Future-Built
Companies Embrace Sustainability
Despite high ambitions, few companies are making meaningful progress on sustainability

**Ambition**

- 82% of companies aspire to improve their sustainability maturity.
- 53% of companies consider sustainability in prioritizing digital transformation initiatives.

**Reality**

- 12% of companies have built the requisite sustainability enablers.
- 4% of companies implement sophisticated sustainability use cases enabled by digital and AI across the value chain.

*Source: BCG’s Build for the Future Survey 2022 (n = 724).*

1 Enablers include strategic alignment, sustainability transformation, sustainability funding, targets, and prioritization, sustainability-focused talent, and digital-tech solutions to measure sustainability-related metrics.
A common challenge is that companies struggle to embed sustainability into their strategy and business model.

Common pitfalls:

1. Sustainability strategy is separate from the core business.
2. Decision-making processes are slow and make it difficult to react quickly.
3. Sustainability incentives are limited and lack the depth or breadth necessary to drive meaningful change.
4. Sustainability capabilities are not embedded within business units or functions.
5. There is a lack of emphasis on leadership, culture, and change management.
6. Sustainability leaders lack sufficient influence over business operations.

Source: BCG analysis.
A select group of companies have figured out what it takes to become future-built . . .

... and are realizing financial and nonfinancial benefits

- **3.4x**
  - Revenue
  - 3-year revenue growth

- **3.1x**
  - Profit
  - 3-year EBIT growth

- **1.9x**
  - People advantage
  - More likely to have high Glassdoor ratings

- **3.4x**
  - Climate and sustainability
  - Improved sustainability scores

- **2.7x**
  - Generative AI
  - More likely to scale generative AI use cases across the organization

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**Source:** BCG's Build for the Future Survey 2022 (n = 724); BCG analysis.

**Note:** BFF = Build for the Future; EBIT = earnings before interest and taxes.

1. All metrics are future-built vs. stagnating.
2. FY2019-FY2022 CAGR (Source: CapIQ).
3. Based on % of companies with ratings of 4+ out of 5.
4. Improvement in ESG score over 3-year period FY2019-FY2022 (Source: CapIQ).
Future-built companies also have a clear sustainability advantage

**Lagging companies**

**Stagnating**
Yet to define a purpose and get digital transformation right—limited value created

**Emerging**
Executed successful programmatic transformation, but challenges in effectively scaling organization-wide

**Advanced companies**

**Scaling**
Delivered multiple waves of successful digital transformation—pivoting to innovation-led growth

**Future-built**
Continuous innovation at the leading edge of disruption via systematic build of necessary capabilities at scale

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**SHARE OF SUSTAINABILITY LEADERS**

<table>
<thead>
<tr>
<th>Lagging companies</th>
<th>Advanced companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>4%</td>
<td>36%</td>
</tr>
<tr>
<td>12%</td>
<td>32%</td>
</tr>
</tbody>
</table>

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Source: BCG’s Build for the Future Survey 2022 (n = 724).

1Sustainability score (1 to 5) assigned to each company based on their self-assessed rating of 5 key climate and sustainability sub-attributes. Sustainability leaders are defined as companies having an average score >= 4.
Advanced companies create a sustainability advantage by focusing on two main areas

1. Making the core sustainable

   **Sustainable operations (Scope 1 and 2) and organization:** Embed sustainability into operations holistically by identifying emissions, considering employee value proposition, implementing solutions, and measuring financial impact.

   **Sustainable procurement and supply chain (Scope 3):** Address the end-to-end value chain by increasing transparency, setting benchmarks, and achieving targets.

2. Driving new sustainable growth

   **Customer-centric sustainability:** Unlock new growth by identifying unmet needs and innovating to develop new products and services—including rethinking the customer experience.

   **Green tech and innovation:** Pursuing green business opportunities for growth including building, scaling, and investing in technologies.

*Source: BCG analysis.*
## Making the core sustainable

### Advanced companies have made more progress implementing sustainability use cases across the organization

A higher share of advanced companies are implementing sustainability use cases...

<table>
<thead>
<tr>
<th>Sustainability use cases</th>
<th>Share of advanced vs. lagging companies</th>
<th>% of companies embedding use cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board members with real time risk and compliance dashboards</td>
<td>2.4X</td>
<td>25%</td>
</tr>
<tr>
<td>Waste reduction driven by analytics</td>
<td>2.3X</td>
<td>15%</td>
</tr>
<tr>
<td>Digitally enabled transparency on key metrics for external stakeholders</td>
<td>2.2X</td>
<td>29%</td>
</tr>
<tr>
<td>Develop equitable digital products/offers for diverse users</td>
<td>2.0X</td>
<td>25%</td>
</tr>
<tr>
<td>Create partnerships or coalitions to address social issues</td>
<td>1.8X</td>
<td>24%</td>
</tr>
<tr>
<td>Measure outcomes of social impact or social responsibility efforts</td>
<td>1.8X</td>
<td>25%</td>
</tr>
<tr>
<td>Reduction in energy consumption in offices, factories, and buildings</td>
<td>1.7X</td>
<td>19%</td>
</tr>
<tr>
<td>Digital monitoring/governance of ESG initiatives and risks</td>
<td>1.7X</td>
<td>30%</td>
</tr>
<tr>
<td>Ensure equitable selling practices</td>
<td>1.6X</td>
<td>28%</td>
</tr>
<tr>
<td>Digital enablement of employee upskilling for job performance</td>
<td>1.6X</td>
<td>26%</td>
</tr>
<tr>
<td>Real-time tracking/monitoring of risk</td>
<td>1.5X</td>
<td>41%</td>
</tr>
<tr>
<td>Software solutions, wearables to reduce employee risk</td>
<td>1.5X</td>
<td>30%</td>
</tr>
</tbody>
</table>

Source: BCG’s Build for the Future Survey 2022 (n = 724); BCG analysis.

1Defined as companies with overall average sustainability use case maturity score of 3.5 or greater out of 5 (i.e., adopting in most parts of the organization or fully deployed at scale).

2Represents ESG use cases enabled by digital and AI. Survey question: “Have you adopted the below use cases for ESG? Rate current capability level (1–5 range where 1 is ‘not deployed at all’ and 5 is ‘fully deployed at scale’).”

3Advanced = scaling and future-built companies. Lagging = stagnating and emerging.
Driving new sustainable growth | Sustainability leaders accelerate sustainability growth through private placement and M&A transactions

Sustainability leaders\(^1\) conduct 1.9x as many green deal private placement transactions\(^2\)

Green deal private placement transactions as a % of all private placement transactions

<table>
<thead>
<tr>
<th></th>
<th>Leaders</th>
<th>Basic</th>
<th>Beginners</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leaders</td>
<td>4.6%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>4.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beginners</td>
<td>2.4%</td>
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\(1.9x\)

\(4.6\%\)

\(4.0\%\)

\(2.4\%\)

\(Leaders\) \(Basic\) \(Beginners\)

\(\ldots\) and 1.3x as many green deal M&A transactions when compared to beginners

Green deal M&A transactions as a % of all M&A transactions

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\(1.3x\)

\(4.3\%\)

\(3.7\%\)

\(3.3\%\)

\(Leaders\) \(Basic\) \(Beginners\)

Source: BCG’s Build for the Future Survey 2022 (n = 724); BCG analysis.

\(^1\)Defined as companies with overall average sustainability capability score of 4.0 or greater out of 5.

\(^2\)BCG analysis of transactions (private placement or M&A) containing keywords such as green deal, renewable energy, sustainable energy, clean energy, green agenda, energy transition, pollution control, etc.
A company built for the future has sustainable competitive advantage by focusing on six key attributes

1. Alignment of leadership on a powerful purpose and strategy to integrate sustainability goals
2. An agile and resilient operating model to catalyze new business and sustainable growth
3. Differentiated people advantage to accelerate development of sustainability skills and capabilities
4. Innovation-driven culture to make existing operations sustainable and build the businesses of tomorrow
5. Fully embedded AI to scale performance improvements across the organization
6. A modern technology and data platform to realize sustainability priorities, identify opportunities for market disruption, and measure performance

Source: BCG analysis.
All six attributes are important, but companies have different priorities based on their level of maturity.

Companies have different priorities at each stage of the Build for the Future journey.

**Lagging companies**
- **Building the foundation**: Build foundational capabilities across all 6 attributes.

**Emerging**
- **People advantage**: Develop a differentiated employee value proposition and pioneer efforts like sustainability-focused talent attraction and upskilling.

**Scaling**
- **Embedded AI**: Embed AI for value through capabilities such as AI-ready data, AI-specific tools, and change management for AI adoption.

**Advanced companies**
- **Future-built**

Source: BCG's Build for the Future Survey, 2022 (n = 724).