

MEDIA, MARKETING AND ESG

Environmental, Social & Governance (ESG) can be as divisive as it can be perplexing. It has its passionate advocates as well as its vehement detractors, but many media and marketing services businesses are unsure what it means for them and what their next action should be. Will the cost of 'doing nothing' be greater than the cost of 'doing something'?

We recently commissioned workplace specialists MindLode Ltd to conduct research into the current importance of ESG for media and marketing services businesses and the people who work in them. Based on interviews with key industry players, our report provides a valuable insight into ESG within the sector.

THE SCOPE (AND COMPLEXITY) OF ESG

There was one point on which almost everyone agreed: the potential to be overwhelmed by the sheer breadth of issues that fall under the ESG umbrella. Whether your focus is on seeking to neutralise your carbon consumption and achieve Net Zero, rolling out equity, diversity and inclusion (ED&I) principles, or complying with increasingly tough data privacy rules, these represent a significant increase in operating complexity and cost – and are just a small part of what ESG purports to cover.

In essence, ESG covers the following:



Environmental: anything to do with consumption and/or impact on the physical world, both within the company and within any business that supplies it or uses it to produce their own offering. This can relate to energy usage (including travel), managing and disposing of waste and other by-products, and responsible sourcing of materials.



Social: based around people and relationships, with a focus on ED&I, general well-being, flexible working regimens, and consideration of the effect of the business on its immediate community.



Governance: how a business runs itself and holds itself accountable, including safeguards against bribery and corruption, fair and transparent remuneration policies, maintaining privacy and digital security, only working with other businesses that share the company's values, and formalizing any initiatives from the Environmental and Social buckets into official policy.

HISTORY OF ESG

Some see ESG as simply the latest iteration of corporate beneficence that began back in the 1980s with Corporate Social Responsibility (CSR), but the earliest application of the term seems to have been as a guiding principle for investment strategy. Initially, ESG was less about the effect of the business on the world and more about the likely effect of the world on the business. A positive ESG-rating suggested less vulnerability to the sorts of unwanted PR disasters that could arise from being found precipitating environmental degradation, enabling toxic culture, or exhibiting a general lack of due diligence over how everything is run. It indicated an 'insulated' business and therefore a de-risked investment. And when ESG-rated funds started significantly outperforming the market during the COVID pandemic, many stock-watchers started to sit up and take notice.

Unfortunately, since the end of the pandemic those same ESG-rated funds have started to flatline or even underperform the market, which has led many to become disillusioned. We found numerous opinion-leaders talking about ESG as a 'busted flush', and that may even be the case when it comes to investment criteria. But in the meantime, the conversation around ESG appears to have taken on another meaning that has little to do with share prices. It has come to encompass a set of values and behaviours that are important to those more immediately involved in the day-to-day lives of most businesses than their stockholders: their employees and their customers.

ESG is increasingly associated with a drive towards greater levels of general decency, regardless of the effect that it has on the share price. It is about doing the right thing rather than just focusing on profit at every turn. Most people we spoke with aren't using the actual term 'ESG' to describe this approach – they tend to use words that more precisely reference their specific agenda, like 'sustainability', 'social mobility' or 'transparency'. Today, ESG has become a guiding principle for businesses that want to be better at attracting people to work for them and/or to buy their products and services.

ESG AND OUR PEOPLE

Our survey confirmed that a fundamental transformation has taken place in the world of work in recent years. Much of this is down to the relentless march of technology, accelerated by the effects of the pandemic and cost of living crisis. Widespread political turmoil and stalemate has added further disillusionment, leading to a reappraisal of working life for many. A new lexicon has emerged around 'the Great Resignation', 'quiet quitting' and the 'anti-work generation'. Our data suggests an evolution in expectations about how work fits into life, rather than the other way around.

People aren't just after jobs that pay them as much as possible; it's important for it to be work they can feel good about. They want to do something that gets them feeling excited. They want the chance to learn and grow, to feel valuable and fulfilled. They want to be at companies that make them feel proud. They want to be somewhere that makes them feel safe and contented. And they still want to feel rewarded, not just in terms of money but in terms of appreciation. They are looking for employers they can believe in.

ESG AND CONSUMERS

People are also looking to buy things from companies they can believe in. Happy employees have always had a general correlation with happy customers, but these recent years have also seen a change in how consumers now view consuming. It's no longer just about price and efficacy; people are becoming interested in the broader story behind the stuff they buy. They want to know about ethics and values, will pay a premium for authenticity, and will shun companies that are seen to treat their own people poorly. They increasingly gravitate towards companies they believe are doing the right thing.

For many, ESG is as much about pragmatism as decency. The reason for being more environmentally responsible isn't just to avoid disdain, but because it makes sense not to view the world as some inexhaustible teat that will never be sucked dry. The reason for becoming more socially embracing is not just because it's a nice thing to do, but because it makes sense for any company to make the absolute most of any human capability potentially at its disposal. And the reason for embracing upstanding governance is not just so the company's principles can avoid going to prison, but because trust is the single most crucial factor behind commercial success and forms the starting point for why anyone – employees, customers, partners, advocates, even shareholders – should believe in the business.

THE KEY STEPS TO SUCCESSFUL ESG IMPLEMENTATION

For businesses wanting to improve their ESG performance, what's key?

Have a clear focus. Truly understand the specifics that drive what the business is about: who you are, what matters to you, why you do the things you do. In short, there needs to be a genuine definition of your actual purpose – and not just what you say because you think it sounds good.

Be realistic. Don't bite off more than you can chew. Fewer steps done well is much better than many done poorly.

Be authentic. Any initiative – and that can involve stopping doing certain things as well as starting others – must align with the purpose of the business, and help in delivering its vision.

Make everyone accountable. Declare your intentions publicly, create an obligation to stick with them, and give all your people permission to follow that path without having to refer to others.

Be prepared to fail. Some of this is unknown territory so nothing is guaranteed. When things don't work out, be honest, own up to mistakes, and take responsibility for fixing them.

Consider the long-term. Don't just think in terms of the short-term upsides for recruitment and attracting customers. Think about initiatives that will improve operations per se, and opportunities to develop new products and services that might capitalize on the broader changes being wrought by ESG.

IN SUMMARY

ESG is not easy to understand or to enact, and that is not helped by a lack of any standardised metrics to provide guidelines. It comes at a cost that is both substantial and hard to calibrate. But the benefit to the business – its real ROI – is that taking the right steps may just provide the means necessary to allow a business to flourish in the more nuanced, complex and ever-changing world in which we all now live.

HOW CAN WE HELP?

Whether you are just starting to incorporate ESG into your strategy or already clear on how your business is doing, we can help.

Services we provide include:

- Materiality assessments – helping you identify your business's material ESG risks.
- ESG reporting – communicating your ESG policies and strategies to your stakeholders.
- ESG assurance – validating your ESG credentials.
- ESG value – understanding your ESG value channels.
- ESG risk advisory – advising you on risk management and governance best practices.
- People advisory – transforming your approach to your people and their needs.

For more information and to find out how we can help you, please contact us.

THE RESEARCH

Moore Kingston Smith commissioned workplace specialists MindLode Ltd (www.mindlode.com) to conduct research into the current importance of ESG for media and marketing businesses and the people who work at them. The objective was to discover what is being done and how it is being undertaken, and to identify some practical steps that even smaller companies might take to improve their ESG standing. 32 interviews were carried out among business leaders, along with a survey among employees of our client companies within the creative industries. All respondents were based in the UK. In addition, the team at MindLode reviewed and analysed data from a further 75 secondary sources from around the globe.

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