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Advancing Adaptable Work Solutions for the Evolving Needs of Business

By Paul Browne and Barnaby Miller

Executive Summary

In a market landscape which continues to present new and unexpected recruitment and supply chain challenges to businesses, public scrutiny of commitment to Environmental, Social, and Governance (ESG) goals is only increasing. The growing need for organizations to integrate ESG policy across all areas of operation is made even more challenging due to a lack of standardized metrics by which businesses can demonstrate their progress. As investors increasingly view ESG as a top indicator of future profitability and with the prospect of increased legislation and government oversight, businesses need to find new ways of translating their public commitments into quantifiable outcomes.

Organizations will need problem-solving support and transformative thinking as they develop their own internal key performance indicators (KPIs) for achieving their ESG targets, helping them stay ahead of this rapidly bending curve. Businesses should look to a holistic products, services, and solutions provider with offerings that can be leveraged for verifiable data of their organization's inclusive governance and eco-conscious work provisions to meet the demands of the future.

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Introduction - The Expectation of Change

“We’ve been focused on sustainability for nearly 20 years, consistently providing programs and initiatives to support our commitment to be a responsible corporation and help our suppliers and customers do the same.”

- Gerry Smith - CEO, The ODP Corporation

“Just 13% of global investors agree ESG is a passing fad that will go out of fashion.”



Key Takeaways:

- Focus on ESG is increasing
- Many companies already recognize the need to publish sustainability reports

The expectation of businesses to operate responsibly and sustainably is nothing new. Even before the events of 2020 and the ensuing workplace well-being challenges, it was becoming clear to top global organizations that ESG policy and progression would be the next great challenge for leadership, with **“90% of S&P 500 companies [publishing] sustainability reports in 2019.”**ⁱ

While some still dismiss ESG as a transitory spike, catalyzed by the events of 2020, the vast majority are now convinced that ESG will be an ongoing business imperative moving forward. “Just 13% of global investors agree ESG is a passing fad that will go out of fashion. This demonstrates how most investors view ESG as a permanent and pre-eminent part of the investment landscape.”ⁱⁱ

ESG is here to stay, but with so many expectations within a still developing area of business performance, there is an urgent need for many organizations to find new ways of addressing and exemplifying their efforts and progress quantifiably.



Ahead of the Curve

The heightened prominence of ESG has led investors to embrace this new area of business performance analysis as one of the most essential indicators of future success. **“79% consider ESG risks and opportunities an important factor in investment decision making,”** ⁱⁱⁱ with around 50% of investors expressing “willingness to divest from companies that didn’t take sufficient action on ESG issues.” ^{iv} However, the broad range of topics that ESG now envelops has resulted in an equally expansive variety of available performance metrics, with little to no standardization when compared to other, more established, analytics. For example, while S&P and Moody’s will publish similar credit scores in 99% of cases, the ESG scores issued by the six most prominent ESG ratings providers will align, on average, in only 54% of cases.^v

This lack of alignment on the metrics of sustainable governance is mirrored by the investors who leverage them. “Today’s investors wrestle with confusing ESG terminology, definitions, and labels. Ask 10 portfolio managers to define “green investment” and you are likely to get 10 different answers.” ^{vi} Due to investors’ increased reliance on these informal metrics, ESG is now, potentially, a new arena for government regulation and watchdog oversight, since “additional SEC regulations on other facets of ESG have also been proposed or are pending.” ^{vii}

The majority of decision makers have acknowledged this urgent need for a more socially conscious operating model. Indeed, **“sixty-two percent of directors say their boards include ESG in their ERM (enterprise risk management), up from fifty-five percent the year before.”** ^{ix} However, many businesses are finding it challenging to translate their public ESG commitments into tangible performance improvements, with 43% of the world’s largest companies acknowledging that they are failing to match ESG rhetoric with results.^x

As an imperative for both investor confidence and risk management, organizations will need to develop their own interim KPIs to show evidence of their increased engagement with this new business value indicator in order to stay ahead of a rapidly bending regulatory curve.

ODP Business Solutions™ is continuing to help its customers stay on top of current ESG trends, developing ESG oriented products, services, and solutions to support their ongoing commitment to operate responsibly.



50% of investors are willing to divest from companies without ESG plans.

PWC



43% of world’s largest companies are failing to match ESG rhetoric with results.

ACCENTURE



Key Takeaways:

- ESG is a key driver for investor decision-making
- There are currently no standardized metrics for gauging ESG progress
- Businesses will have to address ESG concerns as a legal imperative

Thriving Together

“Our environmental initiatives help limit waste, conserve energy, promote recycling and minimize the use of harmful chemicals. We also focus on greener product procurement and sales through our GreenerOffice™ assortment, which enables our customers to choose products that suit their sustainability needs.”

- Gerry Smith - CEO, The ODP Corporation

“Companies with consistently high ratings for ESG performance had operating margins 3.7x higher, on average, than those of lower ESG performers.”




Key Takeaways:

- Businesses will need to invest in workplace well-being products
- Organizations need to support investment in diverse local suppliers to meet increased customer and workforce expectations

Since 2020, businesses have been deploying advanced well-being products and protocols as an operational continuity imperative. This has “completely changed the investment and capital-market landscape, sharpening the focus on ESG and sustainability and increasing awareness of social factors.”^{xi}

In addition to the well-being of employees, there are also tangible Return on Investment (ROI) benefits for those businesses that continue to make ESG oriented investments. “Companies with consistently high ratings for ESG performance had operating margins 3.7x higher, on average, than those of lower ESG performers.”^{xii} As metrics become more established and standardized, these investments will enable organizations to generate verifiable data on their performance in these areas.

While there is a fiscal incentive in higher ESG performance, many organizations are still finding it challenging to engage with diversity and inclusivity concerns outside the immediacy of their own organization. “Almost half (47%) struggle to balance the interests of different groups, such as communities versus shareholders.”^{xiii} **However, the reputational necessity for businesses to invest in their communities is increasing. 76% of consumers now say “I will discontinue my relationship with companies that treat the environment, employees, or the community in which they operate poorly.”**^{xiv} Businesses will need to find ways of exemplifying their commitment to these values “reorienting their business toward a value creation ecosystem that adds environmental sustainability, employee, external partnerships, and broader societal impact to financial imperatives as measures of success.”^{xv}

To help customers on their journey towards improved community investment, ODP Business Solutions has developed the Diverse Supplier Catalogue  designed to support businesses in leveraging a nationwide network of diverse local suppliers and assisting them in achieving their ESG goals.

Business Renewed

With 60% of stakeholders now choosing their place of work based on personal beliefs and values,^{xvi} climate change has become another facet of the recruitment and retention challenge. While historically, some businesses have viewed eco-conscious adaptations to their operations and supply chains as a costly investment with low ROI, this mentality is shifting. More and more businesses are transitioning to greener and more eco-conscious workplace provisions in order to address employee expectations. **67% of CxO respondents say they have implemented the use of “more sustainable materials (e.g., recycled materials, lower emitting products)” with 66% “increasing the efficiency of energy use (e.g., energy efficiency in buildings).”^{xvii}**

The adaptation of procurement procedures has become a popular indicator of an organization’s commitment to greener operations. However, with more than a third of CxOs now saying “climate change is affecting their employees’ physical [as well as] mental health,”^{xviii} eco-conscious and sustainable business practice has become an imperative for operational continuity and can also be leveraged as evidence of ESG progress towards a more people-oriented management system.

The heightened demand for eco-conscious solutions is also being echoed by consumers, who are increasingly prepared to pay a premium for products that meet their environmental expectations. “Many are willing to pay more to make sustainable choices. 64% of Gen Zs would pay more to purchase an environmentally sustainable product.”^{xix}

With benefits for profitability, operational continuity, external reputation, recruitment, and retention, it is not a question of ‘why’, but ‘how’ business leaders can make the change towards more eco-conscious solutions and provisions across the supply chain.

To meet growing customer demand, ODP Business Solutions continues to support its customers’ drive towards more sustainable success by curating the GreenerOffice™ range. Combined with The Green Book® Digital Catalog, this expansive assortment of more eco-conscious solutions is helping to enhance greener operations for businesses nationwide as they reduce their environmental impact.

“64% of Gen Zs would pay more to purchase an environmentally sustainable product.”



Key Takeaways:

- Customers now expect products to align with their beliefs and values, and are comfortable paying a premium for them.
- Greener and more eco-conscious workplace provisions can be leveraged for quantifiable data on more people-oriented management



Next Gen Governance

“We introduced a new internal program, Elevate Our People, to focus on fostering a positive mindset, exploring and sharing in the vision of our future, and approaching challenges with a view of embracing them as opportunities to learn and grow.”

- Gerry Smith - CEO, The ODP Corporation

The next generation of consumer is willing to pay more for greener products, but they also have new work expectations. Some of the most acute impacts arising from 2020 may be starting to ease, however, the operational challenges of the ‘Great Resignation’ have been slower to diminish. As a recruitment and retention imperative, businesses will need to continue to adapt their management processes to the new landscape. **Stress and burnout levels have actually increased in the past year, with the majority of women across all age ranges and 40% of all Gen-Z workers still intending to leave their current employer within the next 2 years.**^{xxi}

There are many contributing factors leading to burnout, but one of the most notable drivers is a reduced level of inclusion due to hybrid working. **37% of respondents to a PwC hybrid working survey “expressed concern that remote working had taken a toll on diversity and inclusion within their workforce.”**^{xxii} While many business leaders may feel they are meeting the demands of their workforce by continuing to accommodate remote working, the challenge of inclusive employee engagement extends beyond remote working and into the managerial process itself.

In addition to offering hybrid and remote working options, businesses will need to create open, safe and collaborative in-person work areas. “Gen Zs want workplaces with less rigid hierarchies, where they feel they can speak openly with their employers, and where they can be part of shaping their workplace’s culture.”^{xxiii} The new office will allow individual needs, ambitions, and aspirations to be heard and addressed, resulting in operational and reputational benefits. These newly reconfigured spaces will become hubs for a new people-oriented management strategy where the engagement processes can be initiated, monitored, and measured for substantiated data on inclusive governance.

To support customers as they look to create more open and inclusive on-site working environments, ODP Business Solutions has continued to develop its dedicated account teams. With the knowledge and insights to provide site assessments, share ideas, and suggest flexible solutions for remote, hybrid and on-site operations, the dedicated account people at ODP Business Solutions are helping work, work better.



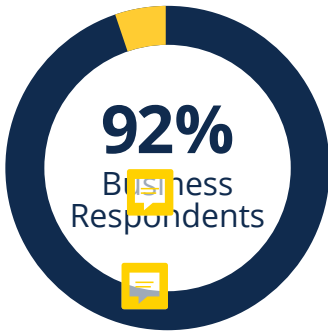
Key Takeaways:

- Recruitment and retention continue to be a challenge, requiring a more people-oriented managerial strategy
- Businesses should look to transform their office spaces into open, inclusive hubs where demonstrable ESG performance data can be gathered

Conclusion - Making Success Sustainable

“We know customers want partners aligned to their values, and organizations committed to helping them reach their sustainability goals.”

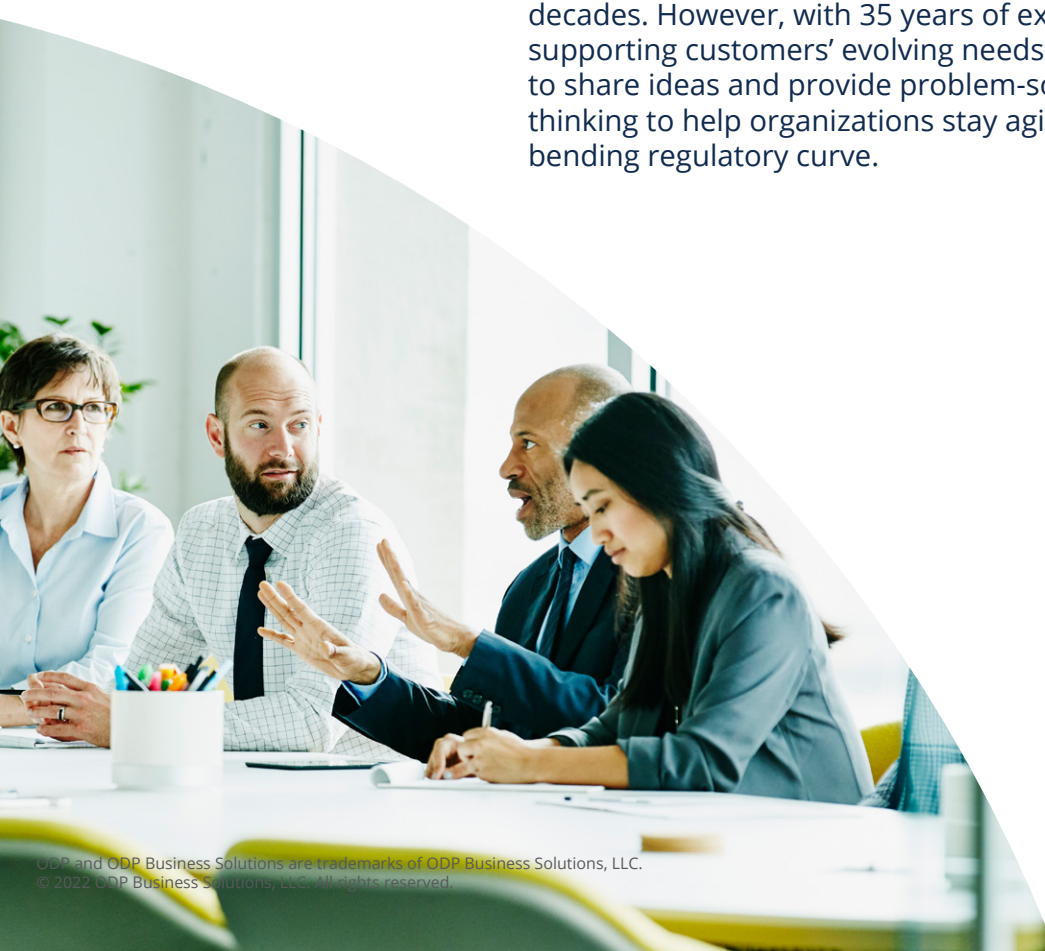
- Gerry Smith - CEO, The ODP Corporation



Creating a holistic ESG strategy that can be truly deployable across an entire business still presents many challenges. Without uniform, formalized external guidance, leadership alignment can also be a complex process. **However, 92% of business respondents agree that “companies with commitments to ESG policies will outlast competitors without.”** ^{xxiv}

As part of an external reputation, recruitment, and retention imperative, management styles will need to adopt with more inclusive and employee well-being focused processes in open and supportive environments. Beyond these immediate operational concerns, ESG is rapidly becoming an established, long-term metric of business performance. In advance of impending regulation and the formalization of standardized ratings, businesses will need to operate with the expectation of change. Organizations will have to establish their own interim KPIs based on their unique business operations, while showing their ongoing commitment to solutions that support their ESG goals.

Business has changed more in the past two years than the previous two decades. However, with 35 years of experience, ODP Business Solutions is supporting customers' evolving needs with dedicated account people ready to share ideas and provide problem-solving support and transformative thinking to help organizations stay agile, adaptive, and ahead of a rapidly bending regulatory curve.



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