



Fuel50 Capability Trends Report™

Sustainability Revolution Workforce Edition





At Fuel50, your future is our passion.

This Fuel50 Capability Trends Report™ brings you the latest capability trends from across the globe.

We encourage you to reflect on their relevance to your organization and hope that they inspire a vision for positive change within your people strategy and capability requirements.

Our dedicated team of Organizational Psychologists and HR Professionals is world-leading in capability design and research. Together, we have developed our own 'Fuel50 Talent Ontology™' to reflect the capabilities showcased in this report and many more. These capabilities are now available for use by all our clients.

For more information on any of the trending capabilities or to discuss how you could increase your organization's bench strength in these areas, please contact Fuel50.

Welcome to the future of work.

In this Fuel50 Capability Trends Report™, we explore recent world events and how those are informing crucial employee capabilities required in the workplace. This report is designed to help you harness the latest global capability trends to ensure that your organizational talent strategy is aligned to the current driving global forces.

What has been happening in the world?

The Fourth Industrial Revolution (4IR) or Industry 4.0 describes the rapid development and adoption of technology that has revolutionized our work and life. For more on this topic, [click here](#). Yet, whilst we continuously adapt to the opportunities and challenges that 4IR presents, we must brace for the impact of another pervasive revolution transforming the global economy and how we do business.

This latest revolution is decades in the making. In the 1980s, organizations in the USA contemplated how to manage regulations to reduce pollution and other negative effects on the environment and society in general¹. In the 1990s, management teams moved beyond mandatory legislative requirements in their green practices. In some cases, this was to secure public favor by making unsubstantiated claims about positive environmental impacts in a practice now known as ‘greenwashing’¹.

In the early 2000s, the corporate social responsibility movement began to legitimately integrate social and environmental concerns into business operations². This initiative evolved further, and environmental, social, and governance (ESG) emerged as a proactive and comprehensive framework to measure an organization’s performance more accurately on environmental, social, and corporate governance issues.

In 2021, a significant increase began in capital funneling in all areas of ESG³. In 2022, corporate boards, global government leaders, and investors raised expectations for progress on ESG issues. This is in the face of ever-increasing pressure to demonstrate that the organization is well-equipped and capable of understanding, overseeing, and mitigating environmental, social, and governance effects.

This tidal wave ushered in what has been coined Industry 5.0 or the Sustainability Revolution⁴.



¹ Peterdy, K. (2023). *Environmental, Social and Governance (ESG)*. <https://corporatefinanceinstitute.com/resources/esg/esg...>

² United Nations Industrial Development Organization. (2022). *What is CSR?* <https://www.unido.org/our-focus/advancing-economic...>

³ Meyers, K. (2022). *4 ESG Trends Impacting Environmental, Social, and Governance Markets*. <https://www.theimpactivate.com/4-esg...>

⁴ Schumacher, J. (2023). *Why businesses must focus on long-term value creation to drive sustainability*. [https://www.weforum.org/.](https://www.weforum.org/)

How will the Sustainability Revolution impact the world of work?

Knowing a few common definitions on the subject is helpful in understanding its impact on the world of work. ESG is ‘environmental, social, and governance,’ and refers to:



Environmental

An organization’s environmental impact and risk management practices



Social

An organization’s relationship with its internal and external stakeholders



Governance

How an organization is led and managed

ESG criteria are considered by investors, governments, shareholders, and organizations in decision-making to demonstrate a commitment to sustainable development. The ESG criteria influence organizations’ processes, production, and services⁵.

There is an escalating drive for businesses to adopt sustainable business strategies and implement Triple Bottom Line Reporting. These strategies will help measure their social and environmental impact in addition to their financial performance⁶.

What is the benefit for stakeholders⁷?

- Organizations that consider environmental impact are less at risk of receiving fines from regulators and are more prepared for the climate and other environmental changes.
- ESG can result in a competitive advantage as consumers become more discerning in selecting brands that promote sustainability.
- ESG practices promote improved labor conditions (fair pay, decreased turnover and ultimately, increased profits), encourage diversity, uplift communities, and play a significant role in resolving socioeconomic issues.
- Organizations that integrate ESG principles into their work enjoy cost-reduction benefits, such as lower energy consumption, reduced waste, and reduced overall operating expenses.
- ESG reporting demonstrates an organization’s commitment to risk management, environmental care, and long-term value creation.

⁵ Sierdovski, M.; Pilatti, L.A.; Rubbo, P. *Organizational Competencies in the Development of Environmental, Social, and Governance (ESG) Criteria in the Industrial Sector*. Sustainability 2022, 14, 13463. <https://doi.org/10.3390/su142013463>

⁶ Miller, K. (2020). *The Triple Bottom Line: What it is and why it's important*. <https://online.hbs.edu/blog/post/what-is-the-triple-bottom-..>

⁷ Yasar, K. (2022). *5 ESG benefits for businesses*. <https://www.techtarget.com/whatis/feature/5-ESG-benefits-for-businesses>

An increased focus on ESG criteria is likely to continue to evolve in 2023, resulting in⁸:

- Development of a common set of data, metrics, and reporting requirements for environmental and social issues.
- Increased commitment of governments and organizations to Net Zero emissions by 2050 (a UN-initiated climate objective).
- Improved support steered towards the social implications of transitioning to a green economy (balancing climate goals with economic growth).
- Incorporation of climate-stress testing into financial models facilitates low-carbon transmission and ensures climate resiliency of the economy.
- Increased attention on social issues related to the supply chain to curb human rights issues and improve labor conditions.
- Increased collaboration across the value chain (private enterprise and government) to facilitate collective ESG goal achievement.

Organizations that appear uncommitted to ESG objectives risk losing investors and experiencing reputational damage detrimental to their participation in the economy. Their lack of commitment may ultimately lead to their demise. A PWC survey carried out in 2021 indicated that half of the 325 surveyed investors are willing to divest from companies that are not taking sufficient action on ESG⁹.

Considering the above impact, organizations need to take seriously the development of specific ESG-related skills and capabilities for individuals, leaders, and the organization. Employees need to be enabled to enter new markets, respond to identified ESG risks, solve related problems, and improve operational efficiency while reducing costs.

In their study of organizational competencies in the development of ESG criteria, Sierdovski, Pilatti, and Rubbo, 2022, suggest that⁵:

“ **ESG dimensions will be realized through the skills of individuals and the conditions provided by the company, that is, through the set of competencies held by the organization.** ”

In this report, we identify 12 of our trending capabilities associated with the impact of the sustainability revolution. These capabilities have been categorized under the following headings:

Individual Enablers: Social Intelligence, Environmental Competence, Collaborating, Problem Solving

Leadership Capabilities: Environmental and Social Risk Management, Environment, Social, and Governance (ESG), Systems Thinking, Corporate Governance

Organizational Strategic Imperatives: Strategic Environmental Assessment, Sustainable Development, Organizational Learning Capacity, Environmental, Social, and Governance (ESG) Strategy

We have included some reflection questions to help you evaluate the importance of each capability for your organization.

⁸ Mattison, R & de Longevialle, B. (2002). *Key trends that will drive the ESG agenda in 2022*. <https://www.spglobal.com/esg/insights...>

⁹ IOL Money. (2021). *Companies failing to adopt ESG risk losing investors – PwC Survey*. <https://issuu.com/independentnewspapers...>

Individual Enablers

Building awareness of ESG issues is the first step to enhancing capacity in organizations. Employees need to develop an understanding of how ESG factors translate to potential risks and opportunities and begin to exercise problem-solving skills. According to our research, applicable individual skills are:



Problem Solving

Leverages knowledge, previous experience, and skills to identify the crux of an issue and creates a workable solution to resolve problems. Understands verbal or numerical information and how to make reasoned decisions based on this analysis.



Social Intelligence

Perceives, interprets, and acts in a way that demonstrates self and social awareness. Demonstrates an awareness of the feelings, thoughts, and behaviors of others.



Collaborating

Works together to achieve a common goal by sharing ideas and thinking. Productive and efficient engagement with team members. Plays to each other's strengths. Fosters mutual respect for one another's knowledge, experiences, contributions, and inputs.



Environmental Competence

Builds own knowledge, skills, attitudes, and values to support the organization in being more sustainable and resource-efficient.

Reflection Questions

- Are employees exposed to the ESG strategies and objectives of the organization from the onset of their employment? Are ESG strategies incorporated into onboarding activities?
- Do employees have access to information that details how ESG initiatives benefit consumers, brands, and communities and how the employees can contribute to these initiatives at an individual level?
- Is ESG woven into the fabric of the organization (i.e., connection to the organization's strategy and purpose, incorporation into processes and procedures, celebration of diversity and community involvement)?
- Are employees encouraged to cross-functionally collaborate and problem-solve on ESG-related and other issues?
- Are employee opinions and recommendations sought out to improve ESG strategies?

Leadership Capabilities

The demand for ESG leadership talent has increased dramatically. It is likely to continue to do so in light of the Sustainability Revolution. ESG is not the responsibility of the ESG team alone. Every leader in the organization should be accountable for driving ESG initiatives forward. The following capabilities are relevant for leaders:



Environmental, Social, and Governance

Understands non-financial risk considerations, namely environmental, social, and governance (ESG) risk. Focuses on the impact the organization's decisions (e.g., brand, legal, technological, product, services, labor, ethical conduct, compliance, strategy, etc.) may have on its stakeholders and the environment.



Environmental and Social Risk Management

Understands processes, tools, and techniques for assessing and controlling an organization's exposure to environmental and social risks of various kinds. Applies this knowledge to diverse situations.





Systems Thinking

Plans or designs the cohesive conglomeration of interrelated and interdependent parts of a system that promotes business performance.



Corporate Governance

Ensures the organization has the appropriate controls and policies in place. Ensures everyone follows the appropriate decision-making processes to protect the interests of all stakeholders (e.g., shareholders, managers, employees, suppliers, customers, etc.).

Reflection Questions

- Are there opportunities for leaders to contribute to ESG strategy development and partake in ESG projects? Has an ESG working group been established in the organization?
- Are leaders encouraged to think systemically about the organization and empowered to take bold steps to resolve issues?
- Is an effective governance strategy in place for ESG reporting and disclosures, and are leaders aware of this process?
- Is there an expectation for leaders to follow a well-established integrated ESG risk management framework to minimize negative risk for the organization?



Organizational Strategic Imperatives

Research demonstrates a direct positive correlation between the development of organizational competencies and sustainable development⁵. Our own research suggests that organizations need to ensure that they have the following capabilities available to improve their financial and non-financial performance:



Strategic Environmental Assessment

Evaluates the environmental implications of a proposed policy, plan, or program. Focuses on the impact on natural resources, as well as social, cultural, and economic conditions.



Sustainable Development

Focuses on development that is in line with current business needs without depleting natural resources and compromising the ability of future generations to meet their needs.



Organizational Learning Capacity

Understands the process involved in generating, retaining and transferring knowledge in the organization. Builds existing capabilities in the organization and develops new capabilities. Captures learning from past experiences to solve future problems.



Environmental, Social, and Governance (ESG) Strategy

Designs, develops and implements a strategy to manage risks and opportunities around sustainability issues. Ensures the implementation of a strategy that supports financial growth and ensures positive societal and environmental impact.

Reflection Questions

- Does your organization have a carefully constructed and well-defined set of ESG initiatives that are linked to the core values of the organization and actively promoted and implemented in the business?
- Are strategic environmental assessments carried out regularly to objectively evaluate the organization's potential impact/impact on the environment and society? Are actions based on findings developed and implemented?
- Is sustainable development fully integrated into the strategy and operations of the business? Are ESG initiatives aligned to the overall strategy?
- Is a set of meaningful KPIs developed for ESG in the organization? Is performance measured and assessed against objectives to identify strengths and areas for improvement in ESG?



In the tailwinds of the Sustainability Revolution, ESG is no longer an optional consideration or an area of reluctant compliance for organizations but a commercial imperative. Have you taken the necessary steps to build ESG capacity in your organization?



Systems Thinking
Organizational Learning Capacity

Sustainable Development
Corporate Governance

LEADERSHIP CAPABILITIES

Social Intelligence

ORGANIZATIONAL CAPABILITIES

Strategic Environmental Assessment
Environmental Competence

Environmental and Social Risk Management
Environmental, Social, and Governance Strategy

INDIVIDUAL CAPABILITIES

Problem Solving
Collaborating
Environmental, Social, and Governance

For more editions of the Fuel50 Capability Trends Report™ visit:
www.fuel50.com/capability-trends

Fuel50 is the AI Talent Marketplace solution that delivers internal talent mobility and workforce reskilling.

With hyper-personalized AI and a deeply embedded commitment to diversity and inclusion, Fuel50 mobilizes your talent. Fuel50's ethical AI matches your people to opportunities in real-time, automatically maps your workforce architecture, and provides deep data insights for predictive talent and workforce planning.

We believe that a deep commitment to inclusive talent practices is needed and it must start with a charter that is built into your skills architecture & organizational DNA.

Using the Fuel50 Talent Ontology™ drives more inclusive working cultures through:

- Incorporating critical D&I capabilities in all executive and manager level roles, supporting a shift of mindset from the top down
- Amplifying behavioral standards around D&I and holding leaders accountable for driving positive change
- Putting a spotlight on unconscious bias throughout the organization
- Ensuring D&I practices are present in recruitment, performance management and leadership development

The trending capabilities showcased in this report are now available for use by all our clients.

Over 80 organizations around the globe saw immediate impact since deploying Fuel50, with up to 65% increase in lateral movement, 35% increase in internal recruitment, and 60% reduction in employee churn.

Learn more: www.fuel50.com

