

Fit for a Sustainable Future

How being good to the planet, can be good for business too

October 2022



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FOREWORD

Three years ago, we began investigating what made certain businesses Fit for the Future and, by extension, what made them successful. A lot has changed since that first round of research. Each year since, we've explored how the challenges facing businesses have changed – and this year is no exception.

We've entered a new period marked by successive crises. As our latest research reveals, it will be those Fit for the Future businesses that will lead their industries through these challenging times. They already have a clearer vision and a more holistic view of one of the most critical issues of our time: sustainability.

Sustainability is a growing concern for us all and remains high on the agenda for many businesses, but progress has stalled.

A majority of organisations claim that while it remains a strategic goal, efforts have been hampered by economic concerns. Many are focused more on fulfilling customers' perceived expectations for faster service and higher quality products than long-term sustainability initiatives.

However, sticking to sustainability goals, despite possible short-term impact, is not only better for the planet, but also better for businesses themselves.

Our latest research confirms what we've long suspected: that what's good for business can be good for sustainability, and vice versa. Last year, we discovered that making just a small improvement to your Fit for the Future score was associated with a higher Environmental, Social and Governance rating. And, as you'll see in this report, it is those businesses actively working on sustainability that are now attracting more potential investment.

Add to this the fact that Fit for the Future businesses proved generally better able to deal with pandemic impacts, and it's clear that being prepared and adaptable are key markers of a successful business.

This year, we've also seen a growing appetite for collaboration in meeting sustainability challenges. Many businesses now see climate change as inevitable, and they see businesses and industries working together as key to adapting to it. Forging these new links and creating a sustainable ecosystem will be a core aspect of our global climate response. Even collaborating with competitors to help protect the environment, as a united front, is now within the realm of possibility.

Businesses also agree that technology is going to be a crucial driver of change – and we're excited by the prospect of helping more businesses make the most of next-generation technology.

Importantly, we've learned that 'sustainability' means different things to different people, ranging from building resilience to reducing emissions. Whatever sustainability means to you, it's true that investors are showing growing interest in these projects. We can only see this as an encouraging sign.

Today, Fit for the Future businesses are acting as pathfinders for others. They have a clear vision and a rounded sustainability strategy. They are looking beyond their own footprint to make a positive impact everywhere, and greater opportunity is their reward.

As business leaders, we're each on sustainability journeys of our own. But, more and more, we're realising that sustainability is a shared commitment and that being Fit for the Future will help businesses to progress in this area, together.



Vinod Kumar
CEO, Vodafone Business

WHAT MAKES A BUSINESS FIT FOR THE FUTURE?

Fit for the Future businesses are also, generally, more sustainable. But what exactly do we mean by a Fit for the Future (FFTF) business?

1

Positive attitude to change.
They see change as an opportunity and are excited by the future.

2

Open to new technology.
They understand the power of technology to solve their business challenges.

3

Plans for technology.
They have roadmaps in place for how technology can transform their ways of working.

4

Detailed strategies.
They have wider business strategies for the future that are documented, specific, funded and measured.

5

Up to date with emerging trends.
They work to understand the forces shaping their business. And they get help from key thought leaders.

6

Adaptable.
They can react quickly to new trends or challenges and are quicker to market than other companies.

01

BACKGROUND



WHAT DO BUSINESSES MEAN BY ‘SUSTAINABILITY’?

How businesses understand sustainability can broadly be divided into three categories.



Business durability

When many businesses think of sustainability, they think of the lasting, positive impact they can make on employees, education, skills and local communities. But ‘durability’ also means being able to offer ‘built-to-last’ products and resilient supply chains.

37%

Business durability had the strongest connotation for 37% of the businesses we spoke to.



Reducing emissions

Perhaps unsurprisingly, many businesses associate ‘sustainability’ with improving energy efficiency, increasing the use of renewable energy, reducing carbon usage and minimising waste.

37%

Reducing emissions had the strongest connotation for 37% of the businesses we spoke to.



Sustainable ‘ecosystems’

For others, building a sustainable ecosystem means switching to sustainable business operations. That might mean using electric vehicles, improving wastewater management, using more sustainable production materials, or switching to sustainable suppliers.

19%

Building sustainable business ‘ecosystems’ had the strongest connotation for 19% of the businesses we spoke to.

7% of firms reported a mix of 2 or more connotations.

PROGRESS ON SUSTAINABILITY IS STALLING

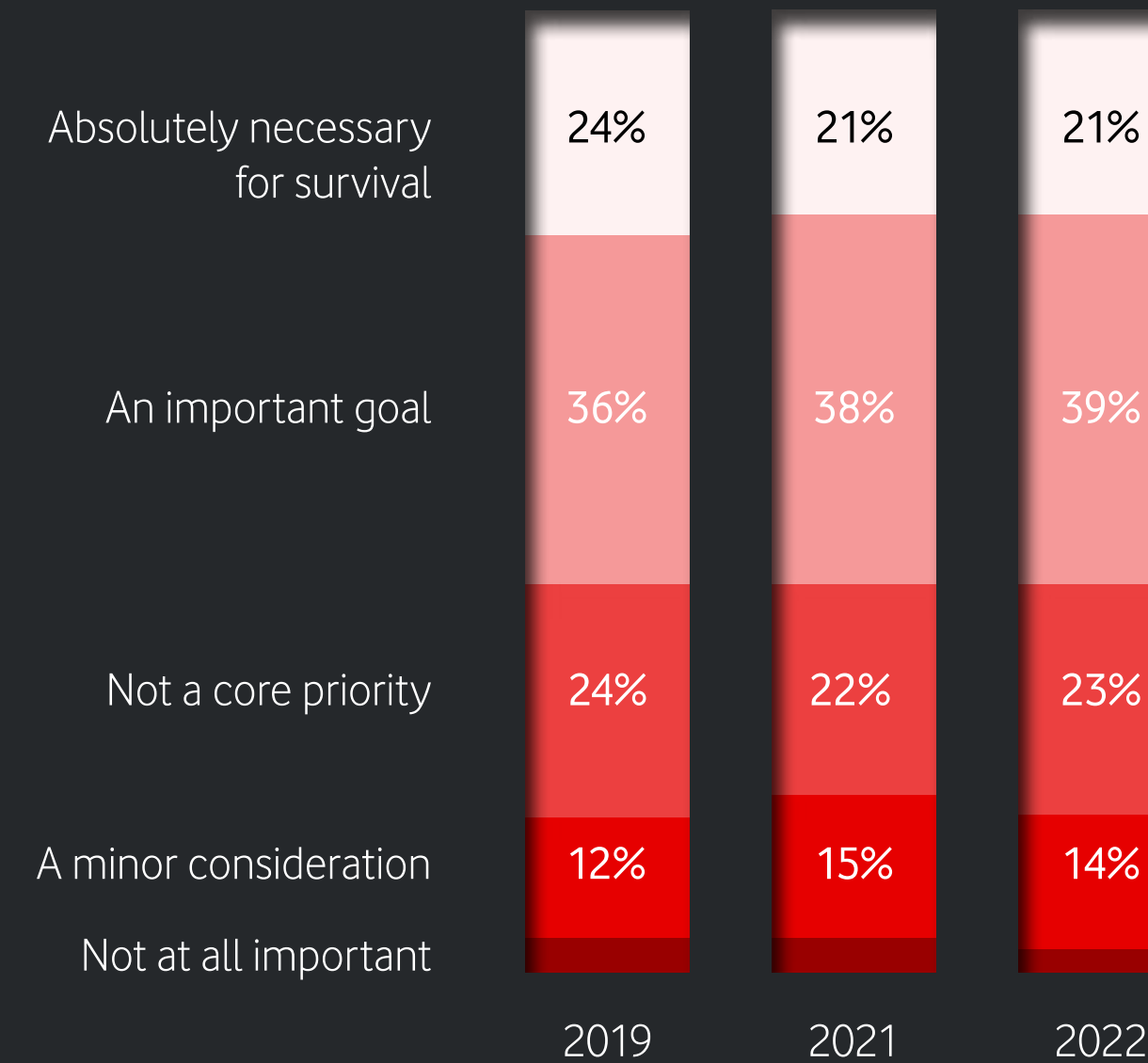
Despite post-pandemic uncertainties, sustainability remains an important concern among businesses.

However, progress on sustainability seems to be stalling. It's been tempered by worries about the economy, deterring businesses from creating risk through further investment.

It's also important to note that large businesses (those with 250 or more employees) remain slightly more concerned than other businesses.

Nevertheless, FFTF businesses aren't taking their eyes off their sustainability goals.

On Sustainability: Despite lots of noise, businesses are no more likely to prioritise this that 3 years ago...



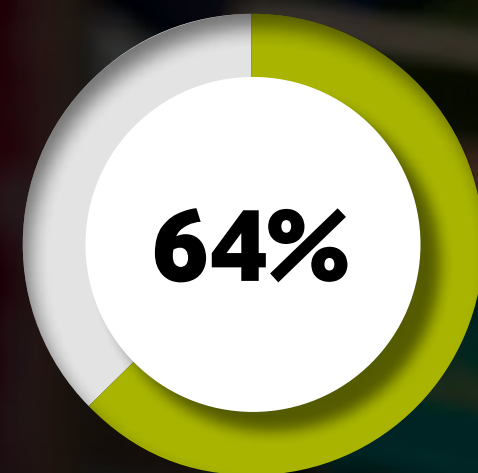
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THE FINDINGS

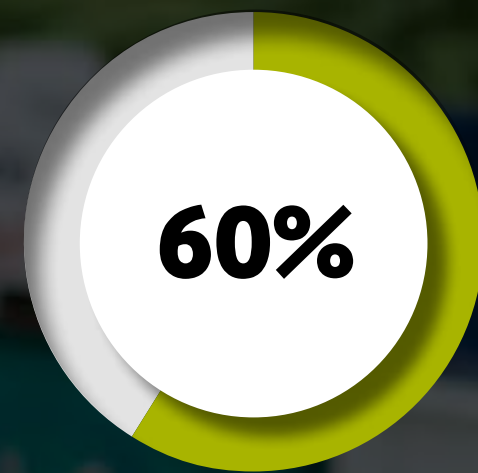
DO CUSTOMER DEMANDS FOR SUSTAINABILITY COME SECOND?

Overall, businesses think their customers view sustainability as secondary to core product quality and better experiences. Customer service, speed of delivery and low costs also take priority. This has impacted business attitudes and may partially explain the lack of progress on sustainability overall.

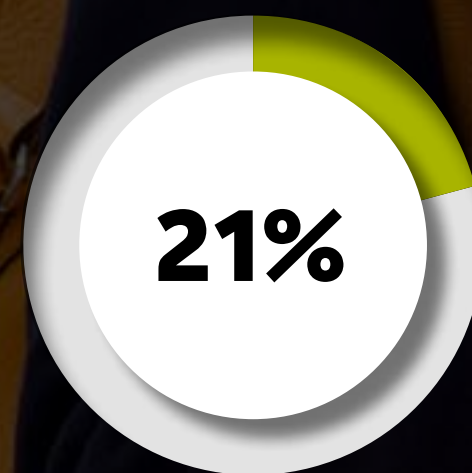
Though our research hasn't explored the factors influencing customer demand, it's important to note that recent events such as the cost-of-living crisis may be impacting sustainability efforts.



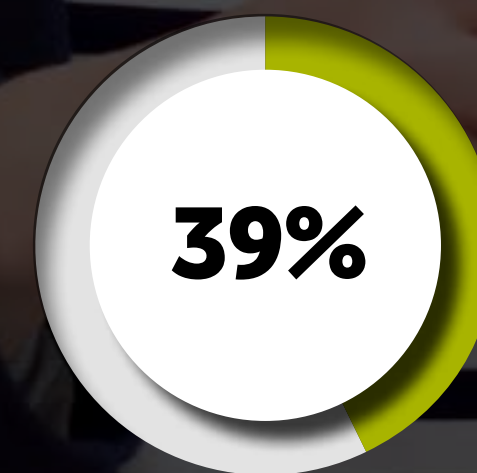
of businesses believe their customers want them to have a purpose and a stance on social issues.



of businesses overall said sustainability was an important strategic goal.



of businesses in 2022 say the sustainability agenda is 'absolutely necessary' for their organisation to continue to operate.



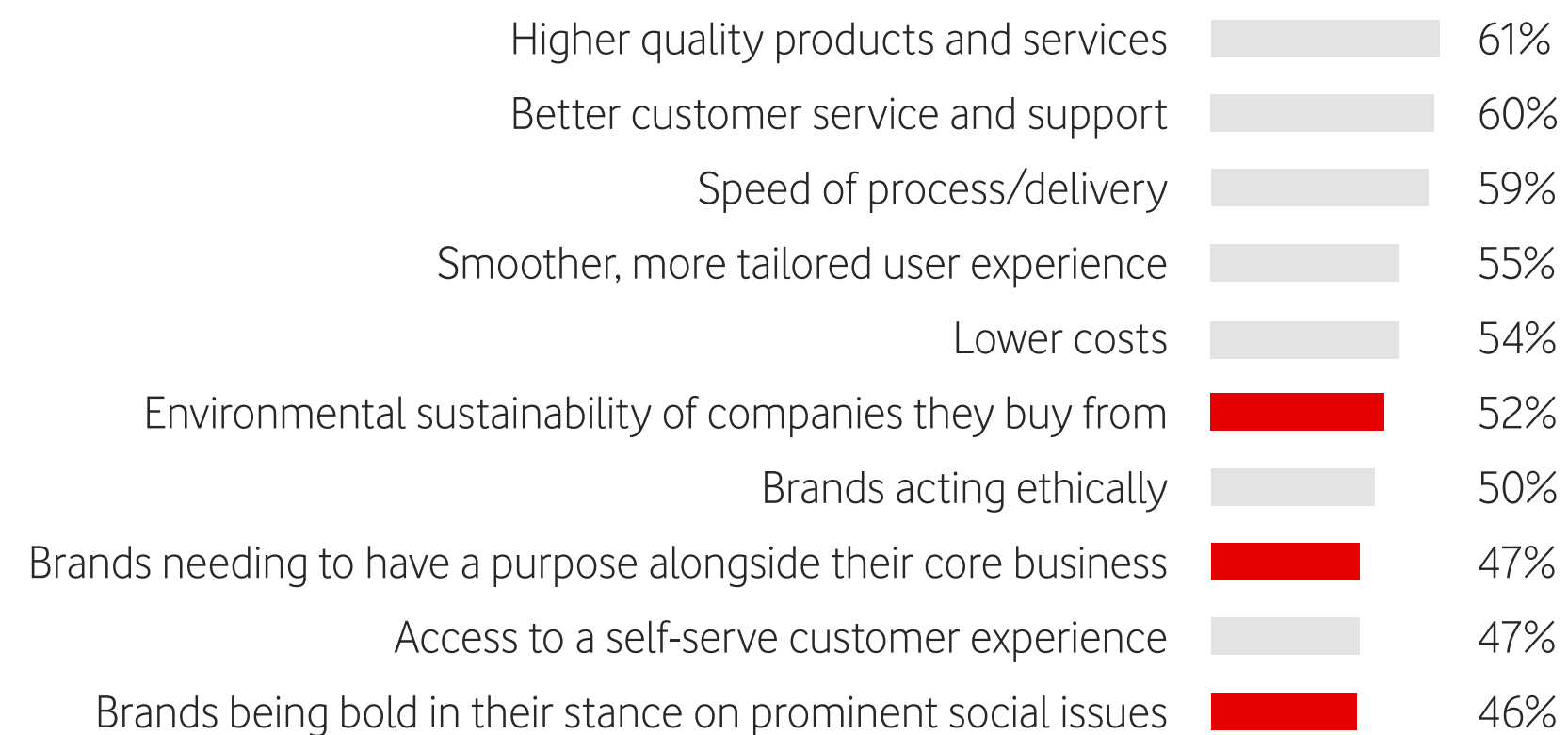
of businesses had the view that sustainability was 'absolutely necessary' in 2021.

FIT FOR THE FUTURE BUSINESSES DON'T SEE IT THAT WAY

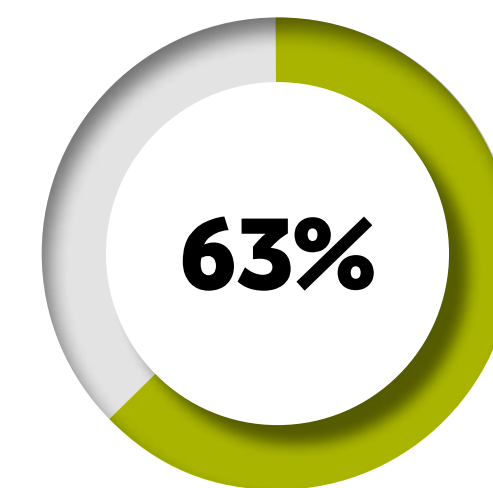
FFTF businesses perceive their customers to be much more demanding when it comes to sustainability purpose and practice. Compared to the perceptions of businesses overall, FFTF businesses think their customers prioritise buying from sustainable companies with bold stances on social issues. However, these customers also expect high product quality and engaging brand experiences.

There's a balancing act here that FFTF businesses have to do to get it right.

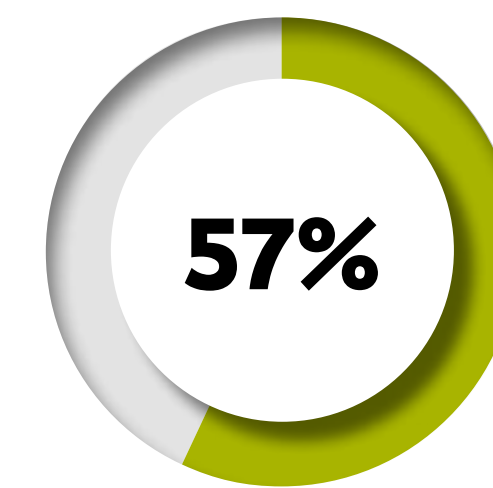
Where do expectations around sustainability fit within the broader set of customers priorities?



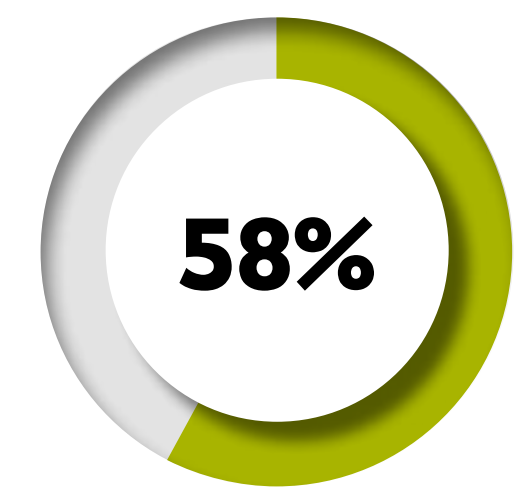
Significantly higher for FFTF businesses



Environmental sustainability of companies they buy from.



Brands needing to have a purpose alongside their core business.

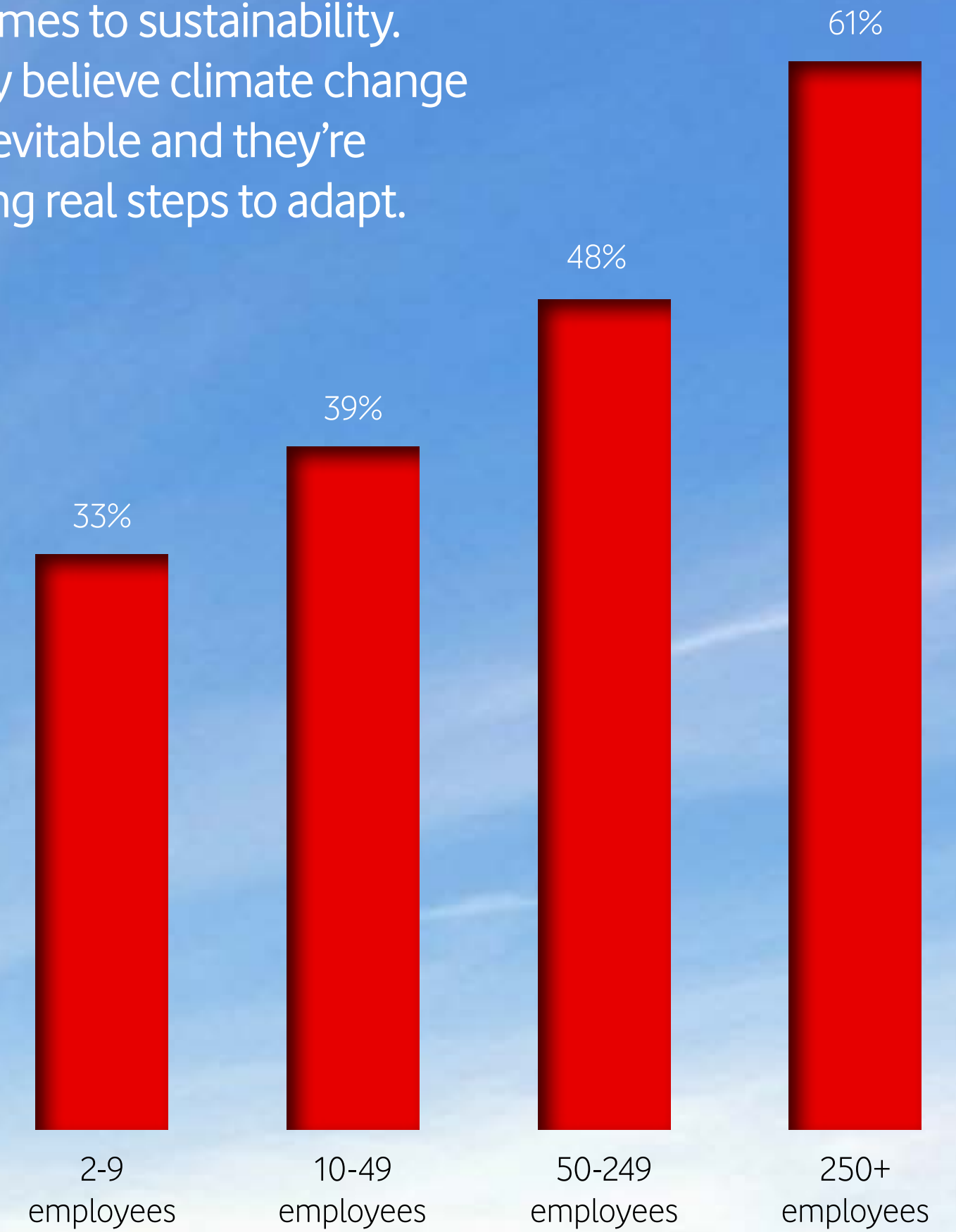


Brands being bold in their stance on prominent social issues.

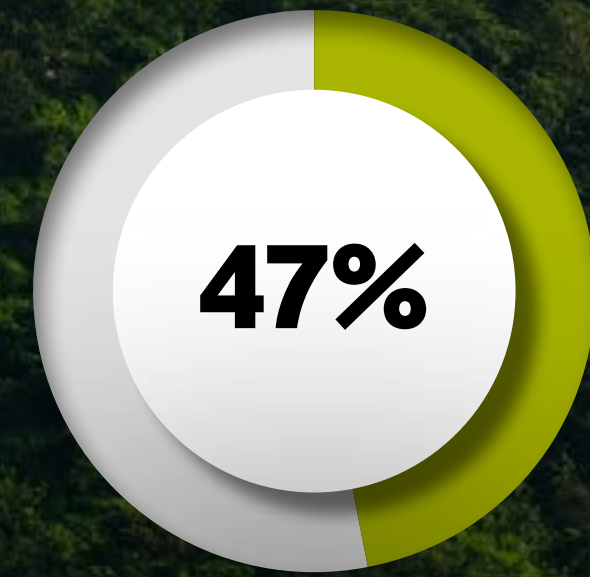
FIT FOR THE FUTURE BUSINESSES BACK THEIR COMMITMENT WITH ACTION

- 1
- 2**
- 3

FFTF organisations are generally more active when it comes to sustainability. They believe climate change is inevitable and they're taking real steps to adapt.



Extent to which 'adaptation' to climate change is taken into account in business planning.



of businesses have taken any action so far in terms of 'adaptation' to climate change

Our study reveals that, on average, almost half of all businesses are taking steps to adapt, and larger ones are more likely to lead the way. But even more than a third of SOHOs and SMEs are adapting, too.

Businesses are also starting to switch from 'tidying up their own house' to adapting their areas of influence. They're looking at changing their supply chains, value chains and wider spheres of influence.

This transition impacts organisations of all sizes, because changes in larger businesses inevitably lead to changes in the smaller ones that support them.

Most Common Actions



Attention to health and wellbeing of employees



Building more resilience into technology and other systems



Managing water scarcity



Changes to working patterns

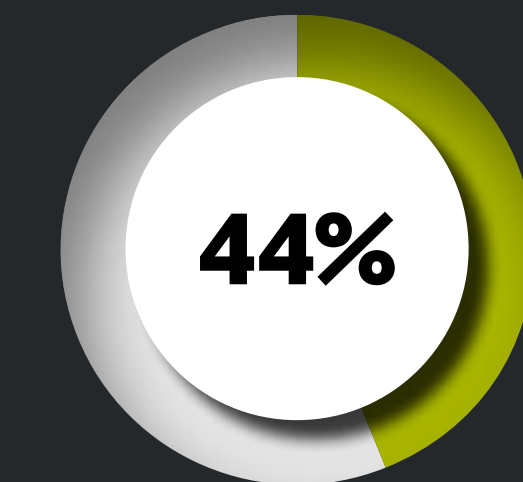
GOVERNMENT SHOULD LEAD THE WAY

Many businesses agree that local and national governments should play a big role in driving sustainability improvements. In terms of exactly how governments can help, businesses have suggested a range of activities, including tax incentives, R&D funding and financial support.

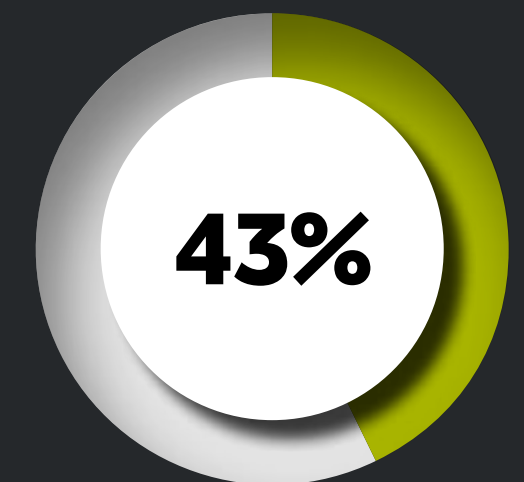
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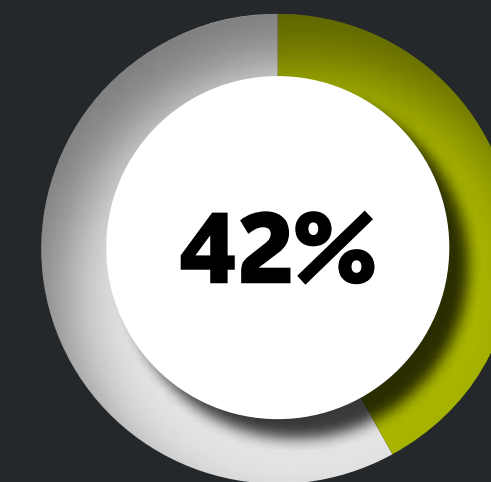
Appropriate role of government & regulators to improve environmental sustainability (Top 3 mentions)



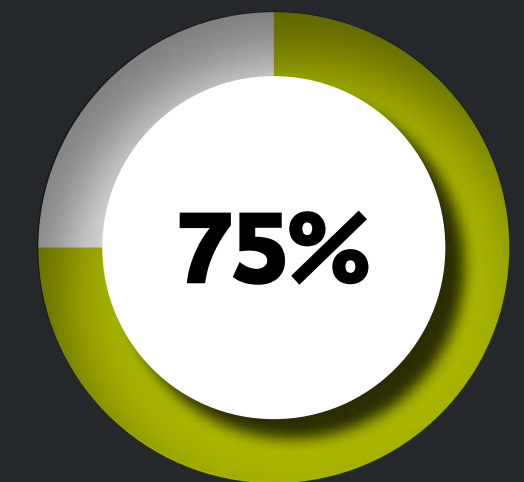
Tax/Financial incentives for improving performance



Financial support to fund R&D

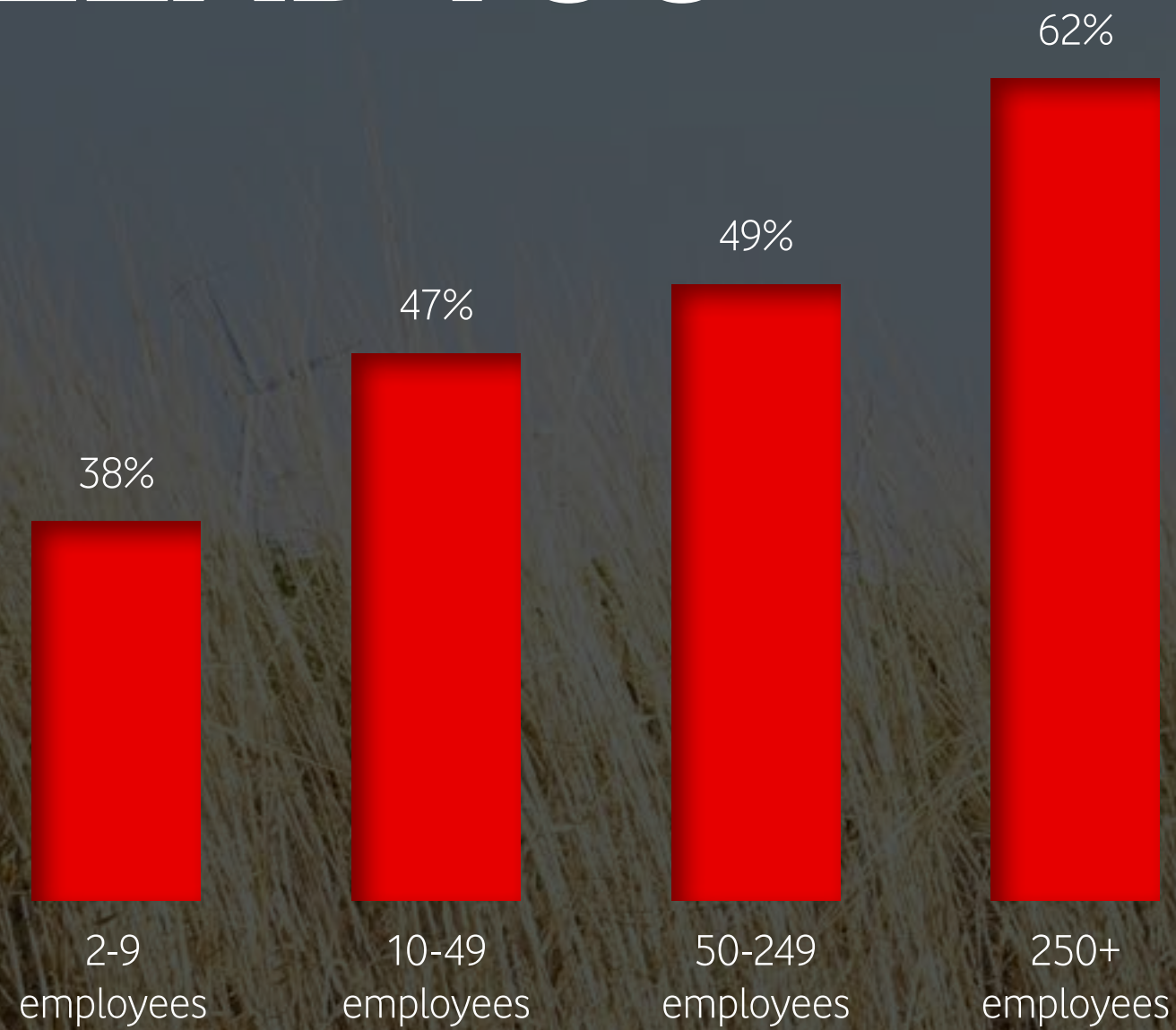


Financial support to businesses to make improvements



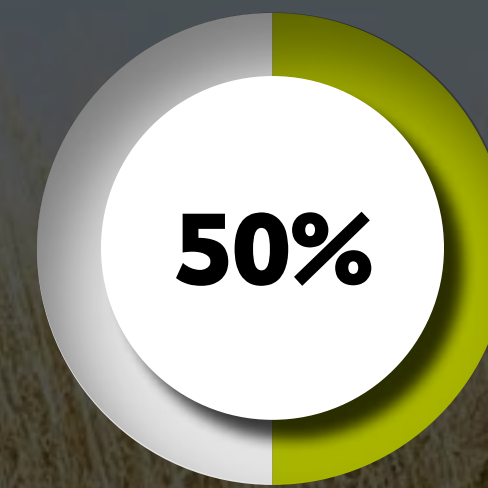
Mentioned some form of financial support (vs legislating, improving skills etc)

BUT FIT FOR THE FUTURE BUSINESSES ARE HAPPY TO LEAD TOO



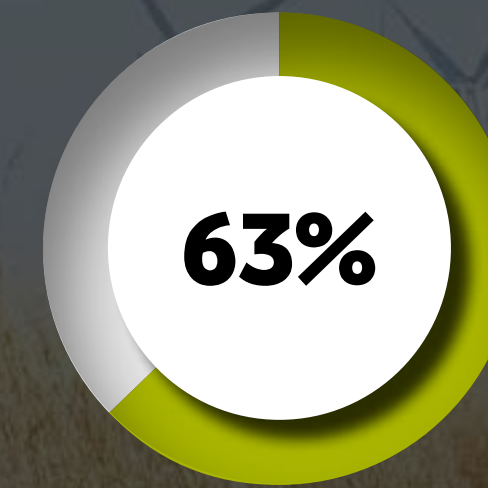
% 'Businesses like ours', by Company size (employees)

A majority of FFTF organisations feel it's up them to lead improvements in sustainability in their sectors. Their confidence in leadership comes from a deeper understanding of how to adapt to environmental sustainability as well as their willingness to collaborate with others.



Businesses like ours

VS



Significantly higher for FFTF businesses

50% of businesses believe they can lead. 63% of FFTF businesses feel they have the responsibility to lead



BUSINESSES AGREE COLLABORATION IS KEY

We also found that most businesses think collaborating with other organisations will help overcome sustainability challenges. This was consistent across different verticals and business sizes.

More than half were willing to collaborate with another business other than a supplier, and larger businesses were the most open to collaborating with their competitors. Rather than making changes on a purely individual level, they want to create a wider 'ecosystem' of change that links businesses across sectors as well as universities, charities, regulators and governments.



Who are businesses willing to collaborate with?

Businesses like ours

- Competitors within our industry (30%)

Other Businesses

- Suppliers (35%)
- Local/neighbouring businesses (33%)
- Other companies outside our sector (25%)

53%

of firms willing to collaborate with some other business, other than a supplier

42%

Government & regulators

31%

Universities, academics and research institutes

Citizen groups

- Charities, NGOs and not-for-profit organisations (29%)
- Community groups (25%)

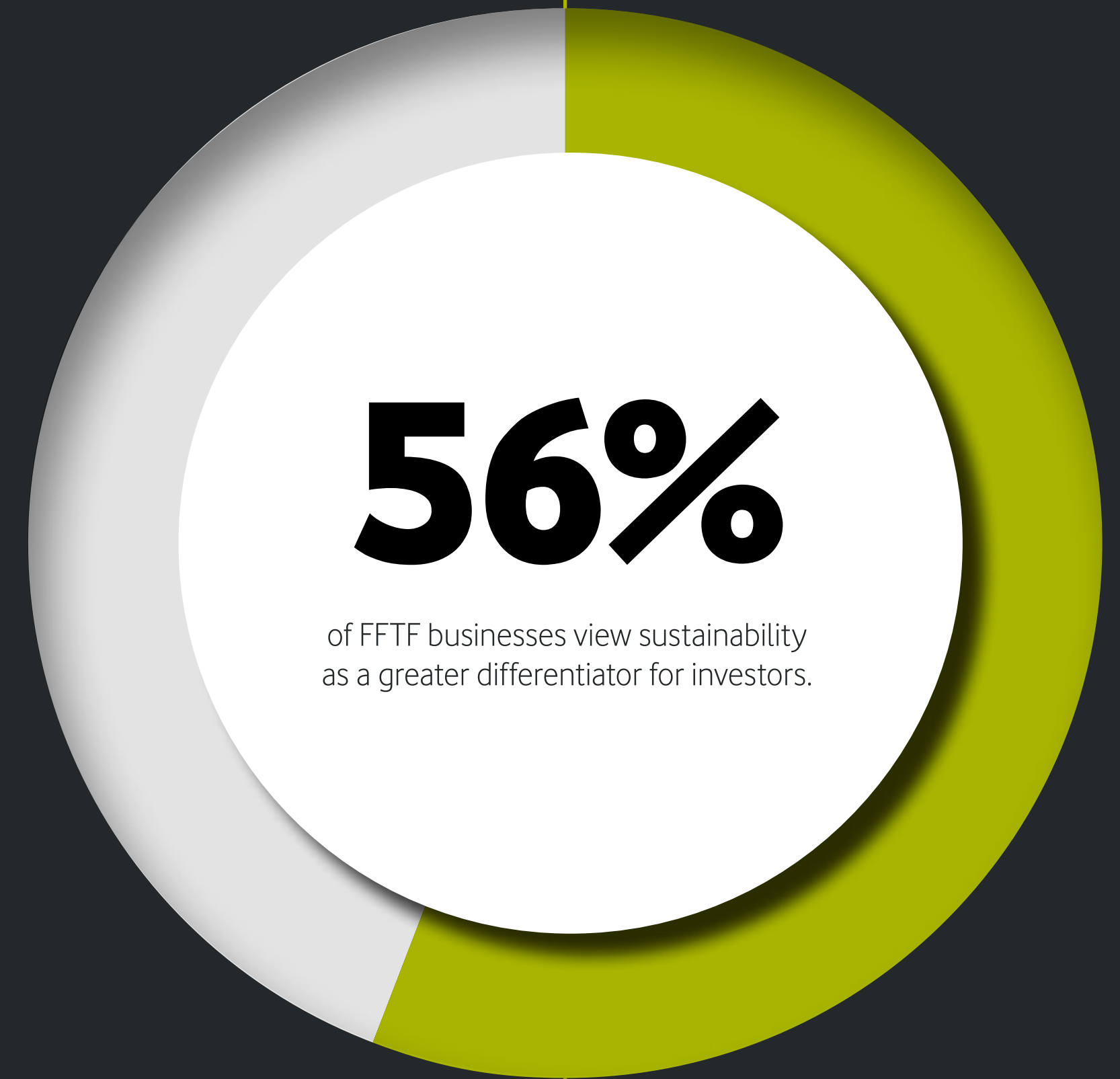
SUSTAINABILITY AS A PATH TO INVESTMENT

Despite a certain level of scepticism, businesses are starting to see sustainability as a way to attract investors. This is because big investment houses are going beyond offering green portfolios and are moving towards excluding non-green investments entirely.

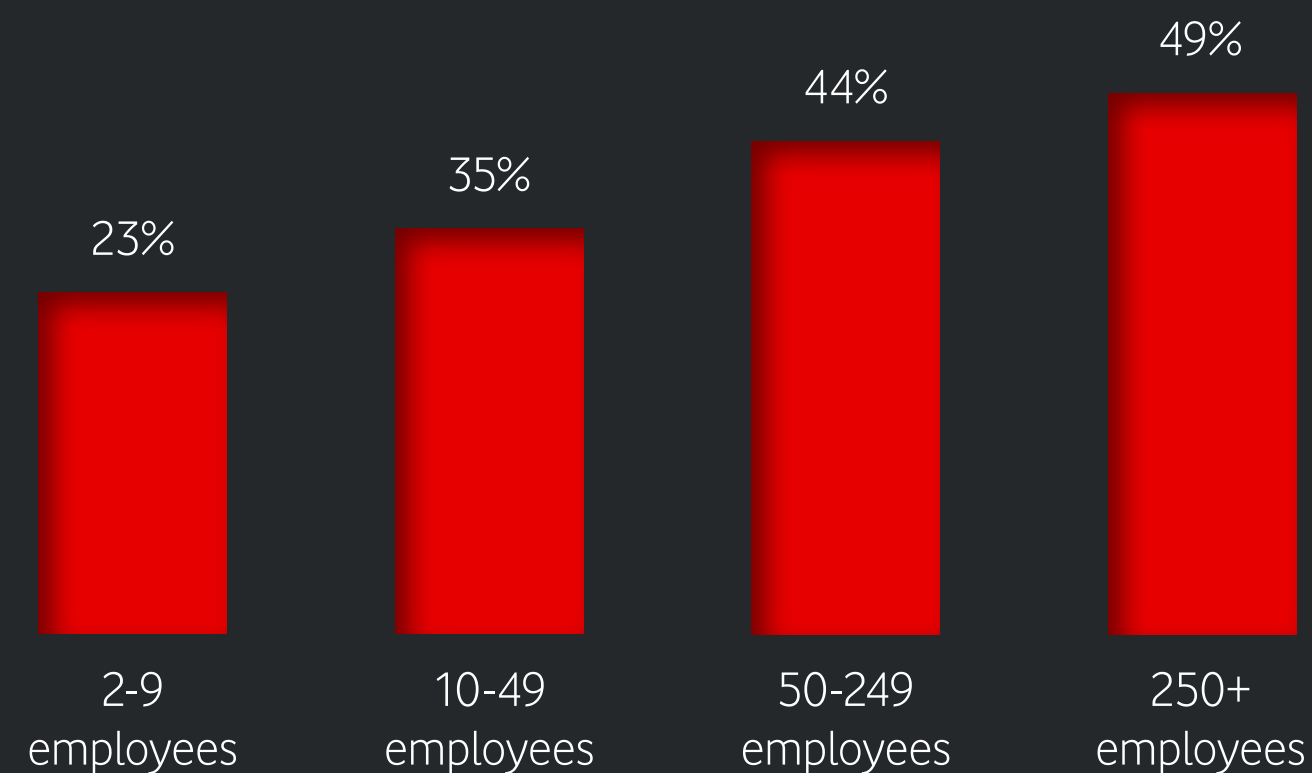
Last year we found that organisations with a 'fit for the future' score that's higher by 10 points have an ESG commitment that's 6 points greater. Furthermore, when the FFTF score is 10 points higher, the likelihood of outperforming their competitors financially is greater by 36%.

This year, we've found that FFTF businesses continue to lead the way, with 56% viewing sustainability as a hugely significant differentiator for investors.

However, large businesses also tend to be ahead of the game. Nearly half of businesses with over 250 employees reported that investors are focussing on sustainable businesses, compared to 35% of smaller businesses and 23% of SOHOs.



Extent to which environmental sustainability is seen as a potential differentiator by businesses.



* Vodafone, Fit for the Future Report, December 2021



BUSINESSES HAVE GOT TO BE THE REAL DEAL

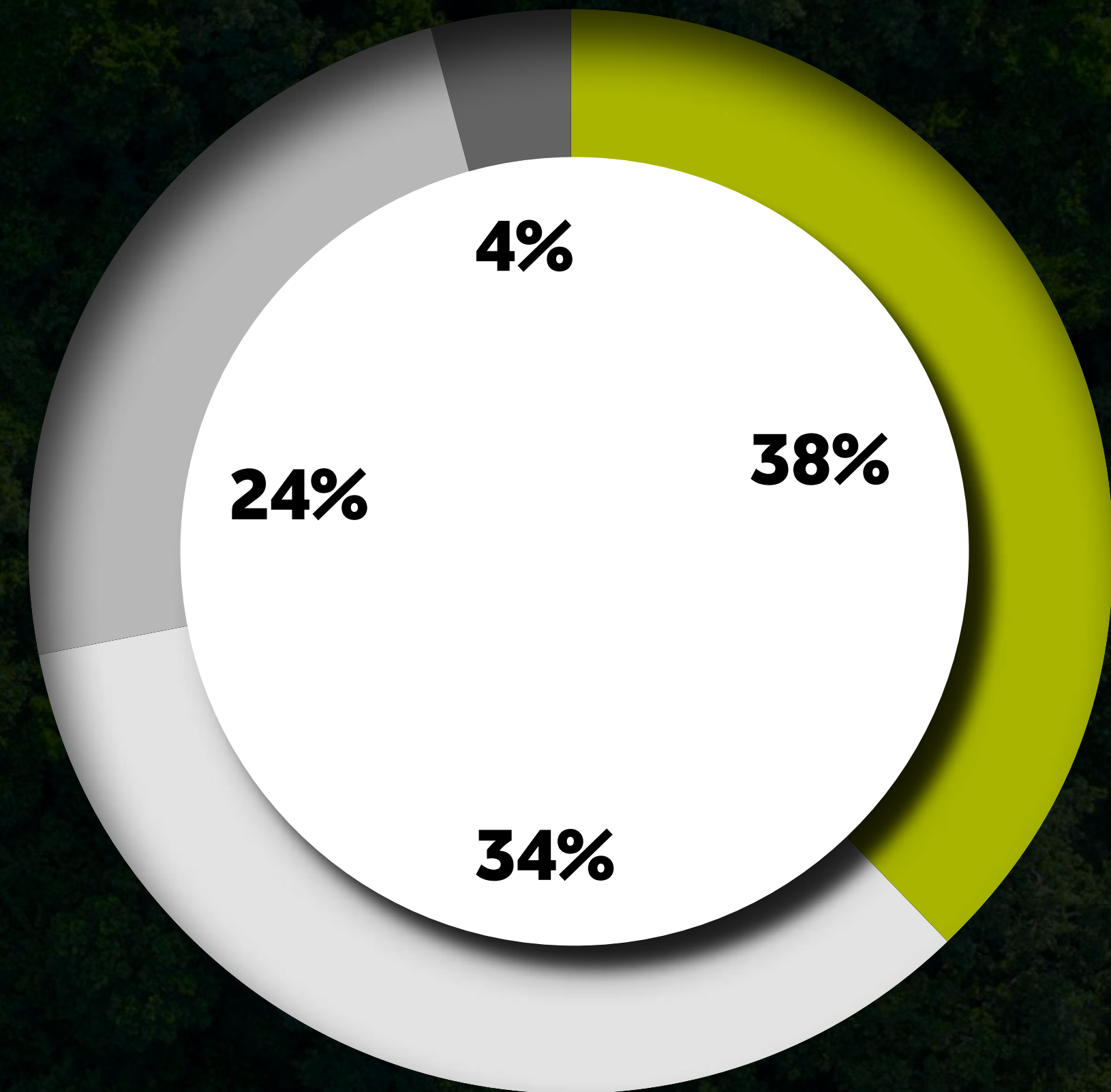
Customers and investors expect genuine commitments to sustainability. Businesses agree that customer demands on sustainability are only likely to increase, particularly as younger generations enter business decision-making roles.

In terms of fulfilling genuine commitments to sustainability, most businesses acknowledge there's a gap between ambition and reality. They expect to fill this gap in a piecemeal way, depending on the resources available to them.

Meanwhile, businesses are wary of greenwashing accusations, with 38% believing it can cause a major loss of reputation.

FFTF businesses are more likely to express a commitment to sustainability as part of their core vision.

Effect of Greenwashing Accusations On The Business



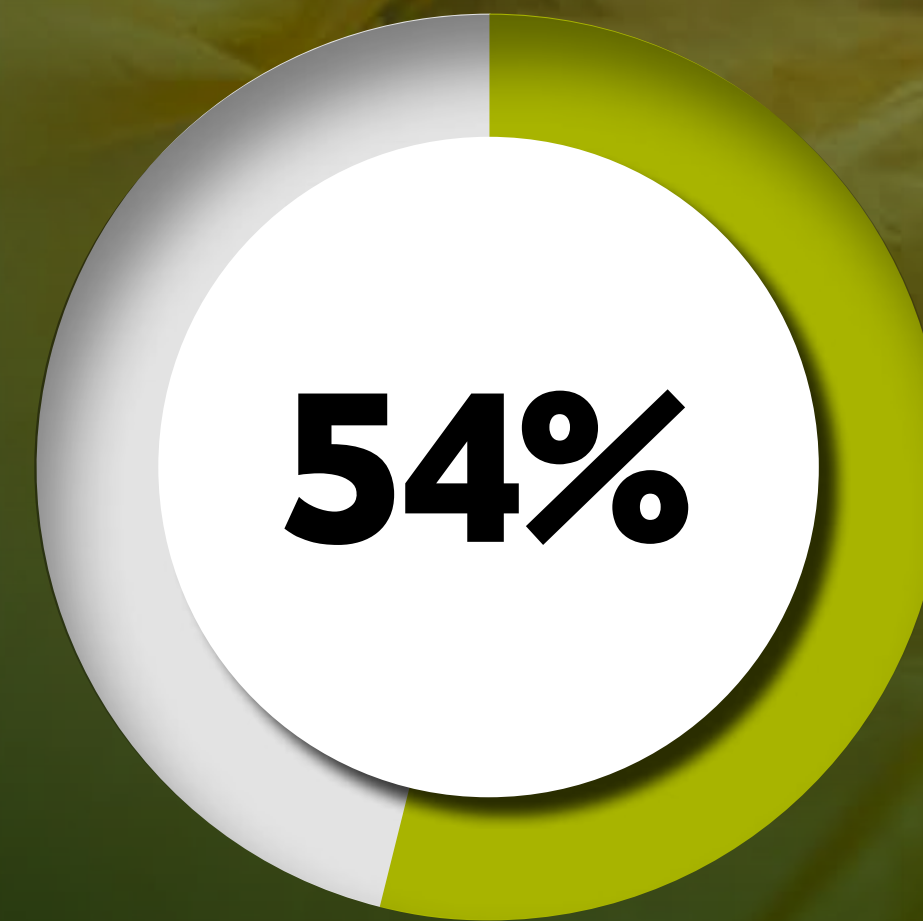
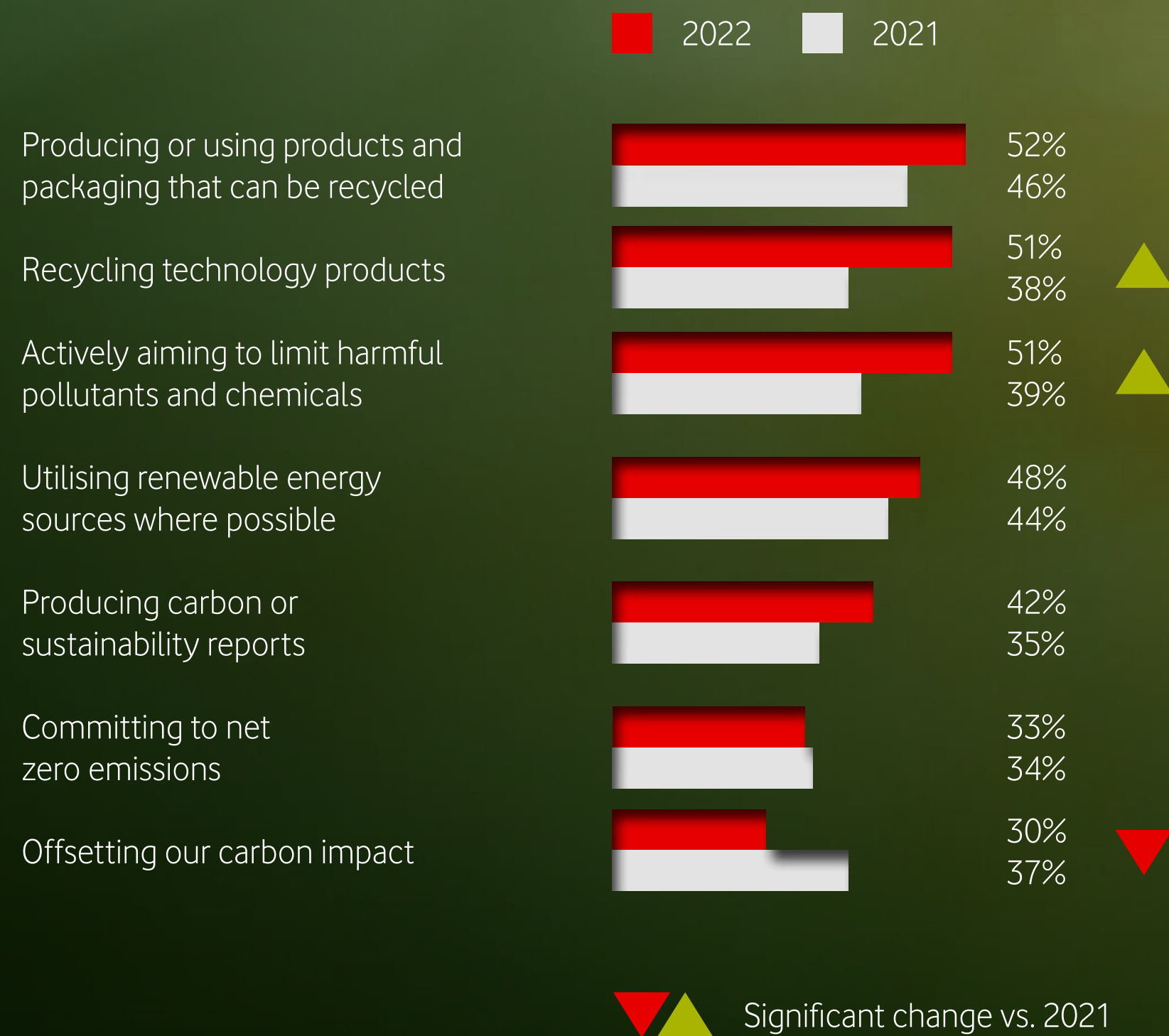
■ Major - loss of reputation ■ Minor - an impact for some customers ■ Not an issue at all ■ Dont know

SO THEY'RE CHANGING THEIR WAYS

Businesses are making some improvements when it comes to environmental sustainability.



A majority of businesses agreed they've been too reliant on offsetting activities such as carbon certificates or tree planting. They're now moving away from offsetting and focusing more on direct action, such as introducing recyclable packaging, limiting the use of pollutants and recycling tech products.



Agree that Businesses in our sector are too reliant on 'offsetting' their environmental impact (e.g. carbon certificates, planting trees) rather than real action.

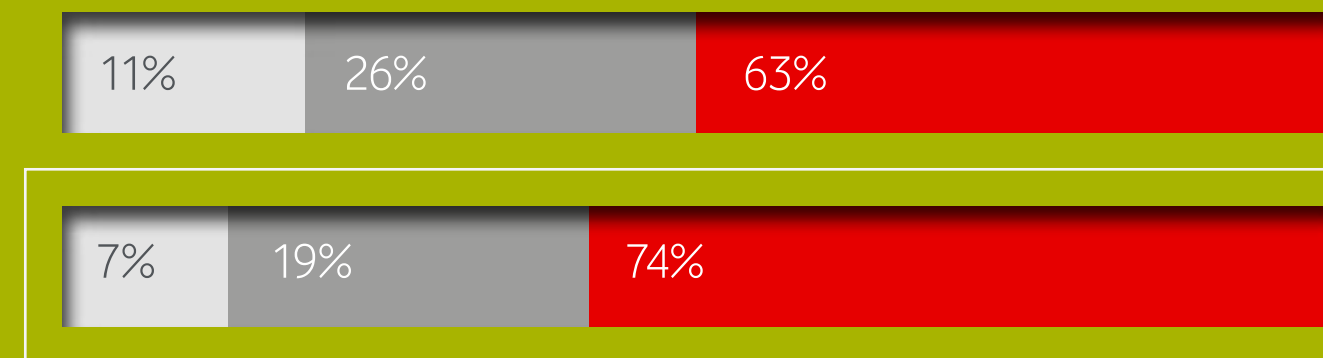
TECHNOLOGY IS A CRITICAL SPARK FOR CHANGE

As many as 74% of FFTF businesses believe another industrial revolution is needed to re-engineer the economy and make it more sustainable. For these businesses, technology is therefore a key driver of progress. Support for another industrial revolution is also reflected across multiple sectors, including telecoms, construction, transport, manufacturing and media.

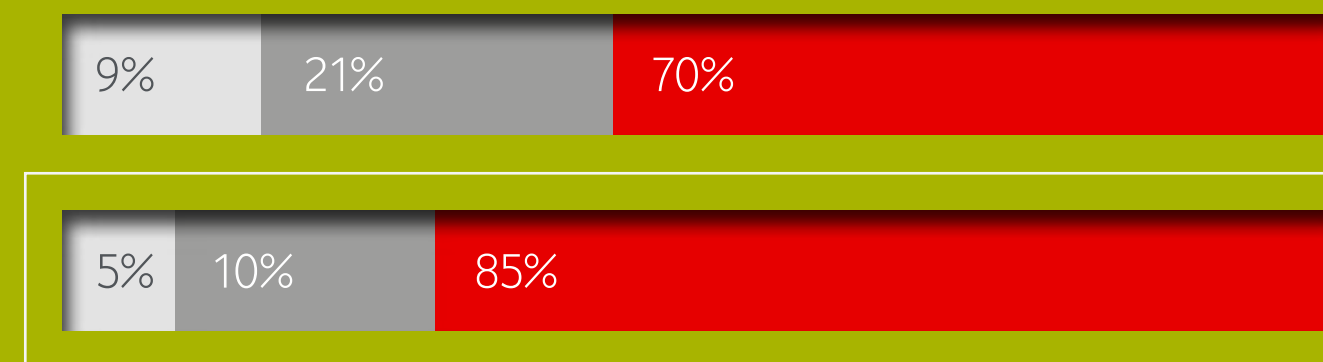
Despite some scepticism, many see technology as an optimiser as well as a catalyst for change. 85% of FFTF businesses agree that technology can help them understand where they're wasting resources. 65% of non-FFTF businesses also see this potential.

▲
1
2
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▼

Another industrial revolution is needed to re-engineer the economy to be more environmentally sustainable

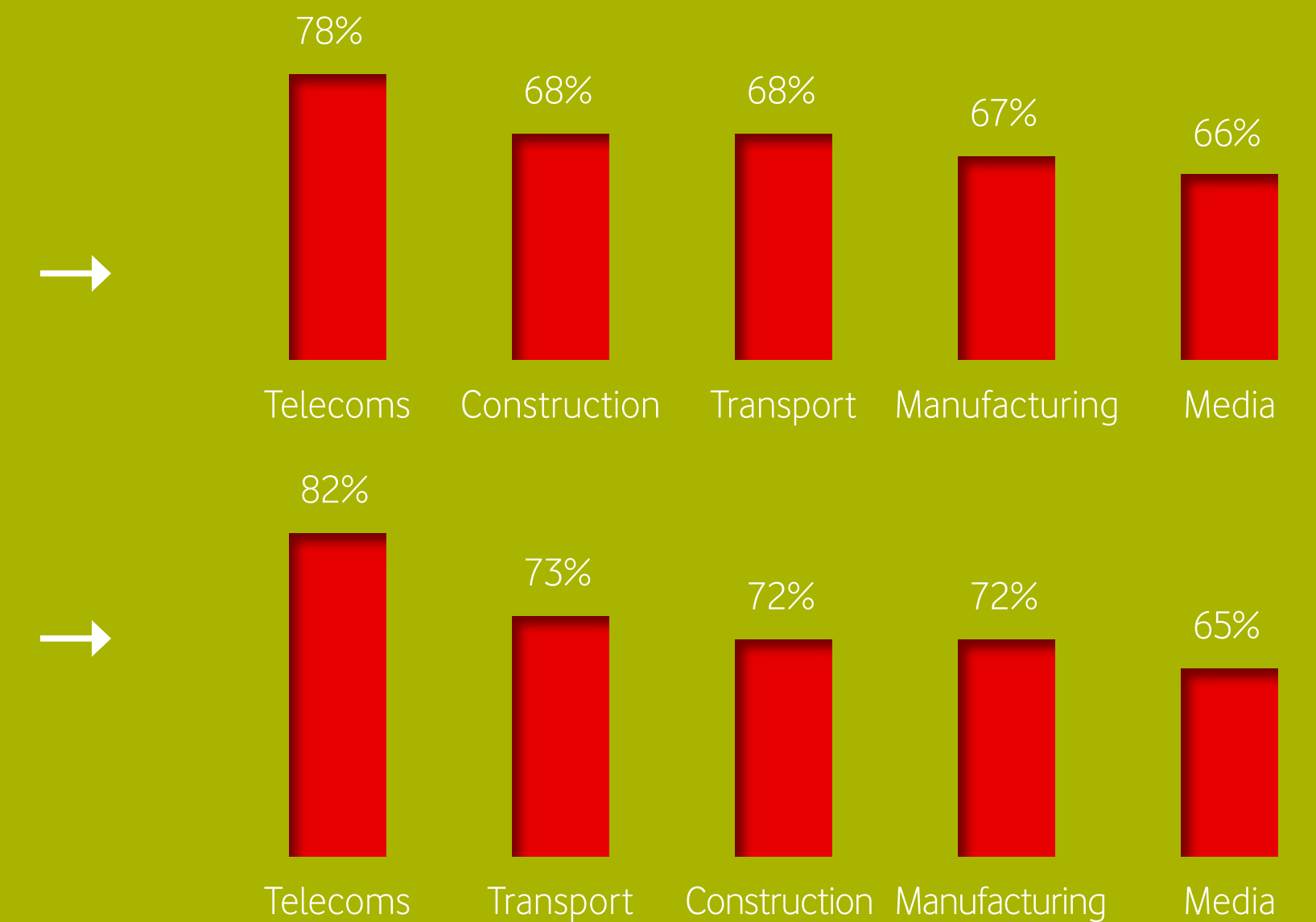


Technology can help our business to better understand where we are wasting resources



■ Neither agree nor disagree
■ Disagree ■ Agree

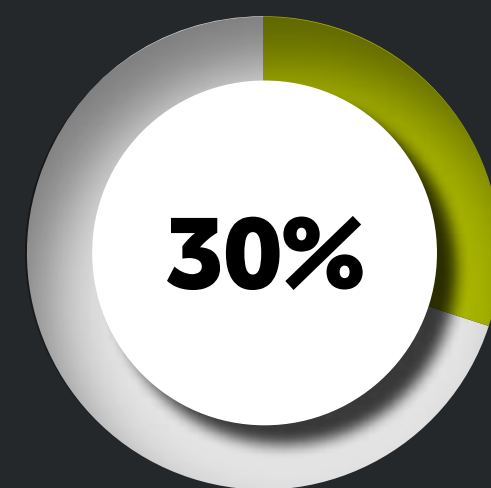
FFTF numbers are significantly higher than the non-FFTF



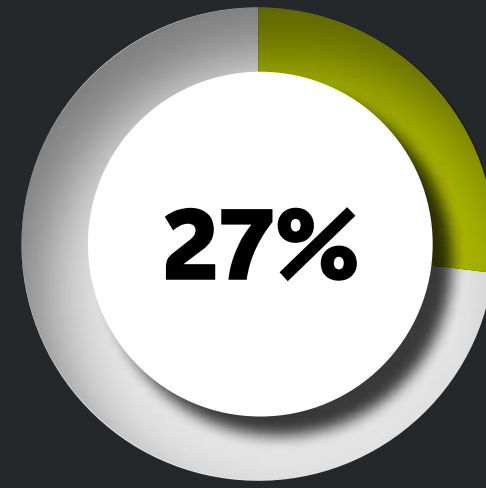
BUT TECHNOLOGY SKILLS CAN ALSO BE A BARRIER TO PROGRESS

A lack of tech skills and poorly informed decisions about green technology are among the top five barriers to progress on sustainability. Poor funding and being unable to see the tangible benefits of sustainability were also key barriers. We found that all barriers are roughly as prevalent as each other.

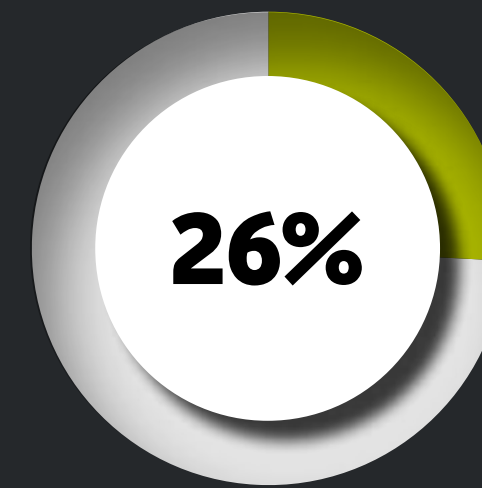
It's also important to note that the same barriers appear fairly consistently for businesses of different sizes, in different countries and industries.



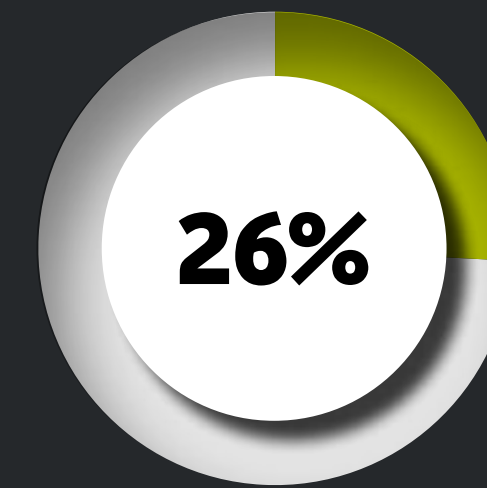
Not enough money/financing to make green investments.



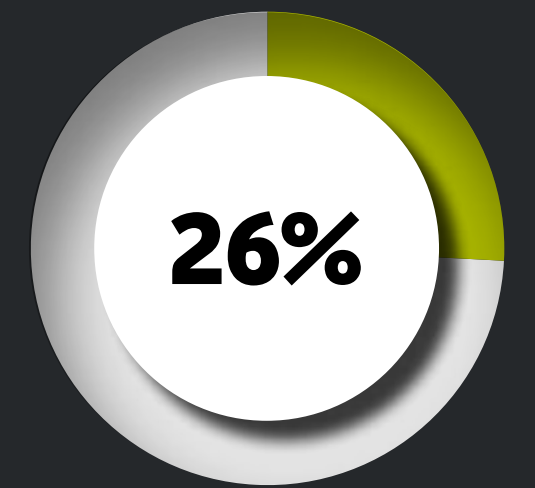
Lack of skills in green technologies/disciplines.



Lack of understanding of how to make improvements.



Lack of visible/tangible benefits to our organisation.



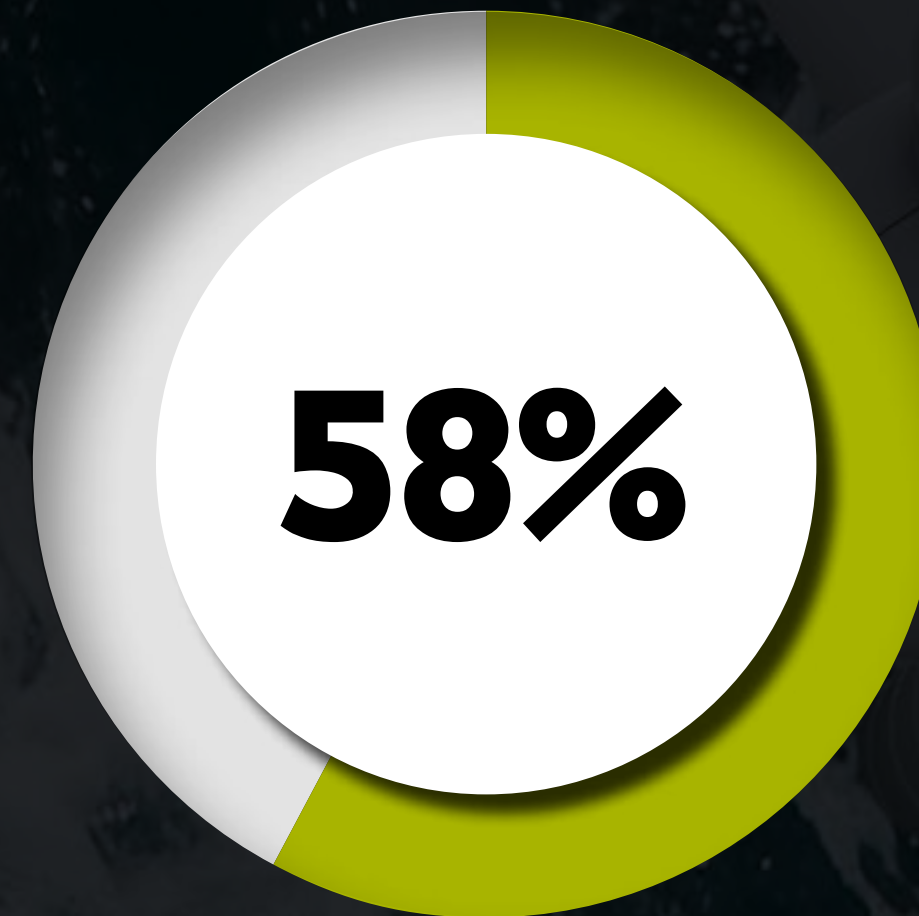
Lack of maturity of key technologies that would enable sustainability.

BUSINESSES WANT BREAKTHROUGHS

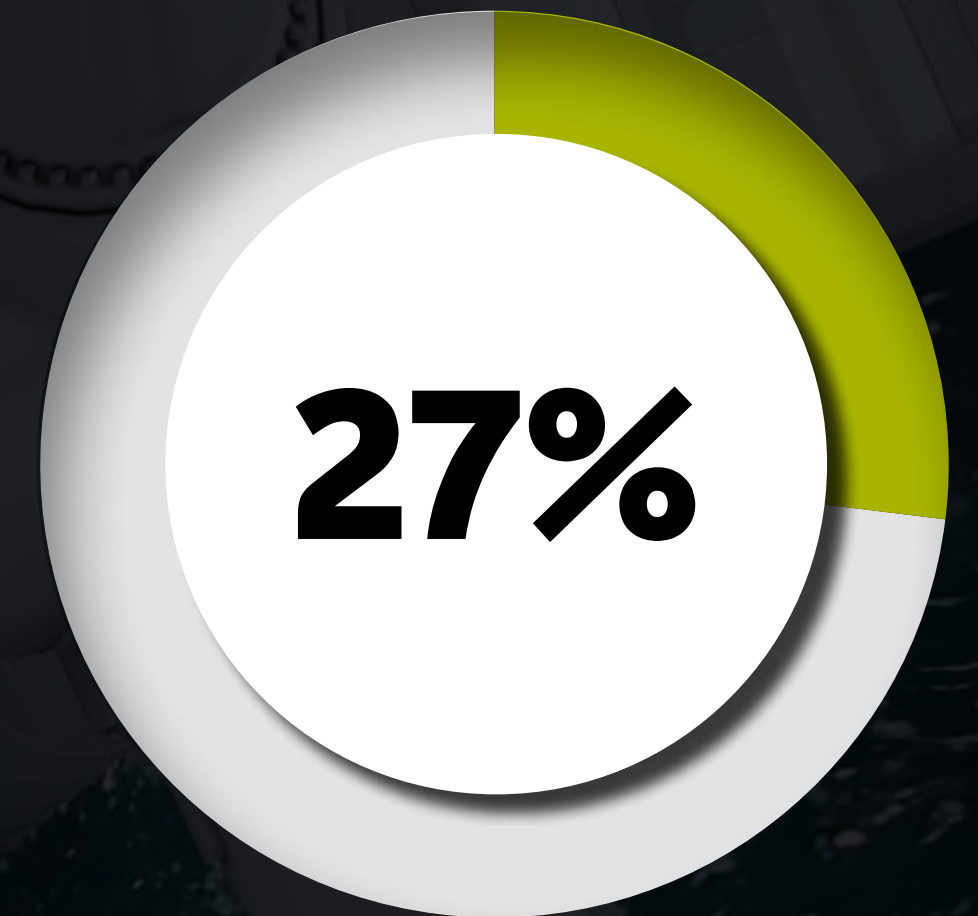
We found that a majority of businesses think major technology breakthroughs will be needed to enable progress on sustainability.

We also found that the businesses who defined sustainability as 'a need to build sustainable ecosystems' tended to believe more strongly in the need for breakthroughs.

Meanwhile, FFTF businesses are more likely to see environmental impact as a catalyst for innovation than their non-FFTF counterparts. Those who think this way are also more likely to take actions such as improving energy management, using low-emissions transport or reviewing the sustainability of their suppliers and partners. These findings are consistent across all business size bandings.



believe that there will need to be major breakthroughs in technology to enable progress towards environmental sustainability in their industry.



of FFTF businesses cite environmental impact as a catalyst for innovation (compared to 20% of businesses that are not FFTF).

03

CONCLUSION



FFTF businesses build a more holistic sustainability strategy, rather than doing things piecemeal. They also look beyond their own processes and assess the sustainability of their supply chains and spheres of influence.

TO CONCLUDE

FFTF businesses aim to drive change in an even wider sense, championing collaboration and partnering with other businesses and sectors to create sustainable 'ecosystems' that combine the efforts of governments, charities and regulators.

They recognise that technology will play a crucial role, whereas non-FFTF businesses either rely on the technology they already have or simply don't have the resources to make further progress.



FFTF businesses understand that sustainability is an absolute necessity for their long-term growth prospects. They'll often stick with their sustainability commitments rather than creating new ones. Their long-term growth is likely to come from this commitment, even if it creates short-term challenges.

And they're being rewarded for it. FFTF businesses are now attracting more inward investment.

But capitalising on the advantages of sustainability means doing it properly. It's about having a clear view of what sustainability is, developing a clear strategy, investing in helpful technologies and avoiding greenwashing. Customers are increasingly savvy and will be able to see through any disingenuous attempts at promoting green credentials.

It's clear then, that sticking to sustainability initiatives is a better way to encourage growth and foregoing short-term advantages could pay off in the long run.



Ready to find out how 'Fit for the Future' your business is?

Take our assessment today and explore what steps you can take to make your business more sustainable for the future.

Start your journey today at
www.vodafone.com/business/fitforthefuture



1

2

3



METHODOLOGY

HOW WE IDENTIFIED OUR SUBJECTS FOR 2022

Our Market research team started with wide-ranging desk research looking into topics across politics, economics, sociology, technology, law and the environment.

We distilled all our findings down into clear categories and based on these and key challenges / themes identified in previous waves of research in 2020 and 2021 we built a set of research objectives. These included:

Sustainability: How businesses are responding to the new imperative to reduce and manage their environmental impact.

Qualitative and quantitative primary research conducted with our partner B2B International.

Quantitative:

3,101 businesses surveyed via online survey across 15 markets:

- UK
- Netherlands
- United States
- South Africa
- Ireland
- India
- Germany
- Spain
- Italy
- Australia
- China
- Singapore
- Portugal
- Romania
- UAE

Fieldwork period:
August 2022.

Qualitative:

25 depth interviews with businesses across UK, Germany, South Africa, Italy and Spain and 5 with journalists and investors.

Fieldwork period: July 2022.



Together we can
vodafone
business

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