REGION FOCUS: GLOBAL

Enabling Sustainability Through Investments in Technology Is Critical to Driving Business Value

Curtis Price

Bjoern Stenge

This Table of Contents is navigation-friendly

Table of Contents

In This InfoBrief

As organizations worldwide move from the formulation stage of their sustainability strategy to operationalizing environmental, social, and governance (ESG) plans in the business, the role of technology and IT professionals takes center stage in supporting the requirements of internal and external stakeholders.

This IDC InfoBrief, sponsored by Cisco, looks at the role technology plays in supporting an organization's ESG/sustainability goals and provides insight into the best practices of sustainability leaders.

This insight is based on a global survey, sponsored by Cisco, of 1,244 IT professionals across four geographic regions (with China split out from Asia/Pacific) and 12 countries. In addition, in-depth interviews were conducted with IT executives across the financial services, manufacturing, and utility sectors.

Total n = 1,244; Americas (n = 491), APJ (n = 332), China (n = 108), Western Europe (n = 313)
Source: IDC *Cisco Sustainability Survey*, November 2022–December 2022

Executive Summary

A diverse set of stakeholders — comprising investors, customers, employees, and regulators — has put increased pressure on companies around the world to operate their businesses in a more responsible and sustainable manner. Business leaders not only are being held accountable for their company's financial performance but increasingly are also expected to minimize the impact of their business operations on the environment. As a result, sustainability is now a top business priority for many organizations.

Corporations are responding to stakeholder pressure by providing transparency into various facets of their business operations and disclosing sustainability impact and performance through environmental, social, and governance (ESG) reporting. Providing this level of transparency into business operations is driving investment in a range of technologies such as artificial intelligence (AI), analytics, and automation.

However, many corporations are also shifting their view of sustainability from a pure risk and compliance exercise to a means of driving business value. These companies are integrating sustainability into their business operations to drive innovation, operational efficiency, and competitive differentiation.

63% of Technology Professionals Worldwide Believe Sustainability Is a Very or Extremely Important Business Priority

QUESTION

How important is overall sustainability — Environmental, Social, and Governance (ESG) — as a business priority to your organization?
(% of respondents)
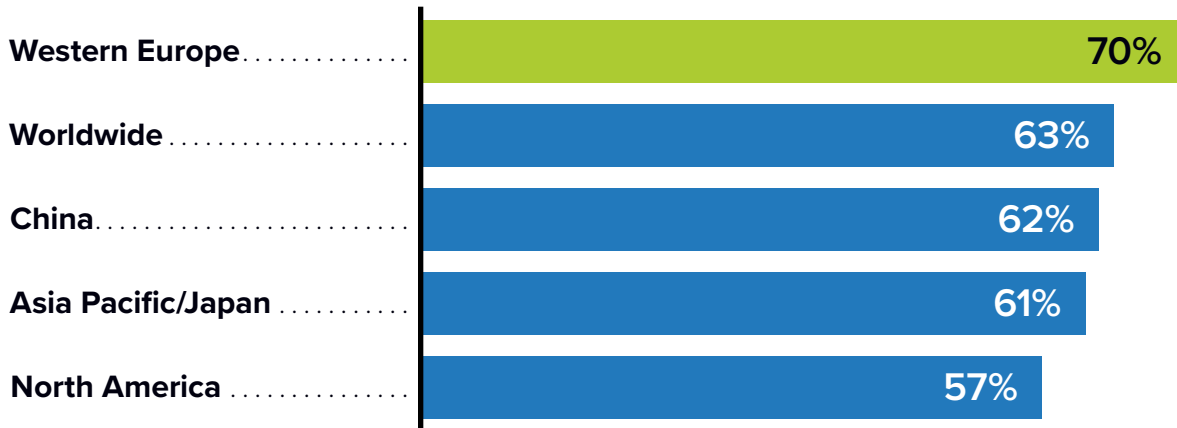
Region	%
Western Europe	70%
Worldwide	63%
China	62%
Asia Pacific/Japan	61%
North America	57%

Total n = 1,244; Americas (n = 491), APJ (n = 332), China (n = 108), Western Europe (n = 313)
Source: IDC *Cisco Sustainability Survey*, November 2022–December 2022

▶ Organizations worldwide are being held accountable by several different stakeholder groups — including investors, boards of directors, employees, customers, and partners/suppliers — to operate in a sustainable manner and disclose information on their sustainability impact.

▶ While over 60% of S&P 500 companies have made sustainability commitments, very few have operationalized their sustainability plans.

▶ On a regional basis, well-established sustainability policies and mandates, heavy investments in renewable energy, and geopolitical factors have made sustainability a top-of-mind business issue for organizations in Western Europe.

Organizations Are Developing and Driving Their Sustainability Strategies in a Top-Down Fashion

QUESTION

Who are the main stakeholders driving your sustainability/ESG initiatives?
(% of respondents)

Stakeholder	%
Board of directors	52%
Investors	48%
Management	48%
Partner/supplier	42%
Employees	39%

Total n = 1,244; Americas (n = 491), APJ (n = 332), China (n = 108), Western Europe (n = 313)
Source: IDC *Cisco Sustainability Survey*, November 2022–December 2022

> " *We have customers that are global, particularly European customers, that are really pushing sustainability. It's even in their corporate charter now … so they're pushing us.*"
>
> **—CIO**, global automotive parts supplier

▶ Among the survey respondents, 52% indicated that their sustainability initiatives are driven by the board of directors, while 48% indicated that corporate management and investors are driving corporate sustainability initiatives.

▶ One-third of companies in industries with direct customer engagement, such as retail, financial services and government, indicated that customers were the primary stakeholders driving their sustainability initiatives.

Companies Are Shifting Their Sustainability Strategies from a Focus on Risk and Compliance to Driving Business Outcomes

Primary Factors Driving Corporate Sustainability Initiatives

2021 Risk- and Compliance-Driven

Mandate from executive management **40%**

Regulatory requirements **37%**

Reputational risk **28%**

Total n = 1,244; Americas (n = 491), APJ (n = 332), China (n = 108), Western Europe (n = 313)
Source: IDC *Cisco Sustainability Survey*, November 2022–December 2022

2022 Business Outcomes–Driven

Improve operational efficiency **43%**

Improve competitive differentiation **40%**

Drive innovation **39%**

Drive revenue growth **37%**

> " *We don't see sustainability as a compliance issue. For us it is a way to innovate and create differentiation.*"
>
> **—Vice President of IT**, U.S. manufacturer

62% of Companies Worldwide Believe Investments in IT Technology Are Very or Extremely Important to Reach Sustainability Goals

QUESTION

How important will your investments in technology be in helping meet sustainability/ESG goals?

(% of respondents)

Western Europe 58%
North America 59%
APAC 67%

Total n = 1,244; Americas (n = 491), APJ (n = 332), China (n = 108), Western Europe (n = 313)
Source: IDC *Cisco Sustainability Survey*, November 2022–December 2022

> ❝ *There's a parallel path where digital and IT have to come together with sustainability to get the analytics you need to really drive improvements.*"
>
> —**CTO**, global tools manufacturer

▷ While 63% of companies worldwide indicated that sustainability is a business priority, only 37% have formulated their targets and goals.

▷ IT investments in digital technologies like automation, analytics, and AI are essential for making improvements in areas such as energy efficiency, product recycling, and reuse.

Companies Are Empowering IT to Lead the Corporate Sustainability Agenda

QUESTION

Which department has the lead responsibility for formulating your sustainability/ ESG strategy and ensuring execution toward corporate goals?
(% of respondents)

IT Department

9% more

13% (2021)

22% (2022)

2021
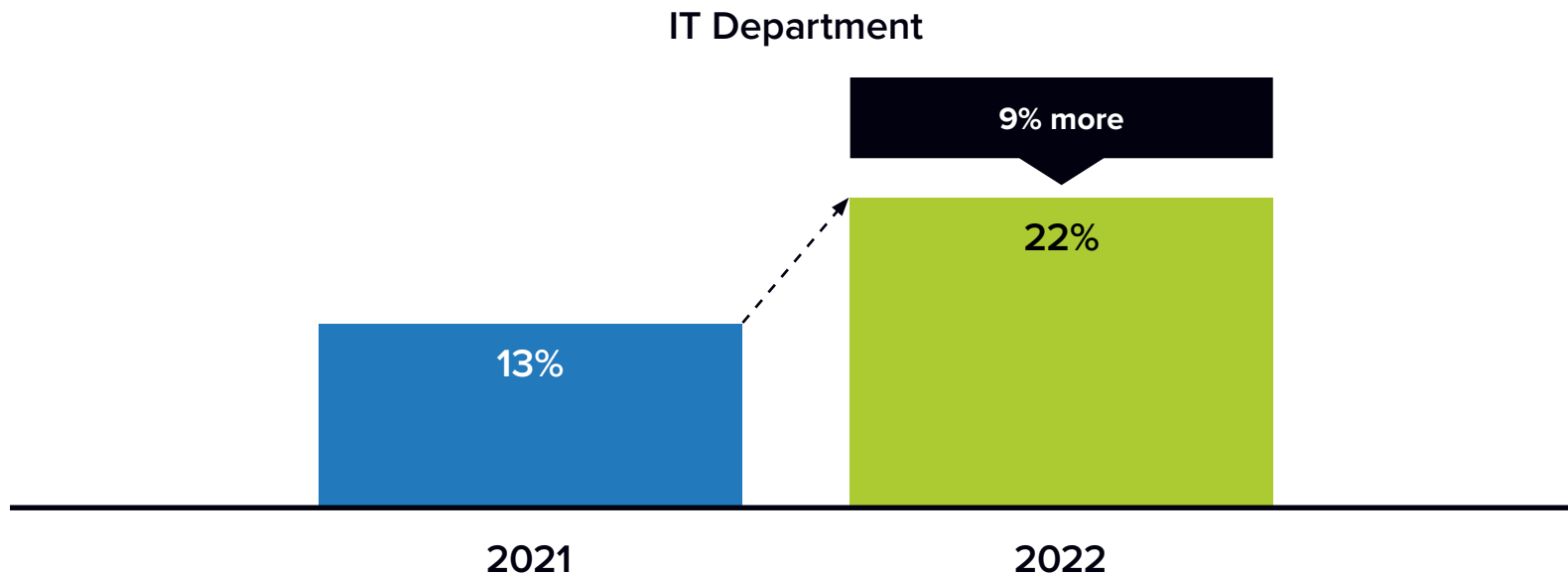
2022

Total n = 1,244; Americas (n = 491), APJ (n = 332), China (n = 108), Western Europe (n = 313)
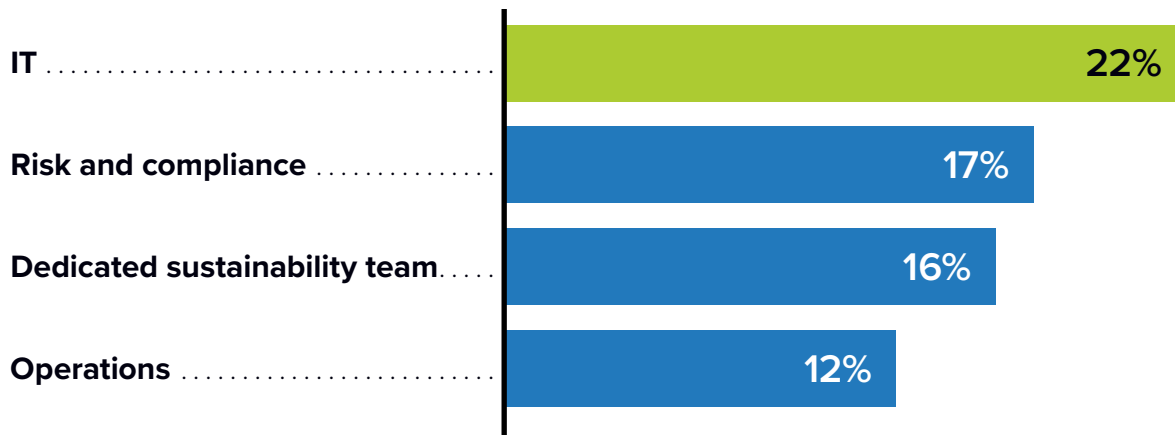Source: IDC *Cisco Sustainability Survey*, November 2022–December 2022

▷ In 2022, 22% of companies indicated that IT is taking the lead role in formulating strategy and ensuring progress toward goals — compared with 13% in 2021.

▷ As organizations operationalize sustainability, developing a comprehensive IT strategy that supports corporate targets and goals is critical.

Cross-Functional Coordination is Critical to the Successful Execution of a Corporate Sustainability Strategy

QUESTION

Which department has the lead responsibility for formulating your sustainability/ESG strategy and ensuring execution toward corporate goals?

(% of respondents)

Department	%
IT	22%
Risk and compliance	17%
Dedicated sustainability team	16%
Operations	12%

Total n = 1,244; Americas (n = 491), APJ (n = 332), China (n = 108), Western Europe (n = 313)
Source: IDC *Cisco Sustainability Survey*, November 2022–December 2022

- ▷ Sustainability is an enterprise-wide initiative that requires IT to work closely with functional leads to address their specific sustainability requirements.

- ▷ Functional areas of the business will rely on IT to support:
  - Data aggregation and management
  - Development of internal controls and governance
  - Energy management/decarbonization goals
  - ESG reporting

55% of Companies Worldwide View Energy Management/Decarbonization as Their Primary Area of Focus

QUESTION

Which of these are the three most important areas of sustainability/ESG in your organization?

(% of respondents)

Energy management/decarbonization **55%**

Employee health and safety **30%**

Waste management **29%**

Total n = 1,244; Americas (n = 491), APJ (n = 332), China (n = 108), Western Europe (n = 313)
Source: IDC *Cisco Sustainability Survey*, November 2022–December 2022

Energy management/decarbonization

58% — North America

55% — Western Europe

51% — Asia Pacific/ Japan
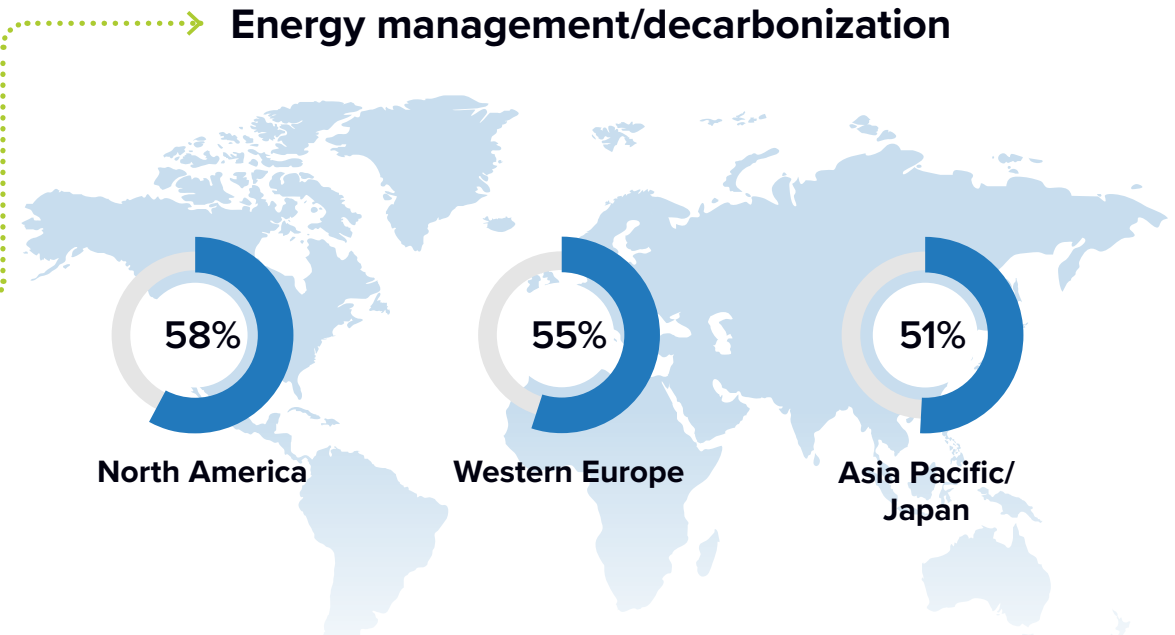
> " *It's getting very serious in terms of our commitment. … it involves everything from looking at how do we analyze our carbon footprints within our facilities, energy sources, recycled energy, alternative energy, and then start looking to work with vendors."*
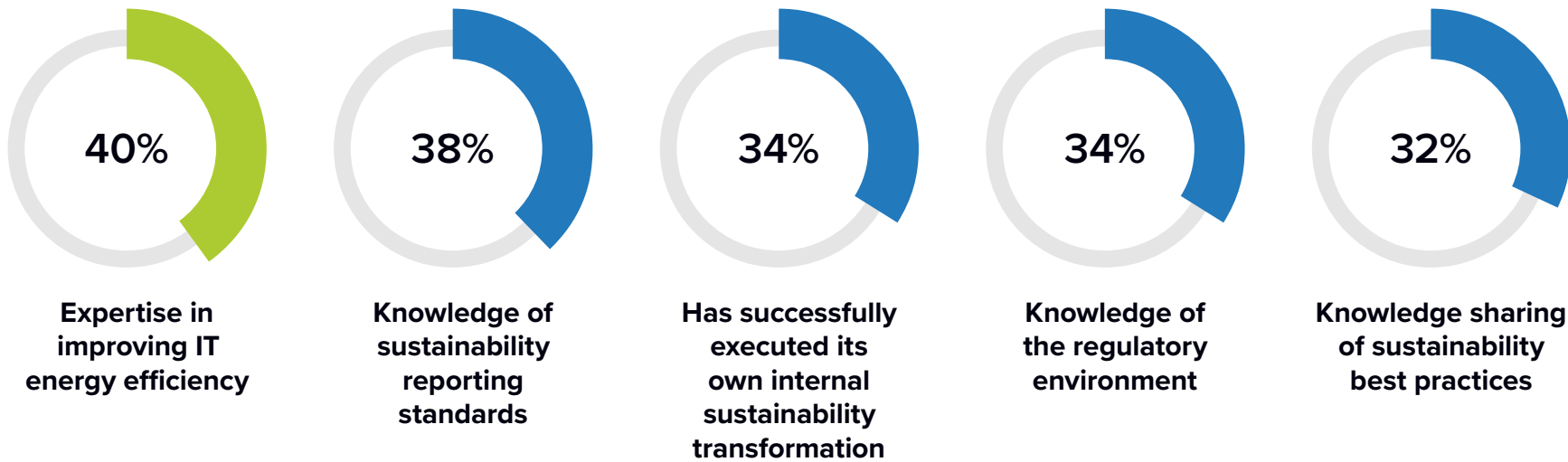>
> —**CTO**, global tools manufacturer

Sustainability Is a Key Requirement in the IT Purchase Decision

QUESTION

What are the key criteria for IT vendor selection?

(% of respondents)

40%
Expertise in improving IT energy efficiency

38%
Knowledge of sustainability reporting standards

34%
Has successfully executed its own internal sustainability transformation

34%
Knowledge of the regulatory environment

32%
Knowledge sharing of sustainability best practices

> *If somebody didn't have a sustainability footprint or road map, they were out. Not even considered. … I have meetings with [vendors] and I expect them to deliver sustainability reports on a quarterly basis."*
>
> **—Vice President of IT Infrastructure**, U.S.-based financial services company

Total n = 1,244; Americas (n = 491), APJ (n = 332), China (n = 108), Western Europe (n = 313)
Source: IDC *Cisco Sustainability Survey*, November 2022–December 2022

Sustainability Maturity Index

Least mature → Most mature

Profile of "Sustainability Starters"

- ✓ Believe their sustainability strategies are "At par with peers"
- ✓ Focused on sustainability in one functional area of the organization
- ✓ Identifying technologies that can support their sustainability initiatives
- ✓ Conducted materiality assessments to identify the sustainability issues that are most impactful to the business
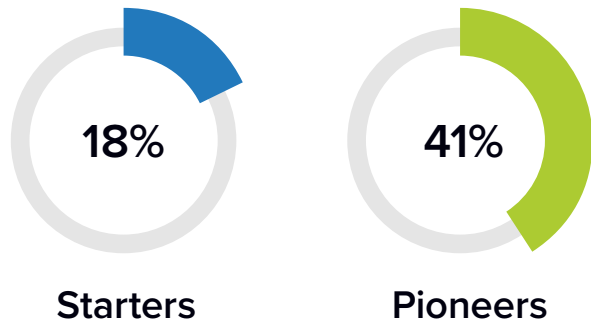
Profile of "Sustainability Pioneers"

- ✓ Believe their sustainability strategies are "Best in class"
- ✓ Embedded sustainability into the IT request-for-proposals (RFP) process
- ✓ Operationalized sustainability data
- ✓ Implemented dashboards to measure and track sustainability KPIs
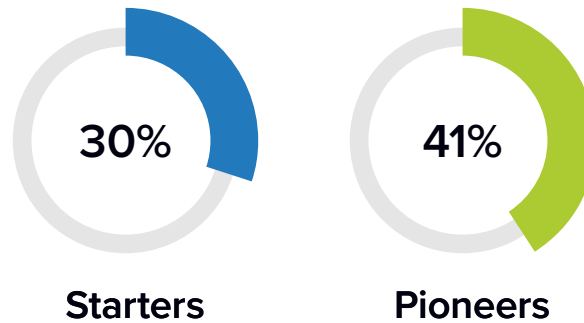- ✓ Invested in tools to measure internal sustainability impact as well as downstream partner impact

Sustainability Pioneers Exhibit a High Level of Maturity in Their Use of Technology Compared with Starters

The following questions relate to your organization's view of technology investments needed to support sustainability/ESG initiatives:

QUESTION	QUESTION	QUESTION
Which statement best describes your organization's approach to using technology to help reduce your operational impact? (% of respondents)	**Which of the following has your organization done to collect data needed to provide insight into your sustainability/ESG performance?** (% of respondents)	**Which statements describe your organization's approach to procuring sustainable IT?** (% of respondents)
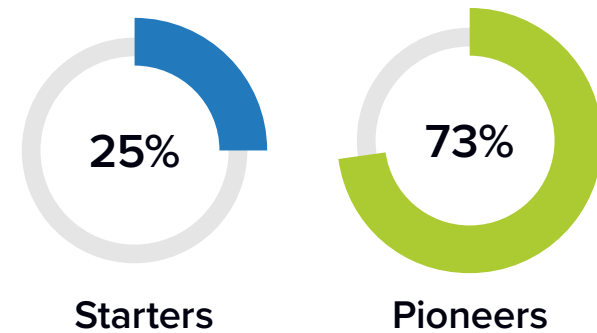
18%	41%	30%	41%	25%	73%
Starters	Pioneers	Starters	Pioneers	Starters	Pioneers

Total n = 1,244; Americas (n = 491), APJ (n = 332), China (n = 108), Western Europe (n = 313)
Source: IDC *Cisco Sustainability Survey*, November 2022–December 2022

We are using technology to improve sustainability impacts in various ESG/sustainability topic areas

We are investing in digital tools and technology to visualize and track sustainability metrics and improve operations

We have developed an RFP process that includes sustainability metrics that align to our internal sustainability goals

Essential Guidance

Align Business and Technology.

Involve IT early in the formulation stage of your sustainability strategy to identify the key technologies needed for sustainability data collection, reporting, and management.

Conduct Materiality Assessment.

Focus on sustainability issues that are materially impactful to the business and important to key stakeholders.

Collect Key Data.

Identify the internal data needed to determine the current baseline sustainability performance.

Measure Performance.

Define the metrics you want to track, and develop KPIs to monitor performance on a frequent basis.

Select Trusted Advisors.

Work closely with existing vendors to understand how they can help meet sustainability targets and goals.

Key Takeaways

IT is a critical player: While many functional areas of the business will influence an organization's sustainability journey, IT is being empowered to integrate sustainability into business operations.

Priorities have changed: Sustainability priorities are shifting from Risk & Compliance to Driving Business Outcomes.

Baseline data: Aggregating the data needed to effectively manage and track sustainability performance is the biggest operational challenge of 54% of companies surveyed. Developing a comprehensive data management strategy will highlight current performance and serve as a baseline for making improvements.

Develop standard KPIs: In a fast-evolving, highly regulated environment, not only is it important to define the metrics you are tracking, but also the metrics the industry is using to measure progress.

Integrate into vendor strategy: Investments in sustainable IT infrastructure will help achieve key business outcomes such as energy savings, operational efficiency, and reduced waste.

About the Analysts

Curtis Price
Program Vice President, Infrastructure Services, IDC

Curtis Price is the Program Vice President of IDC's Infrastructure Services group. He oversees all research efforts within IDC's Network Life-Cycle Services, Wireless Infrastructure Services, and Software and Hardware Support Services programs. Curtis provides expert insight and analysis of the trends and market dynamics impacting the network services market within the enterprise and telecommunications sectors.

More about Curtis Price

Bjoern Stengel
Global Sustainability Research and Practice Lead, Sustainable Strategies and Technologies, IDC

Bjoern Stengel is IDC's global sustainability research lead. His research focuses on how environmental, social, and governance (ESG) topics impact and shape business strategies and technology usage. He provides insights into market opportunities, adoption strategies, and use cases for sustainability-related technologies and services. Bjoern helps IDC's clients understand the impact of technology-enabled, sustainable transformation processes in the context of sustainable business strategies, operations, and products and services through research reports, news publications, and speaking engagements at industry events such as Climate Week NYC.

More about Bjoern Stengel

Message from the Sponsor

Organizations are looking for support with their sustainability goals. IT can help in reducing energy consumption and cost while transforming cross-department processes to enable more sustainable business outcomes.

Cisco empowers IT to improve energy and resource efficiency, optimize energy consumption by transforming data into insights, and deliver sustainable life-cycle management.

Cisco offers sustainable solutions including Sustainable Data Centers, Cisco Smart Building Solutions, and Industry Solutions that can give customers the flexibility and choice to leverage technology to make progress on their sustainability goals.

**Penn 1
VR Experience**

IDC Custom Solutions

This publication was produced by IDC Custom Solutions. As a premier global provider of market intelligence, advisory services, and events for the information technology, telecommunications, and consumer technology markets, IDC's Custom Solutions group helps clients plan, market, sell, and succeed in the global marketplace. We create actionable market intelligence and influential content marketing programs that yield measurable results.

IDC

IDC Research, Inc.
140 Kendrick Street, Building B, Needham, MA 02494, USA
T +1 508 872 8200

@idc | @idc | idc.com

Privacy Policy | CCPA