell the story

Timo Nurmi, head of communications, strategy and sustainability at Finnish logistics business Posti Group, says leaders need more help to develop and articulate a narrative on sustainability. "It's about being able to craft a story that's simple enough for people to understand but ambitious enough for people to be proud of it," says Nurmi. "You need the tools to talk about these issues – and to create a story that unites people internally and externally."

Leadership confidence is crucial to progress on sustainability. "When I think of the constituents that are important and helpful to me, I start with the board of Patagonia," says Lightfoot. "It gives Patagonia the chance to think long term and to do the right things."

When business leaders give clear directions and set consistent policies to improve collaboration, it smooths the path to greater sustainability. This kind of strong leadership will also inspire confidence throughout the organisation. A top-down approach, with the right resources and regular check-ins, gives teams and

functions across the business both the means and the mandate to work together effectively.

That's not to suggest bottom-up efforts are not also helpful. Organisations have many opportunities to tap into grassroots creativity and maintain engagement. "My colleagues all believe in the mission of the organisation and that we've all got an important role to play in it," adds Lightfoot. By blending top-down and bottom-up approaches, leaders avoid the pitfalls of a rigid hierarchy, achieving the best of both worlds.



3. Information flow challenges: unlocking coherence

Without effective communication with different stakeholder groups, sustainability decision-making falls apart. Our research suggests that businesses aren't doing enough to communicate with stakeholders, and that stakeholders are sometimes unresponsive.

Scope 3 emissions are a good example of poor communication, potentially due to shifting priorities. Businesses are under pressure to report data on their supply chains' carbon footprints, which in many industries account for a substantial proportion of total emissions. But Scope 3, which was a top concern in our previous research, is at the bottom of many companies' priorities over the next 12 months. This may be why companies are not focusing on collecting and analysing this crucial data, leading to a majority (60%) reporting unmet Scope 3 reduction targets.

Even where organisations are prioritising certain areas of sustainability, the quality of information can be a challenge. In our survey, businesses say their social impact is a sustainability priority for the next 12 months. But social sustainability involves complex issues such as labour practices, community impact and fair trade, which are not as easily quantifiable or visible as carbon emissions. This may explain why independent studies have warned that [getting hold of meaningful and credible data in this area is difficult](#).

Dialogue overcomes differences

42 percent of business leaders say that governments are not responsive enough, and 35% say the same about investors/shareholders. Building stronger

channels of communication with these groups, and holding them to account, will be an important way for businesses to access information on sustainability.

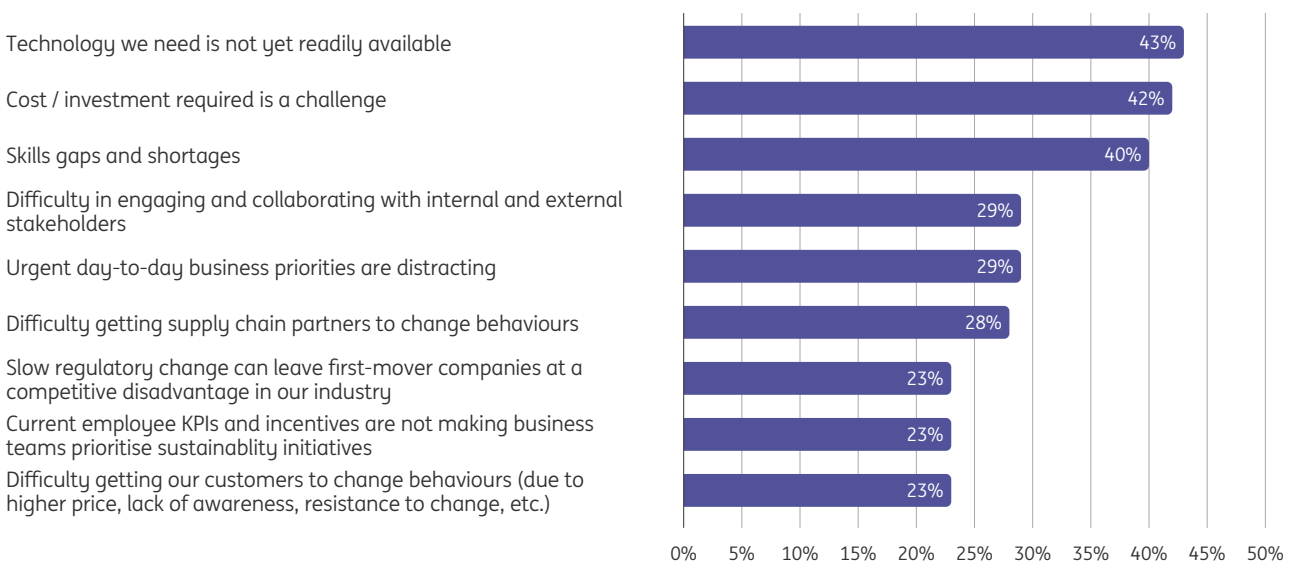
But businesses need to do a better job of gathering and sharing relevant data with all their stakeholders. Better communication and a more balanced approach to priorities could make a world of difference – and business leaders will need to address the sustainability puzzle holistically, rather than focus on the easiest areas.

“If I could change one thing in our industry, it would be that all stakeholders at any point in the supply chain, and also our consumers, would have an understanding of the impact of their purchases,” says Patagonia Provisions’ Paul Lightfoot. “Transparency is what we need.”

More positively, about half of the business leaders in our survey believe that the important conversations about sustainability are now taking place: 47% say the right conversations are taking place at the company level, 47% at the national level and 49% at the international level. So business leaders are recognising that dialogue can align stakeholders' conflicting views and move sustainability initiatives forward.

[Chart 4]

To implement their sustainability strategies, businesses need better access to technology, funds and people





4. Resource constraints: paving the way for sustainability

Limited resources – money, people or technology – can put the brakes on sustainability work. It’s a major problem: 43% of business leaders say they don’t have the technology they need to implement their sustainability strategies, and 42% worry about the upfront cost of such plans. This concern is justified: sustainability initiatives often need upfront investment and pay for themselves over an extended timeframe.

People shortages are another problem: 40% of business leaders point to skills gaps. In this relatively young field, there simply isn’t enough talent to go around.

Stakeholder support can help to fill resource gaps

This is another area where stakeholders can help. Suppliers and industry peers, for instance, might be prepared to pool finances and skills. Investors may be able to offer significant support in discussing with policymakers.

Patagonia Provisions, for example, funded research into Kernza, a carbon-negative grain, in partnership with a research institute. It then shared its results with a large food group to encourage adoption. “We did a life-cycle analysis last year, and it shows that Kernza is strongly net negative on a carbon-emissions basis,” says Lightfoot. “It’s now becoming commercially viable, and

we’ve started to use it in our products these past couple of years.”

In Finland, Posti has helped its subcontractors to switch to fossil fuel-free vehicles by “setting up a roadmap to replace their fleet vehicle by vehicle”, says Nurmi. “We let our subcontractors test our vehicles and we also provide training.”

There’s also a role for government here, because policymakers can provide a more supportive environment for technology initiatives. Business leaders might need to work together to push for this kind of support.

Hoa Doan, head of impact and sustainability at Notpla, a UK regenerative packaging company explains how the organisation’s impact-driven investors have been pushing for natural polymers – seaweed – to be classified by governments as an alternative to plastic. This will allow Notpla to access the funding it needs to scale its product. “Our investors have been really helpful in terms of opening doors and calling for some of the wider policy changes around investments and grant funding,” says Doan.

Part 2.

Collaboration accelerators: Four steps to success

Achieving greater sustainability has to be a collective effort between businesses and their stakeholders. And for the businesses that can make the most of their stakeholders' knowledge, funds and data, progress will be more rapid.

There's a huge amount of sustainability work to do. Although 85% of the organisations in our research have reduced their Scope 1 and 2 greenhouse gas emissions,

only 40% have made progress on Scope 3. More than a third (35%) say they have not achieved their objective of helping local communities manage the impacts of climate change. And around 3 in 10 report low progress in improving the sustainability of their offerings, such as redesigning products and packaging, moving to a greener business model or developing new product and service lines that qualify as 'green revenue'.





So businesses need to get started. But what are the best ways to get stakeholders involved and leverage collaboration? According to our research, there are four areas where taking action will likely lead to more rapid results.

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Timo Nurmi
Head of Communication, Strategy and Sustainability
at Posti Group

1. Bold realignments: strengthening stakeholder bonds

The business leaders in our research are looking for more support from multiple stakeholders as they try to hit their sustainability targets. But this support will not magically appear – organisations will need to find common ground by aligning their goals and priorities with their stakeholders.

Alignment with **suppliers** is a good example. “We work very closely with the suppliers that provide our inputs in terms of making sure they align with our values,” says Notpla’s Hoa Doan. “We’re focused on the traceability of our materials, but we also work closely with suppliers to understand the energy they use.”

Investors, meanwhile, have their own sustainability commitments. They operate under rigorous regulatory regimes that are demanding more and more disclosure and accountability. Companies need to engage with their shareholders to ensure that they understand their sustainability agenda and its impact on performance and returns in the short and long term. This collaborative approach, with its emphasis on shared goals, will also encourage the sort of long-term relationship that businesses want with their investors.

Employees are ready to play a part in their organisation's sustainability work, but are too often given a passive role. Two-way engagement with staff gives them the opportunity to make a greater contribution. The business can also incentivise more sustainable behaviour with remuneration models that include relevant KPIs.

Staff are looking for change, according to Posti's Timo Nurmi, and they will go elsewhere if it doesn't happen. "Employees are our most important group in terms of achieving success with sustainability," says Nurmi. "If we aren't a sustainable company, it won't be long before we don't have any employees."

There will be opportunities with every type of stakeholder. **NGOs**, for instance, might be able to provide crucial support and advice. The most rewarding partnerships with this group will extend to innovative capacity-building programmes and joint initiatives that align with the environmental and social goals of both sides.

"We have lots of conversations with NGOs in the plastics space and with the scientific community," says Notpla's Hoa Doan. "We do lots of work to educate people and raise awareness about the benefits of our materials."

2. Transparency talks: fostering sustainable dialogue

Under pressure from multiple constituencies to move more quickly, and nervous about issues such as greenwashing, many organisations tend to be cautious and wary about sustainability. But a more transparent approach will win support from stakeholders and encourage mutually beneficial dialogue.

"Our experience is that there's a great deal of willingness to do more," says Doan. "People no longer want to be associated with the [plastic pollution] problem, and they don't want to be viewed as putting out misleading claims. They want total transparency and to be part of the solution."

Half of the business leaders in our research say that a sustainable business model will attract a **younger generation** of workers. So it makes sense to build that model in partnership with those workers. By working to understand their vision of the future and ensuring their perspectives shape the company's initiatives, businesses will move forward more rapidly on sustainability and build stronger relationships to drive recruitment and retention.



Similarly, 35% of organisations in our research say they are now looking to suppliers to be more transparent about their emissions. Developing collaborative frameworks with suppliers that employ shared data standards and collection processes will encourage engagement from both sides. Third-party audits provide a means through which to build trust and confidence in the data.

“We’ve collaborated with our food companies and given them a lot of our research,” says Patagonia Provisions’ Paul Lightfoot. “They’re starting to incorporate it into their own products; if they convert even a small portion of conventional wheat in the US to this perennial grain, it would do wonders for biodiversity, for waterways and for greenhouse gas emissions.”

Elsewhere, many businesses have spent years developing multiple methods of communication with customers, including embracing the opportunities afforded by digital technologies as these have emerged. It now makes sense to use these channels to engage in a dialogue around sustainability. Just as organisations are striving to secure customer insight to improve products and services, so they can leverage such channels to understand and incorporate customers’ environmental and social priorities.

3. Empowering leaders: new governance for increased confidence

Our research shows that leaders lack confidence in their ability to make sustainability advances. Many look at the progress of their peers but don’t feel they can emulate their achievements.

Leaders need more support to get up to speed on sustainability – with access to training, third-party advice and in-house expertise, for example. But they also need active encouragement: the 30% of leaders who say their personal KPIs and incentives encourage them to focus on revenue growth instead of sustainability will inevitably do that.

The goal should be to refresh the company’s leadership approach by embedding sustainability into the core mission, and governance can play an important role here. Which leaders are ultimately accountable for the organisation’s performance? How do they pursue sustainability improvements? Are boards spending enough time discussing these issues? The right frameworks will guide long-term planning, ensure resource efficiency and improve accountability.

Clarity is crucial, according to Posti’s Timo Nurmi. “We have just published a revised sustainability programme that’s clearer than before,” says Nurmi. “We have three themes – people, planet and society – and each theme consists of three focus areas. We have also recently announced our goal to be net zero on carbon emissions by 2040 – we were the first logistics company globally to get our goal approved by the Science Based Targets initiative.”





4. Shared problems, shared solutions: funding sustainability

Positive change is in all stakeholders' interests. That creates numerous opportunities to move forward in tandem with stakeholders – and therefore with more power – rather than to act alone. Identifying and pursuing these opportunities should now be a priority for organisations and their leaders.

Multiple stakeholders, for example, could play a role in pushing governments to offer crucial support. **Suppliers, industry peers, NGOs** and others all have a shared interest in policy changes such as greater support – subsidies and incentives, for example – for sustainability initiatives. “We have seen very positive change in Europe,” says Doan. “We have the plastic packaging tax in the UK, for example, and there’s a lot of work from governments trying to push businesses to really rethink the materials they use for packaging.”

Similarly, collaboration, even with unlikely partners, offers a way to overcome resourcing challenges. Industry peers prepared to pursue joint ventures may be able to share the costs of developing new technologies and solutions to drive sustainability advances. “We’re converting our trucks with our partners,” says Nurmi. “We’re going from diesel to electric – it’s cheaper for us all to convert than to buy new trucks on our own.”

Organisations in the same industry will often share similar pain points. It makes sense to put competitive instincts on hold in order to identify those common frustrations and to act in concert to address them through cross-sector partnerships.

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Hoa Doan
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Take it away: Leaders chart the course to sustainability

Implementing sustainability requires teamwork, with business leaders and stakeholders working in concert to address each other's needs and challenges, creating robust strategies through clear communication. To drive this, companies will need to nurture forward-thinking leaders who are able to take a different perspective on stakeholder priorities and who are willing to embrace discomfort and tough conversations.

The bottom line is that we are stronger together. When businesses are able to secure the support and engagement of their stakeholders, they will make much more rapid progress on sustainability. That is everyone's responsibility – and to the benefit of everyone.

