Fortune Favours the Brave

A £100 billion opportunity in innovation and sustainable growth for UK plc

Executive Summary

#fortunefavoursthebrave
Contents and Acknowledgements

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Further Information & References

Please download the full Fortune Favours the Brave report at: sustainablebusiness.bitc.org.uk

The full report provides additional detail on each of the five innovation areas, including references for key data points.

The Sustainable Business Toolkit is available on the BITC website at: sustainablebusiness.bitc.org.uk

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Foreword

UK businesses have the opportunity to unlock £100 billion a year in value from five opportunities for innovation.

Companies in the UK face a complex and fast-changing landscape. Consumer values are shifting and businesses need to work hard to win trust and build community support. At the same time resource constraints and environmental concerns put pressure on supply chains and profitability.

Faced with these challenges, there is a compelling need for innovation. We must accelerate progress in order to meet the changing hopes, needs and aspirations of customers, while operating in a way that wider society deems acceptable, now and in future generations.

The commercial imperative for action is clear. Our research shows that UK businesses have the opportunity to unlock around £100 billion a year in value from new innovation opportunities that address social and environmental challenges. By designing higher quality sustainable products, adapting the way of doing business, innovating in supply chains and engaging communities, business can better meet customer needs simultaneously creating value as well as environmental and social benefit. In other words become sustainable businesses.
Foreword

Through consultation with Chief Executive Officers across different industries in the UK, we have identified five opportunity areas for innovation. In order to support businesses to tap into these opportunities and drive sustainable growth, we are launching the Business in the Community Sustainable Business Toolkit alongside this report. The toolkit provides essential resources for companies to start the journey of change – to ‘Think, Test and Deliver’ a better approach to business that creates value for shareholders, employees and communities alike.

Marks & Spencer, Accenture and Business in the Community are grateful for the time and insight of all those who have contributed to our research and supported development of this report.

We encourage businesses to take forward the messages in this report, and use the Business in the Community Sustainable Business Toolkit. We are confident that the creative power of business can address the challenges of today and unlock a more prosperous and sustainable future for us all.

Marc Bolland
Chief Executive,
Marks & Spencer

Olly Benzecry
Managing Director UK & Ireland,
Accenture

Stephen Howard
Chief Executive,
Business in the Community
The opportunity from sustainability

In a tough global economic environment, UK companies are seeking to future-proof their businesses and to identify new options for growth.

The economic situation is compounded by pressing social and environmental issues: a lack of trust in business; youth unemployment coupled with skills shortages; and the depletion of natural resources on which business depends. Leading Chief Executive Officers (CEOs) recognise that innovation is essential to addressing these challenges and achieving long-term success.

Five key innovations identified in this report provide the potential to catalyse direct economic and commercial benefits:

– Productivity gains worth an estimated £100 billion each year in the UK.
– Access to rapidly growing markets already worth almost £200 billion annually in the UK alone.

By capturing these opportunities businesses can increase competitiveness and deliver sustainable growth whilst simultaneously addressing customer needs, improving environmental performance, creating jobs and supporting social progress.
Capturing these opportunities will likely require a major shift in business thinking. Companies may need to go beyond Corporate Social Responsibility (CSR), sustainability reporting and philanthropy to ground sustainability performance at the heart of business strategy. Companies that wish to achieve sustainable growth should align their core purpose and vision with the delivery of positive societal and environmental outcomes.

At the same time businesses must work harder to engage their customers by making sustainable lifestyles an accessible, easy and better choice. Sustainability is too complicated for most customers today, and companies have a key role in educating and enabling customers whilst improving quality of life at the same time. This shift together with innovation in how businesses drive supply chain efficiency and resilience can unlock the path to a more dynamic UK economy.

Without building and maintaining adequate social and natural capital, businesses will struggle to grow and function in the way they do today. The new generation of business leaders need to unlock the innovation potential and creative drive of business to deliver growth in a very different economic environment.

“Traditional approaches to sustainability aren’t sufficient – they’re not sufficiently positive to be motivating and don’t provoke the level of change required.”

Ian Cheshire, Group Chief Executive, Kingfisher plc

“Real material change will only come from innovation that enhances the customer value proposition whilst driving sustainability outcomes.”

Olly Benzecry, Managing Director UK & Ireland, Accenture
New areas for innovation

Five innovation areas offer the potential to transform business in the UK by delivering more sustainable growth, making sustainable lifestyles accessible and aspirational for customers, creating positive social outcomes and building lasting value.

In the UK alone the market for these opportunities is already worth almost £200 billion annually, with the potential for productivity improvements of around £100 billion a year.

Future growth potential is high. For example, over the past five years, clean technology and circular economy services have grown an estimated 24% and 18%, respectively. These innovations now need to be scaled effectively to catalyse prosperity and growth for the UK economy and commercial returns for business in both the short and long term.

Companies can build the conditions for their own success by focusing on the convergence of interests with society, promoting community prosperity, improving skills and enhancing health.

Shared value approaches catalyse direct productivity gains through improved employee engagement and reduced churn and indirect returns through enhanced reputation and trust.

“Business can use action on sustainability to restore its reputation and trust.”

Andy Wood, Chief Executive, Adnams plc

Case studies

**Shared value**

Novo Nordisk’s Changing Diabetes programme demonstrates the potential of a shared value approach. Novo Nordisk has trained over 220,000 physicians in China in better diagnosis, supported patient screening and improved treatment rates whilst helping grow Novo Nordisk’s insulin market share from 40% to 63%.
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Companies can cut costs, improve margins and preserve natural capital by closing the loop on supply chains through product design, extending asset life, re-use and recycling.

Improved recycling technologies, growing regulation and volatile commodity prices create a compelling business case for retaining ownership of valuable materials and creating circular business models.

More with less

The Better Cotton Initiative (BCI) illustrates the potential to do more with less. BCI helps producers adopt better management practices in growing cotton and to use less water, pesticides and fertiliser. Marks & Spencer have learnt that farmers who follow the BCI model are more efficient and the latest results from a joint project with WWF show that BCI farmers are over 30% more profitable than comparable non-BCI farmers.

Circular economy

Patagonia have focused on a circular business model, designing long-lasting clothes, providing repair services and encouraging recycling. Recyclable products are sent to Tejin, a Japanese manufacturer of synthetic fibres, for remanufacturing. Patagonia have now closed the loop on polyester-based compounds, reducing raw material input costs and reducing risk from fossil fuel prices.
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Companies can grow recurring revenue streams and help customers to live lower impact lives by enabling ‘collaborative consumption’, by delivering ‘products as a service’ and through developing compelling new customer propositions.

Technology and social media have driven resurgence in sharing and service-based business models, creating a market already worth an estimated 1% of private sector turnover in the UK.

New consumption models

Yerdle is one of many start-ups using technology to enable collaborative consumption and create new revenue streams. By leveraging social media networks Yerdle enables the sharing of goods across peer networks and aims to reduce 20% of the things people buy through sharing. Zipcar, recently sold for $500m to Avis, has already demonstrated the potential of the products-as-a-service model of neighbourhood car rental, estimating that each Zipcar takes over 20 cars off the road.

Transparency & customer engagement

John West implemented a traceability programme for canned tuna in 2010, since rolled out to other products. Customers can access information on the product supply chain including fishing practices by entering the barcode in an online database. In addition to building customer engagement and loyalty, John West say that the scheme has enhanced supply chain management.

Enhanced traceability enables better resource planning and risk management and the market for ‘ethical’ goods and services has achieved an average 14% year-on-year growth over the past decade.
Capturing the prize

Unlocking the value from these five areas of innovation demands that business leaders move beyond the current CSR and reporting-focused approaches to sustainability.

These approaches have provided a solid foundation of measurement and transparency and supported a better understanding of the inter-connectedness between business, society and the environment. However, we now need to increase the pace and scale of action.

Businesses can begin by assessing the implications of environmental and social trends on their market and identify their contribution to delivering a more prosperous and sustainable future. Companies that wish to achieve sustainable growth should align their core purpose and vision with the delivery of positive societal and environmental outcomes: doing good becomes good business. Finally investment can be channelled to test and scale the new innovations identified in this report, with a goal of delivering commercial returns and improved outcomes for society.

The UK is well placed to lead the transition to a more sustainable future and has key competitive advantages including a track record of innovation and academic excellence; high-tech engineering and information technology capability; depth of professional services and financial-sector expertise and engaged consumers who are demanding a better way of doing business.

“Business has a key opportunity today to reinvent itself – driving transformative change to help solve tomorrow’s major challenges.”

Estelle Brachlianoff, Chief Executive Officer, Veolia Environmental Services (UK)

“We need to move away from CSR and transform our businesses to be better aligned with sustainability as a core goal.”

Steven Holliday, Chief Executive, National Grid
Capturing the prize

The Business in the Community Sustainable Business Toolkit, launched alongside this report, provides essential resources for companies and business leaders, to start the journey of change – to ‘Think, Test and Deliver’ a better approach to business.

For many companies the journey will start with small steps. However, with a clear vision and through testing new ideas, companies can create options to scale-up and deliver the transformational change required. The challenges may be significant but the commercial opportunity is clear. Bold leadership is required.

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“Sustainability has moved from something that’s feel good, to something that’s far more integrated with what is required for our future success.”
Paul Walsh, Chief Executive, Diageo

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About us and our approaches to sustainability

Marks & Spencer
Marks & Spencer is one of the UK’s leading retailers selling stylish, high quality, great value clothing and home products, as well as outstanding quality food, responsibly sourced from around 2,000 suppliers globally. Over the last 129 years M&S has grown from a single market stall to become an international multi-channel retailer. We now operate in over 50 territories worldwide and employ almost 82,000 people. Remaining true to our founding values of Quality, Value, Service, Innovation and Trust, we work hard to ensure our offer continues to be relevant to our customers.

We launched Plan A in 2007 because we recognised that the way business worked had to change. One area in particular is how we source raw materials and products. Our business is all about quality and we cannot deliver quality products for our customers without quality raw materials. We’ve switched to more sustainable sources for many raw materials. However, we also realised it wasn’t just about sourcing raw materials responsibly but also how we could prevent waste and recover materials too, ensuring that precious resources are used again and again. It’s a year since M&S launched ‘shwopping’ – an initiative that encourages customers to bring old items of clothing into the store. The goal is to reduce the one billion items of clothing sent to UK landfill each year by creating a closed loop where all garments are re-used and recycled – currently through a partnership with the global poverty campaign Oxfam. Within six months of launch, the first M&S coat made from recycled wool brought back from Oxfam was on sale in the shops. This illustrates the power of setting bold targets, driving innovative solutions and sending a signal about the potential for closed-loop textiles.

The launch of Plan A in 2007 and its expansion in 2010 was our response to changing social and environmental issues. Plan A has made our business more efficient, more rewarding and more engaged. Find out more at: www.corporate.marksandspencer.com/howwedobusiness

“There is real power in seeing that people at the top are taking action – it inspires people to follow.”

Chris Sullivan, Chief Executive, Corporate Banking Division, RBS Group
About us and our approaches to sustainability

Accenture Sustainability Services

Accenture Sustainability Services helps clients achieve substantial improvement in performance and value for their stakeholders. We help clients leverage their assets and capabilities to drive innovation and profitable growth while striving for a positive economic, environmental and social impact. We work with clients across industries and geographies to integrate sustainability approaches into their business strategies, operating models and critical processes.

Our holistic approach encompasses strategy, design and execution to increase revenue, reduce cost, manage risk and enhance brand, reputation and intangible assets. We also help clients develop deep insights on sustainability issues based on our ongoing investments in research, including recent studies on consumer expectations and global executive opinion on corporate sustainability and climate change.

At Accenture we know that a successful company strategy is one that is informed by the world around it and which considers the social and natural resources on which business depends. We see significant growth opportunities for organisations that are able to better meet market demand for high quality products and services that are good for society and the planet. We also know that companies can secure future growth through building shared value with communities.

Our Skills to Succeed programme draws on one of Accenture’s core competencies – training talent – to help address the need for skills that open doors to employment around the world. It is a key aspect of how we embed sustainability into our business. By 2015, we plan to equip 500,000 people globally with the skills to get a job or build a business. Find out more at: www.accenture.com/sustainability
About us and our approaches to sustainability

Business in the Community

Business in the Community stands for responsible business.

We are a unique business movement – the largest business-led charity of its kind – committed to building resilient communities, diverse workplaces and a more sustainable future. We work locally, nationally and internationally with members to transform businesses and transform communities. We believe that responsible leadership is the ability to balance doing both.

We ask our members to work with us on specific campaigns that impact in the workplace, marketplace and community. We offer a range of services that challenge, support and inspire members and help transform their businesses.

In today’s rapidly changing and increasingly resource constrained world – which will need to provide for 9 billion people by 2050 – it has never been more important for companies of all sizes to understand how and why sustainability is central to their long-term success and prosperity. There is an unprecedented need for companies to work together to identify how business services will evolve over the next two decades and beyond.

We are enormously grateful to M&S and to the support Accenture has provided, to help us articulate an imperative for action and for the practical tools that have been developed that demonstrate some of the opportunities for those who help create a sustainable future. Find out more at:

http://www.bitc.org.uk

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