

Catching *the wave*

→ *Seizing the opportunities of the
sustainability transformation*

Executive Summary



Catching the Wave

The sustainability transformation is gathering steam. Many multinational companies recognize the increasing strategic importance of sustainability and are proactively assessing operational risks and seizing commercial opportunities. Long-term ambitions to reach net zero, become nature-positive, and improve social outcomes have been set out. However, the short-term actions to achieve long-term sustainability goals often fall short, and companies struggle to imagine the new markets the transformation will bring. Why?

WBCSD and ERM undertook a dialogue to discover what is holding companies back and the practical steps that can be taken to drive immediate, decisive action aligned with long-term sustainability ambition and market success. This involved a series of frank, in-depth interviews and active engagements with over 130 global business executives and sustainability experts about what needs to be unlocked within business operations and in the mindsets of senior leaders to drive change. In *Catching the Wave*, we lay out our findings and present a set of actions that can help companies successfully navigate this period of sustainability transformation and accelerate the rate at which it unfolds.

Key messages

1. Companies must work with multiple truths to navigate the sustainability transformation successfully.

Yes, the threat of social and environmental crises amplifying into one intertwined polycrisis is real, but solutions are charging ahead exponentially. Yes, it is tempting for companies to downplay the scale of the sustainability shift, but those that recognize and embrace it are poised to win. Companies need to weigh simultaneous truths to fully understand the situation and develop a successful approach to seizing the opportunities (and managing the risks) of the sustainability transformation.

2. Companies must be honest about internal barriers to successfully integrate sustainability,

focusing on three in particular: short-term focus, sustainability-as-a-cost mindset, and sustainability skills and awareness gaps. Furthermore, existing external barriers should not be used as excuses for inaction. There is considerable commercial value to gain when companies face the organization's internal hurdles: doing so also makes companies more effective in pushing and seeking collaborations to lift the most persistent external barriers.

3. Companies should neither underestimate nor get overwhelmed by the waves of disruption

the sustainability shift brings now or in the future. Systemic transformations are tough to navigate but follow similar patterns, and most organizations have been through at least one before. The ongoing digital transformation is a good example: it has radically altered business – operations, markets, business

models – and society. The companies and sectors that embraced the digital revolution and dared to experiment and radically innovate came out stronger. Many that played it safe languished or disappeared. The sustainability transformation will not be any kinder to reluctant movers.

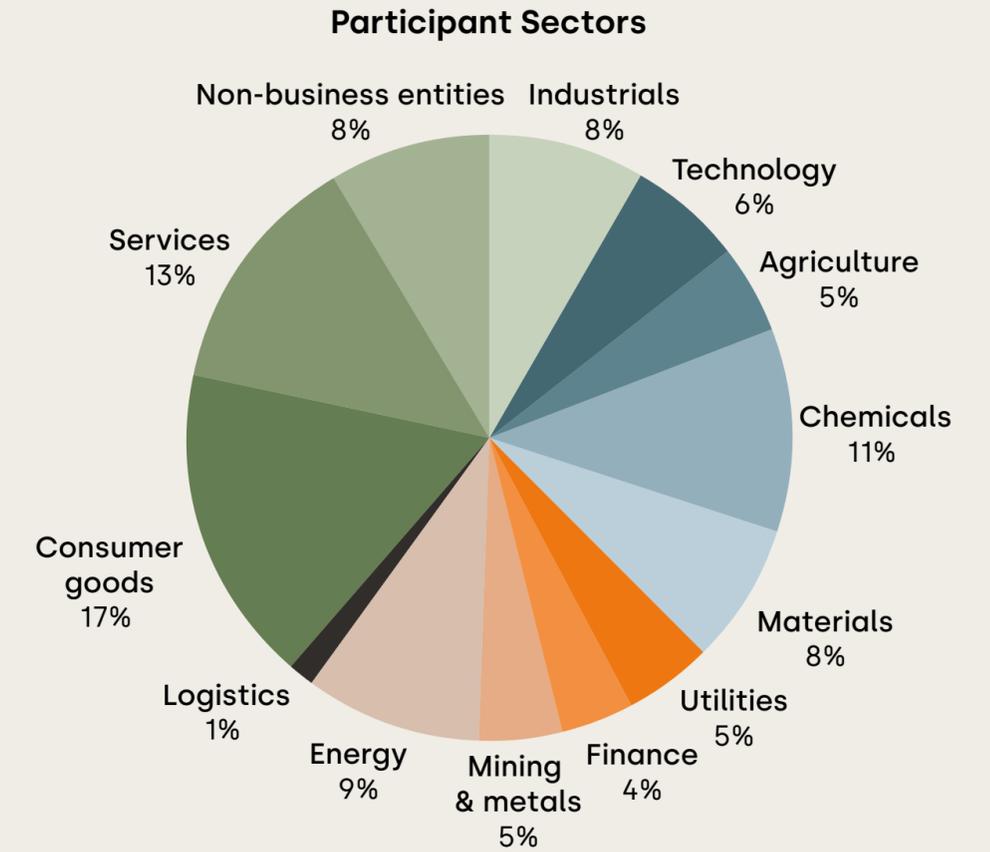
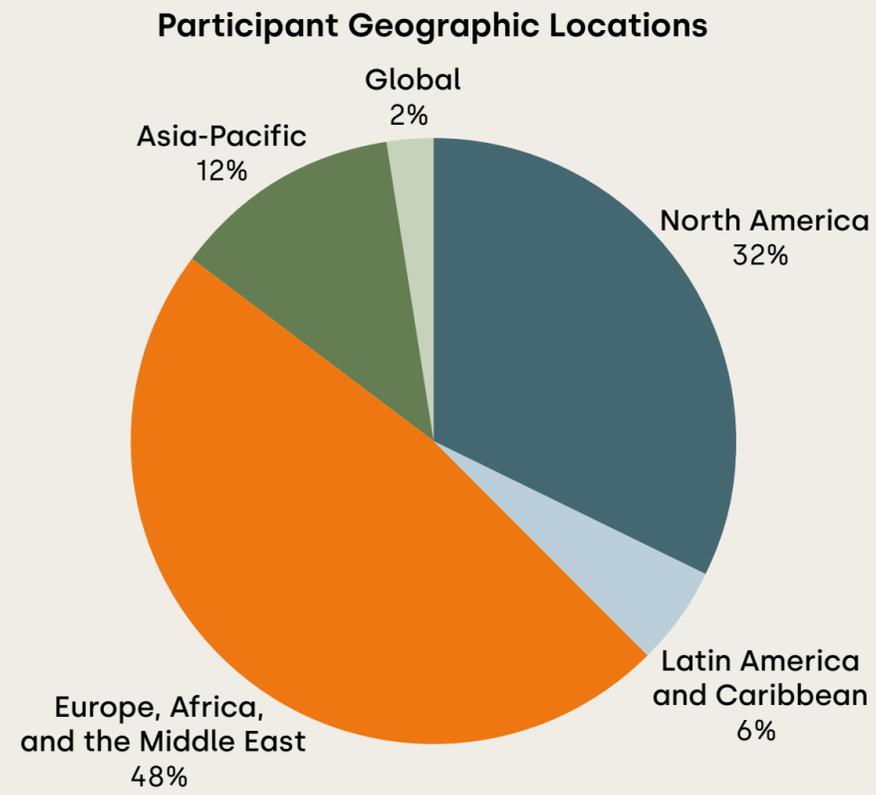
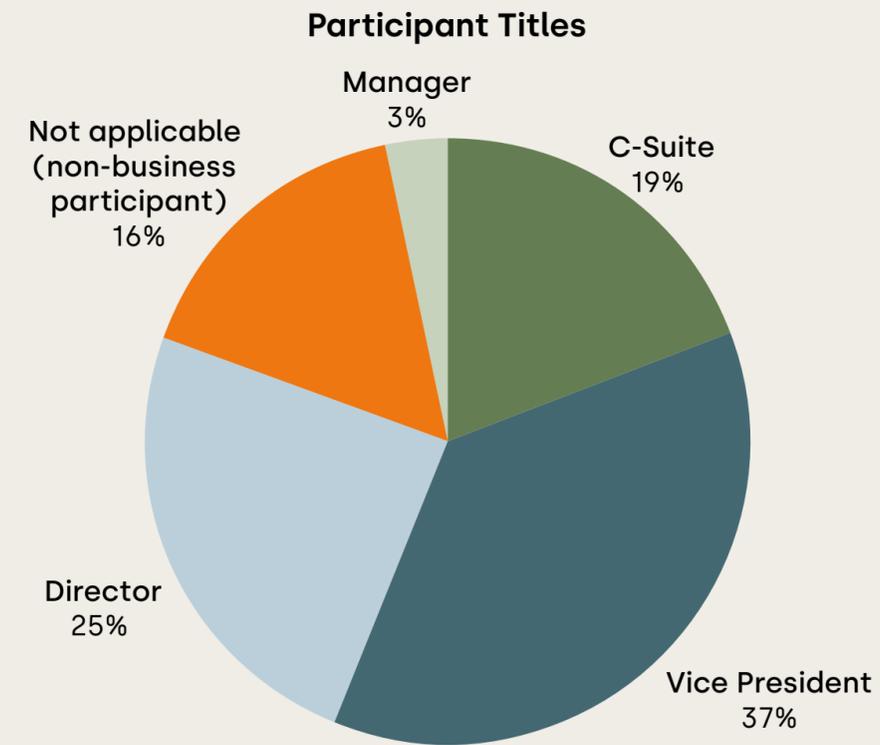
4. All companies are learning on the go with the sustainability transformation; no off-the-shelf blueprint for action exists.

However, by looking closely at companies that have partially integrated sustainability successfully and how companies have navigated systemic upheavals in the past, the outlines of an approach to unlock action and commercial value emerge. Based on in-depth interviews and extensive desk research, the sustainability transformation framework presented in *Catching the Wave* (see Chapter 4) reflects the best available practical knowledge and experiences about what has worked for companies in the advanced stages of integrating sustainability and explains how to translate this into commercial success, operational efficiency, and resilience.

5. In conversations with companies that tested the framework during its development, we learned that our sustainability transformation framework offers various entry points and works across whole companies and value chains.

It can, among other things, help solve thorny issues that arise during strategy development, guide integration, product, and marketing decisions, help companies spot opportunities to manage people better and improve collaboration with suppliers and peers.

Breakdown of participants



01. Navigating multiple truths

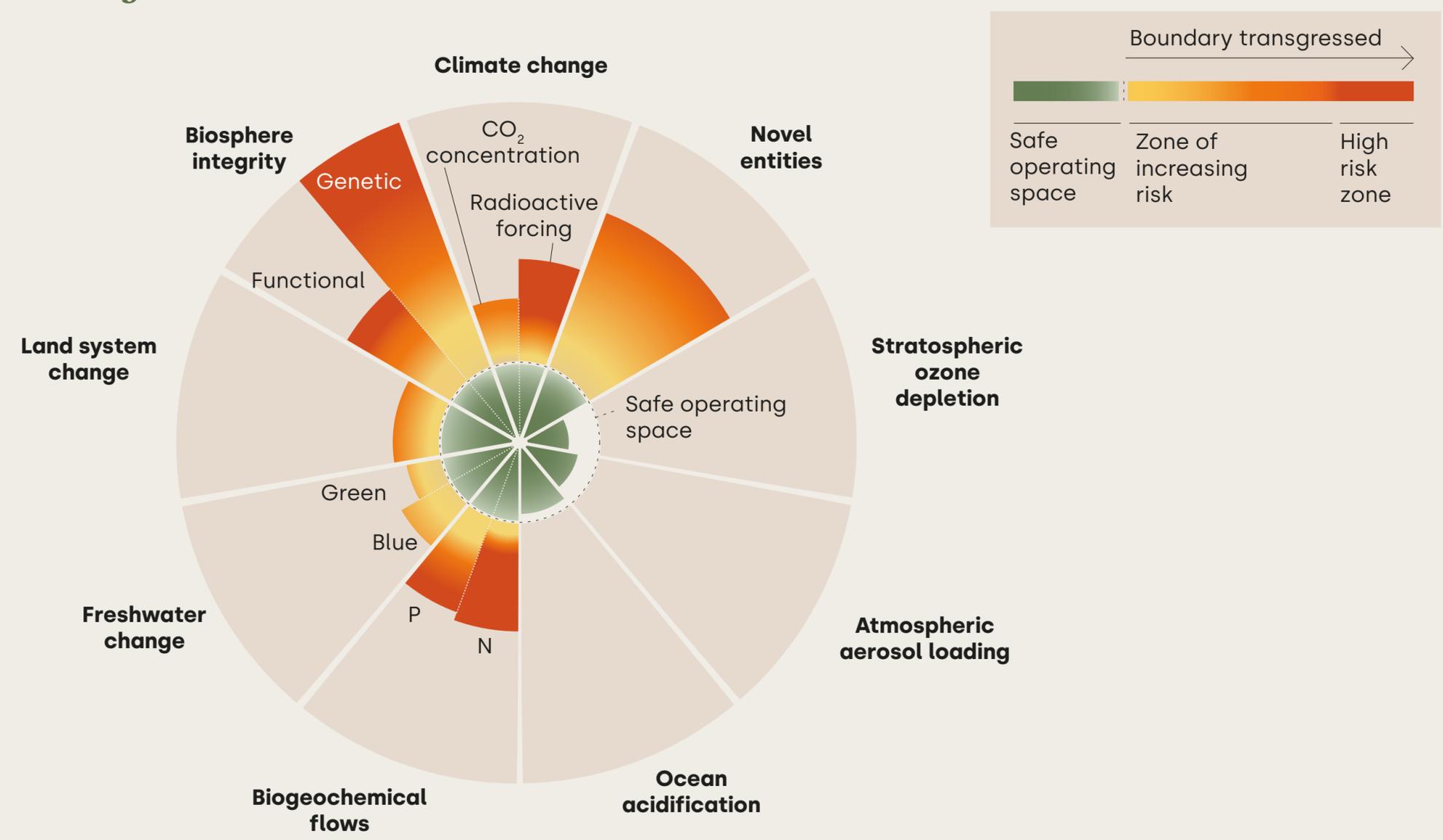
Being at ease with ambiguity

To get into the right mindset to successfully transition from today's reality to tomorrow's, business leaders must learn to navigate multiple, simultaneous truths.

- 01 → The best available science states we are running out of time to stay within planetary boundaries
- We underestimate how quickly climate and natural systems can bounce back if we give them the opportunity

Six out of nine critical planetary boundaries (e.g., climate, biosphere loss, chemical pollution) have been pushed beyond safe limits. However, it is also true that before the Paris Climate Agreement, the world was expected to heat up around 4°C by the end of the century. Today, the forecast is for 2.8°C of warming, representing considerable progress. Ecosystem restoration is also now surging globally.

Pushing boundaries



Source: ScienceAdvances (2023). [Earth beyond six of nine planetary boundaries](#)

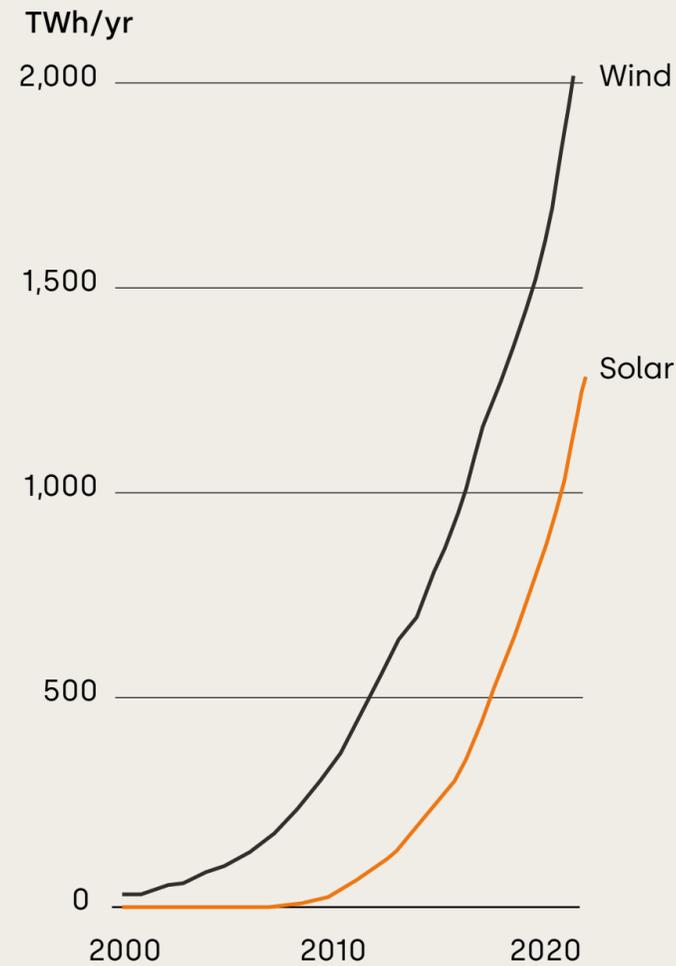
02

- The threat of social and economic consequences merging into a polycrisis is real and increasing
- Many technological and commercial solutions to these threats are charging ahead exponentially

The world faces a new level of risk of interconnected crises merging due to the overlap of stresses from nature depletion, global warming, and food scarcity to migration, growing inequality, and polarization. At the same time, the sustainability transformation has already triggered an exponential wave of technological innovations and other solutions, creating new, multibillion-dollar markets in the process.

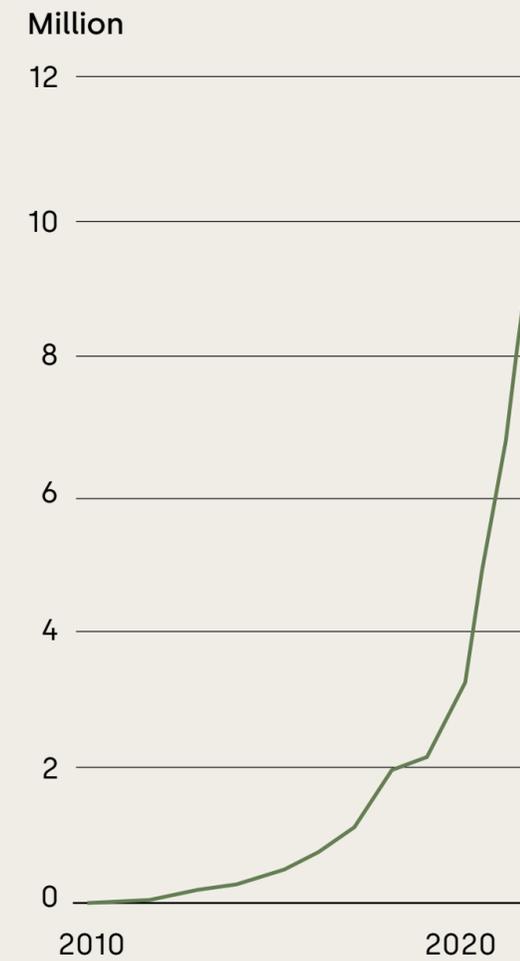
Reaching for the stars

Annual solar & wind generation



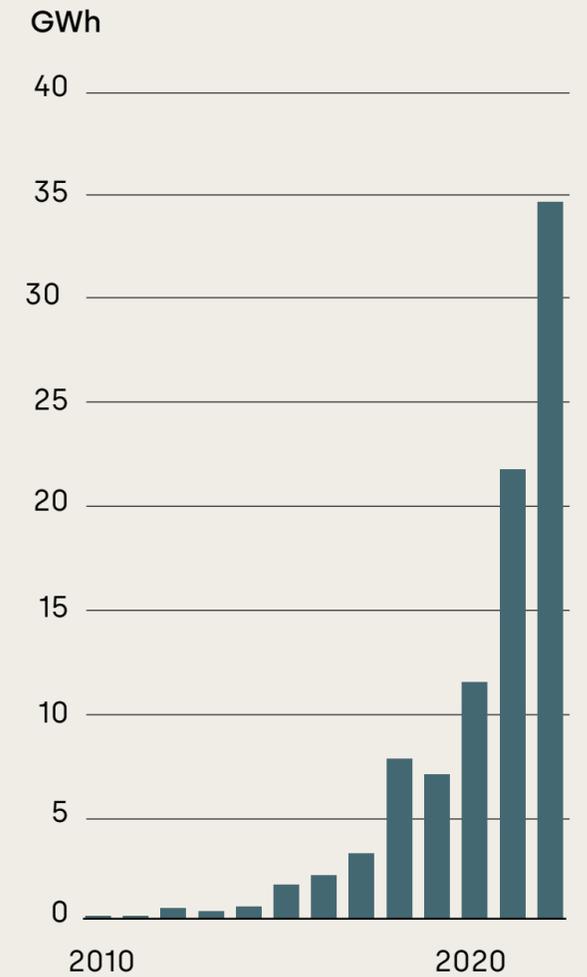
Wind: **15% CAGR**, Solar: **29% CAGR**

Annual EV sales



58% CAGR

Annual battery storage sales



54% CAGR

Source: Rocky Mountain Institute (2023). [The Energy Transition in Five Charts and Not Too Many Numbers](#)

03

- **Underestimating accelerating commercial risk and opportunity, many companies delay urgent action**
- **Companies that imagine and create business models for an altered future are most likely to thrive**

Many companies treat sustainability as a compliance or risk management issue, seeing it as a cost of doing business rather than a commercial opportunity. They underestimate the massive scale of the sustainability transformation. However, as in previous system transformations, the winners will be disruptive newcomers and adaptive incumbents able to imagine a different future and novel commercial pathways even before they fully materialize.

04

- **Many corporate leaders struggle to foster a culture of innovation and experimentation**
- **Leaders who incentivize creativity and exploration lay the foundations for breakthrough success**

A radically altered future will demand sweeping product and business model innovation. Companies with risk-averse leaders are much less likely to promote a culture of innovation. On the other hand, daring innovation and experimentation can boost business resilience and shareholder returns. An open innovation culture needs a broad base to be successful, but vocal business leaders play a pivotal role in getting it started.



02. Running into roadblocks

What holds companies back?

The first thing we explored in our research was gaining a deep understanding of the barriers holding companies back and learning what it would take to overcome them. Although many interviewees see systemic barriers as a drag on their company's sustainability progress, the majority point to organizational barriers as the more persistent challenge. The various internal barriers mentioned were connected by a single theme: the difficulty of fully digesting the fact that the world is heading into a tumultuous period of transformational change. Three barriers stood out.

Barrier 1:

Focus on short-term performance

Most corporate incentives are aligned with short-term profits, constraining the business case for medium-term transformation as well as sufficient investment in long-term resilience. The incomplete integration of sustainability risks and externalized costs in lending decisions leads to misallocated capital and the underfunding of viable sustainability investments.

A predominant focus on the short-term still guides most decision-making – not just in business but also in finance, politics, and society overall. Companies struggle to grasp the urgency of taking immediate sustainability action to create commercial value and long-term resilience, limiting the budget and capacity allocated to these actions. A critical factor holding back progress is that performance incentives for senior executives and operational managers are mostly tied to short-term financial goals. Companies must tie performance incentives to long-term sustainability performance. Companies are also affected by the short-term outlook of many investors and lenders, who insufficiently integrate sustainability risks into their decisions and hardly reward sustainability performance. This makes it harder for companies to justify investments in sustainability-driven opportunities with unclear immediate or medium-term returns.

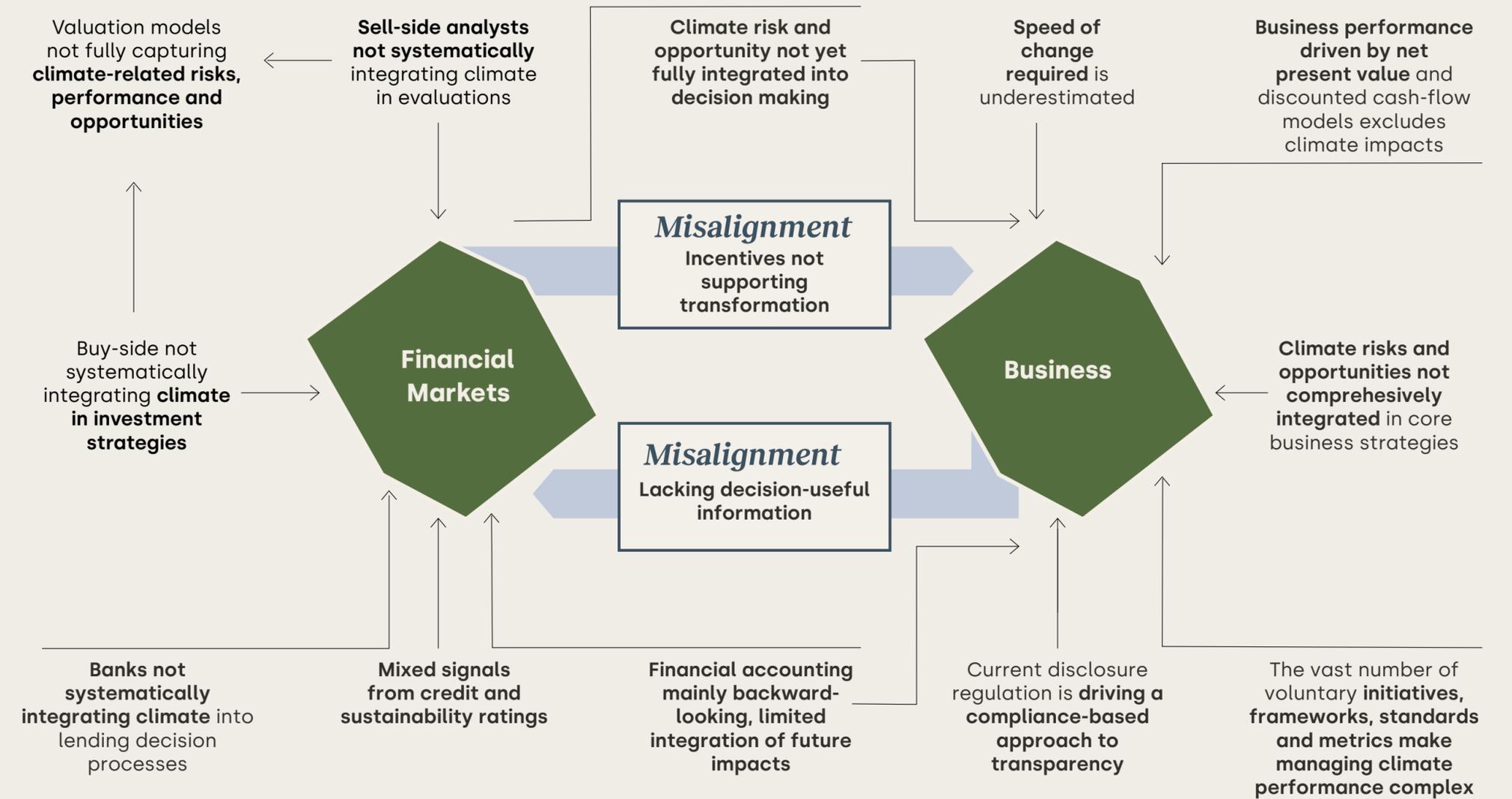


Barrier 2:
Persistent “sustainability-as-a-cost” mindset

Many corporate leaders struggle to imagine how their companies can realize the sustainability transformation’s commercial potential and use it for competitive differentiation and advantage.

Many corporate leaders have difficulty recognizing the strategic importance of sustainability for product and market development, instead seeing it as a cost of doing business forced upon them by regulation and societal pressure. This cost mindset squanders commercial potential in various ways: commercial successes related to sustainability are not acknowledged, scaled, and more widely applied; viable business cases fail to get a green light; and a deeper understanding of the different ways sustainability can create value is held back.

Misaligned incentives and information



Source: World Business Council for Sustainable Development (2023). [Climate-related Corporate Performance and Accountability System \(CPAS\)](#)

Barrier 3:

Insufficient sustainability-related skills and awareness

Sustainability's operationalization is slowed by a shortage of staff at all levels with the right skills and awareness, including most C-suites and boards.

Sustainability knowledge gaps are widespread, from senior leadership to those on the ground who need to operationalize sustainability. Senior executive and board leaders at many companies have the most learning to do, partly because of the breadth and complexity of their roles. Training and upskilling operational staff and managers, as well as hiring more workers with sustainability skills, are overdue across many organizations. Internal traction and investment depend heavily on senior leadership's full embrace of sustainability's strategic value. At the same time, operational staff must also be encouraged to think and behave differently; engagement, communication, and awareness across the entire organization are crucial to building adequate company-wide sustainability capacity.

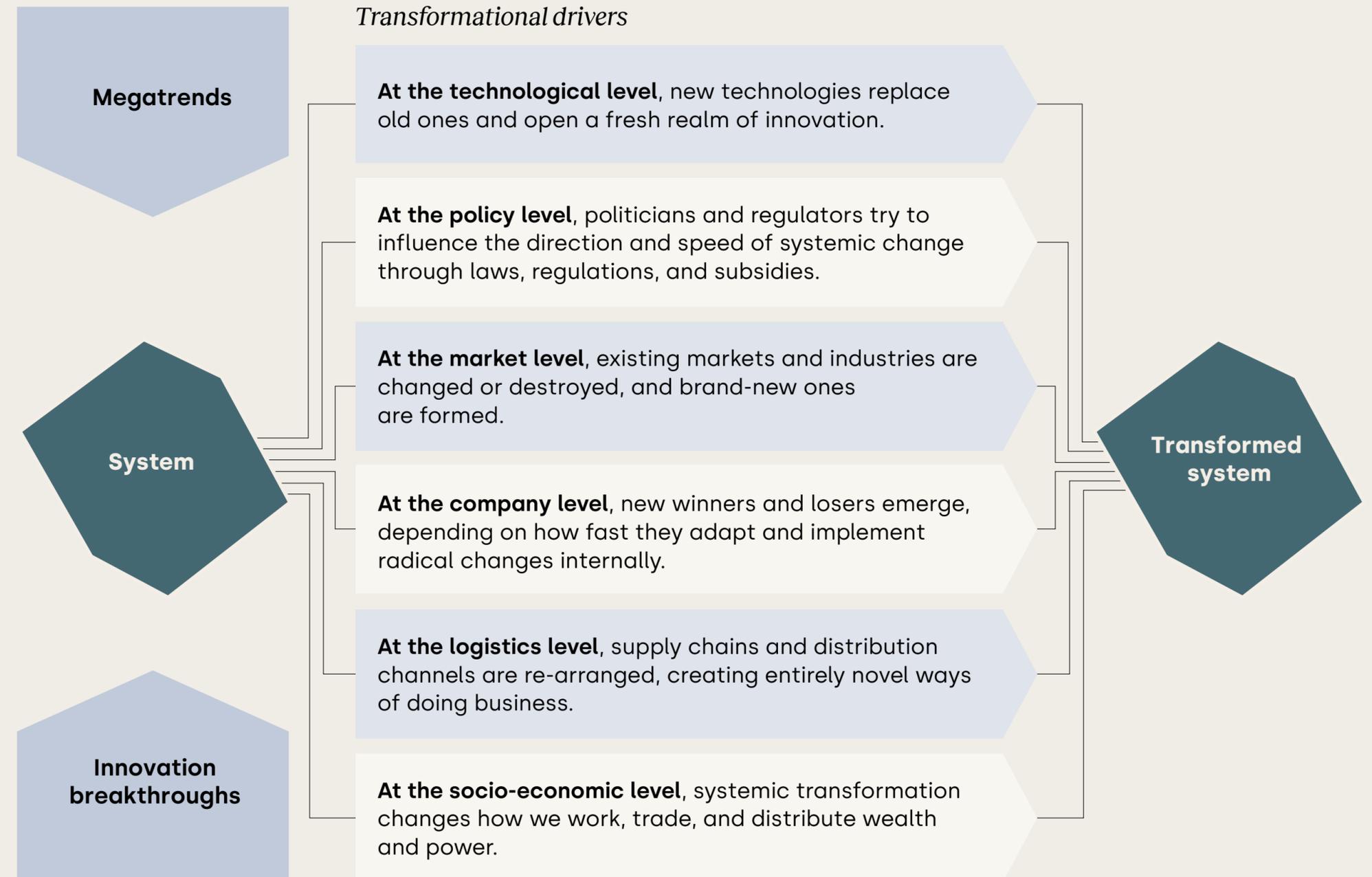


03. Waves of disruption

Thriving during transformation

Why do system transformations feel so overwhelming, especially for incumbent companies? And what lessons can companies draw from the digital revolution? System transformations happen when major socio-economic trends and breakthrough innovations amplify each other, triggering waves of disruption. As societies and companies digest these changes, many parts of the status quo are uprooted, and new technologies, policies, regulations, and supply chain shifts appear along with socio-economic upheaval and the creation of new markets.

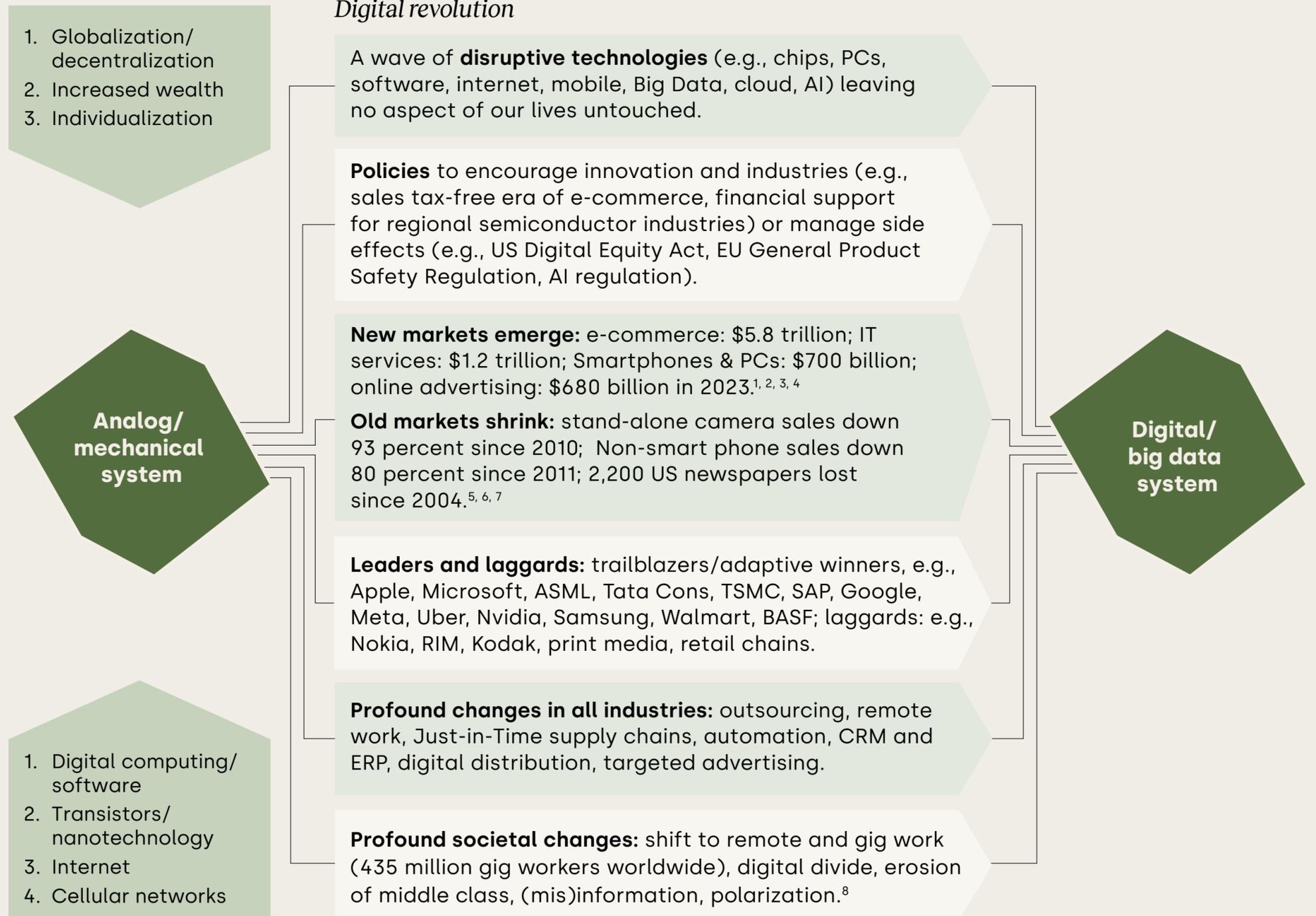
Everything, everywhere, all at once



We have been here before: the digital revolution

Sustainability conversations today often closely echo early digital transformation discussions. Today, we can barely remember how the world functioned before the digital transformation. It upended and is still upending previously dominant business models. What set the winners apart was not superior knowledge but adaptation and action. They understood that imagining and trying to seize new commercial opportunities was their best defense.

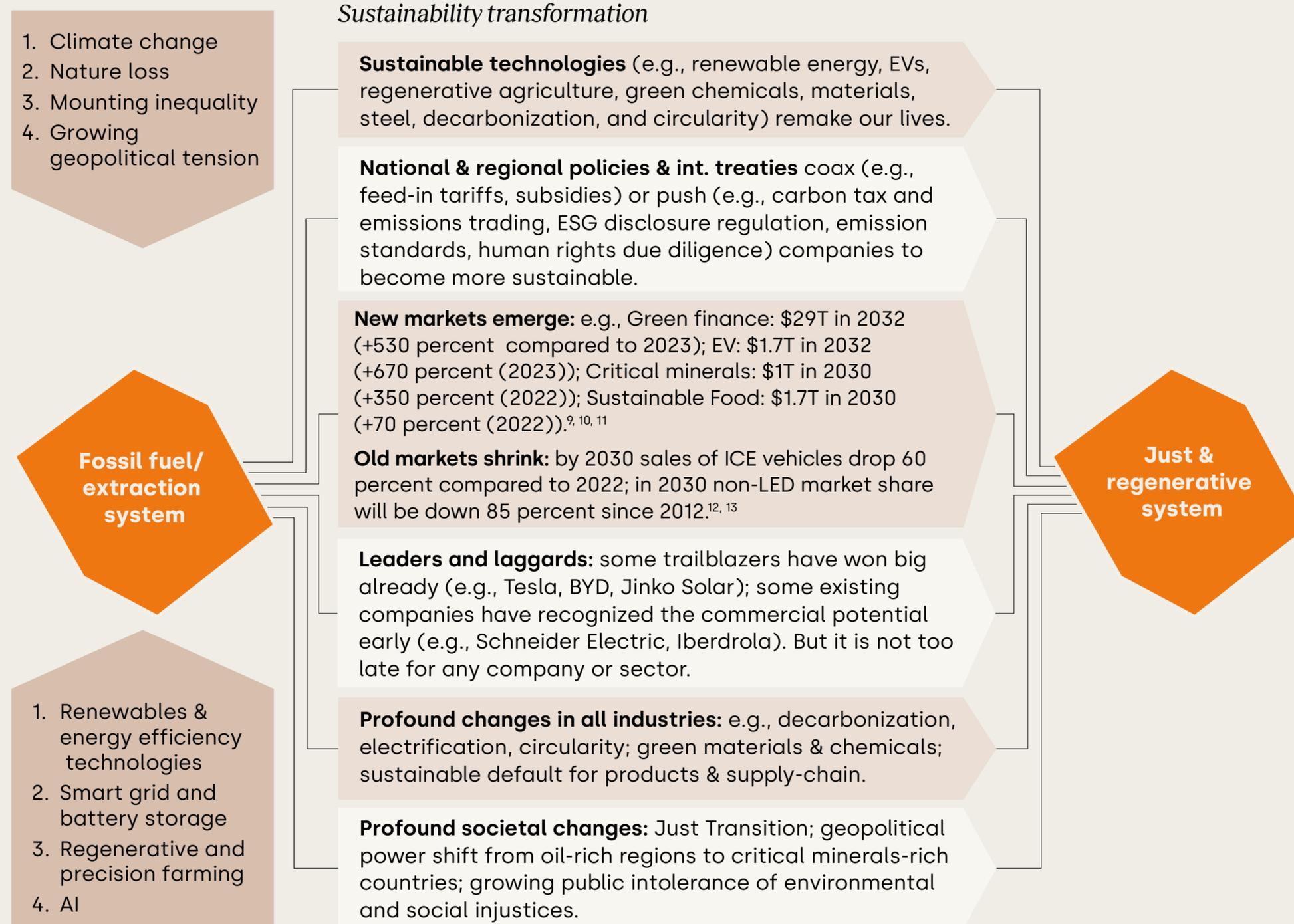
Let's get digital!



Here we are again: the sustainability transformation

The sustainability transformation is already significantly affecting operations, resources, supply chains, and consumer preferences. Many sustainability-linked markets will soon pass the trillion-dollar mark in value, and increasing pressure from investors, stakeholders, and regulators will keep creating fresh commercial opportunities. However, like with the digital revolution, it is up to companies to seize them.

Sustainability transformation: up next, sustainability!



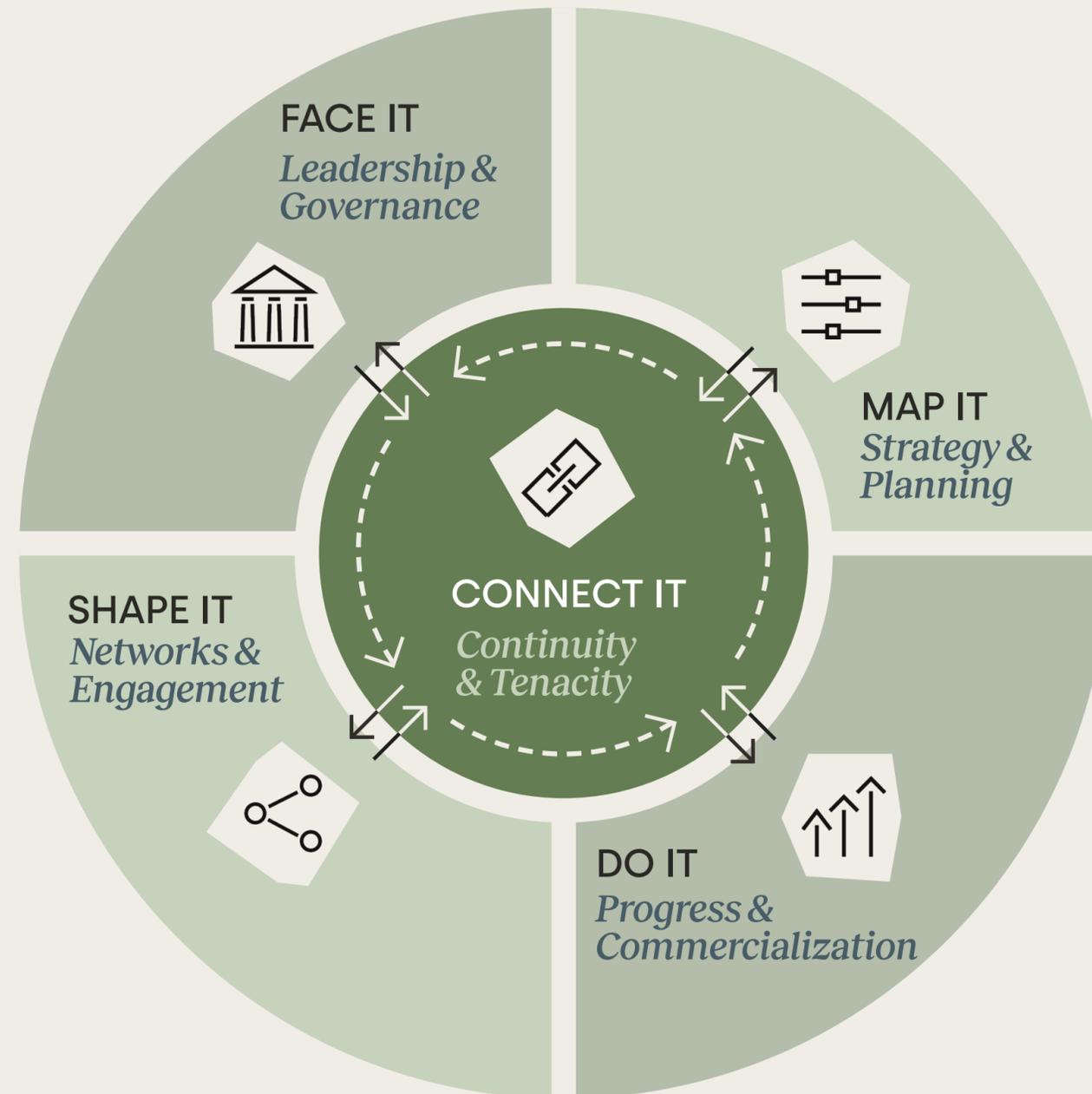
04. Seizing opportunity

Navigating transformation successfully

Navigating the sustainability transformation will be challenging and complex, no matter how necessary and how great the potential commercial upsides are. The sustainability transformation framework developed and presented in *Catching the Wave* offers practical guidance in five focus areas: leadership and governance, strategy and planning, progress and commercialization, networks and engagement, and continuity and tenacity. We refer to these elements as Face It, Map It, Do It, Shape It, and Connect It.

The five focus areas are not sequential; companies must continuously invest in, revisit, calibrate, and align them. Different companies are at different stages of implementation and/or will choose different entry points as the right place to begin. No matter where they start, companies must eventually take and link actions in all five areas to successfully absorb sustainability into their organizational fabric, fully seize its commercial potential, and build resilience to inevitable business disruptions.

Navigating the sustainability transformation

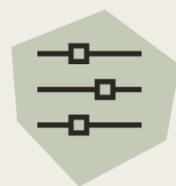




FACE IT *Leadership & Governance*

Boost the sustainability mindset of senior leadership and develop a quantified business case that enables deep integration of sustainability into the company's overall strategy.

- Close any awareness gaps that prevent senior leadership from fully digesting the strategic and competitive necessity of the sustainability transformation through education and explicitly connect it to personal interests, relationships, and experiences.
- Incorporate sustainability considerations and perspectives in senior decision-making structures and investor selection to offset systemic bias towards short-term financial results and discounting of planetary boundaries.
- Update and implement a corporate performance and accountability system that integrates risk and opportunity assessment, target setting, transition planning, measurement, and disclosure to provide a unified structure for sustainability performance management.



MAP IT *Strategy & Planning*

Make sustainability the foundation of the strategy and planning cycle and integrate sustainability decisively into all decisions and operations.

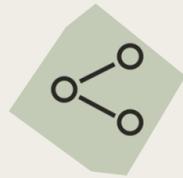
- Embed sustainability considerations in the entire planning and risk-management cycle and apply them to every product, personnel, investment, and commercial decision.
- Create a granular ecosystem of specific targets, detailed data, and hands-on monitoring, using internal pricing to reflect unaccounted-for climate, nature, and equity dependencies and impacts.
- Roll out career-critical personal incentives (e.g., bonuses, promotions) tied to sustainability performance at every level and integrate sustainability considerations into short-term and long-term decision-making.
- Close sustainability knowledge gaps and systematically educate and inspire operational staff, providing them with the skills needed to operationalize sustainability targets and objectives.



DO IT *Progress & Commercialization*

Capitalize on sustainability as an innovation engine to develop new markets, future-proof profits, and seize operational impact opportunities.

- Embed sustainability considerations into short-term financial planning cycles and long-term growth plans, including decisions on R&D, M&A, CAPEX, and OPEX, to capture cost and resource efficiencies and harness sustainability's potential for technological and commercial innovation.
- Scrutinize sustainability trends (regulatory, consumer, technological, etc.) to identify opportunities for potential cost savings, new products, and new markets.
- Implement a no-excuse approach to eliminating direct emissions and proactively solving carbon hotspots in value chains.
- Implement a similar no-excuse approach to addressing negative impacts on nature and equity, acknowledging that they are as urgent as decarbonization and are often directly linked.



SHAPE IT *Networks & Engagement*

Drive action by joining forces with suppliers, competitors, and other stakeholders, and build trust by nurturing relationships, communicating authentically, and being open to new ways of working.

- Embrace unprecedented collaboration with suppliers, competitors, and other relevant stakeholders, acknowledging that no company can successfully navigate and solve the biggest sustainability challenges alone.
- Assemble deep networks with expert sustainability partners to build internal capacity and increase access to talent.
- Build trust with stakeholders by developing genuine relationships, understanding local context, and reporting transparently and rigorously on sustainability impacts and performance.
- Join forces with others to advocate for the (legal, regulatory, market, industry, and financial) standards, frameworks, and tools essential for the private sector's sustainability progress but outside its direct control.



CONNECT IT *Continuity & Tenacity*

Nurture transformation by continuously and comprehensively integrating sustainability across the whole organization.

- Continuously invest in, revisit, calibrate, and connect actions under Face It, Map It, Do It, Shape It, and Connect It to sustainably transform the company and secure its long-term commercial future.
- Rigorously review and enforce the company's performance and accountability system through learning, revising, interacting, and providing support at all levels inside and outside the company to ensure deep change continuously moves forward.
- Anticipate internal resistance and strong undercurrents pulling priorities towards short-term financial results and unsustainable low-cost models coupled with a tendency to discount negative impacts. Proactively generate creative solutions to overcome these and other systemic challenges.
- Insist on an open, collaborative culture that embraces experimentation to fully harness creative energy and sustainable commitment within and outside the company.



05. In the field

User guide for applying the framework

Conversations with pilot companies taught us that the framework offers at least three key benefits.

1. The framework's practical guidance helps companies assess their sustainability integration and performance maturity level in a structured way.
2. The framework is versatile and works for different levels, teams, and areas inside businesses. Its interlocking categories offer a coherent way of continuously integrating and recalibrating sustainability decisions and actions.
3. Depending on factors like sector, process, region, etc., teams can customize the actions under Face It, Map It, Do It, Shape It, and Connect It to help them take stock of the situation and determine priorities.

Our in-depth interviews with senior business leaders and other research made clear that offense is the best defense when preparing a company for a new future. Businesses cannot stop system transformation; seizing emerging commercial opportunities is the best way to come out on top. Boldness will define winners in the sustainability transformation.



Endnotes

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Acknowledgments

Disclaimer

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The World Business Council for Sustainable Development (WBCSD) is a global community of over 220 of the world's leading businesses, representing a combined revenue of more than USD \$8.5 trillion and 19 million employees. Together, we transform the systems we work in to limit the impact of the climate crisis, restore nature, and tackle inequality. We accelerate value chain transformation across key sectors and reshape the financial system to reward sustainable leadership and action through a lower cost of capital. Through the exchange of best practices, improving performance, accessing education, forming partnerships, and shaping the policy agenda, we drive progress in businesses and sharpen the accountability of their performance.

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