Sustainability in the modern enterprise

Unlocking greater impact

"It's fun. It's also hard. But net fun, net good."

The discussions during the inaugural Think Circles for Sustainability revealed the rapidly changing role of sustainability within the modern enterprise. As Thinkers introduced their roles and where they sit within their organization, it became clear that organizations are working to understand how best to position and govern sustainability effectively.

To quote a few Thinkers from the session:

"There are many ways to define sustainability and even more ways to structure and to support it. How much strategy can we do? Does it deliver programs? Is it just a regulatory preparedness function and a reporting function? Are we really going to shift all of our governance structures or set up new ones?"

"How do you connect the dots when you don't have a dotted line or a direct command over different areas?"

"How does this function lead and continue to have some focus on innovation, on consumer facing solutions? There's a discourse with the C-suite that sees this as regulatory influence, and we're losing some of the innovation."

These challenges reflect the rapidly changing requirements and expectations of enterprises. They wrestle with an evolving regulatory environment and demands for greater transparency from many different stakeholders. Meanwhile, the CSOs are working to position sustainability more centrally and strategically within their organizations.
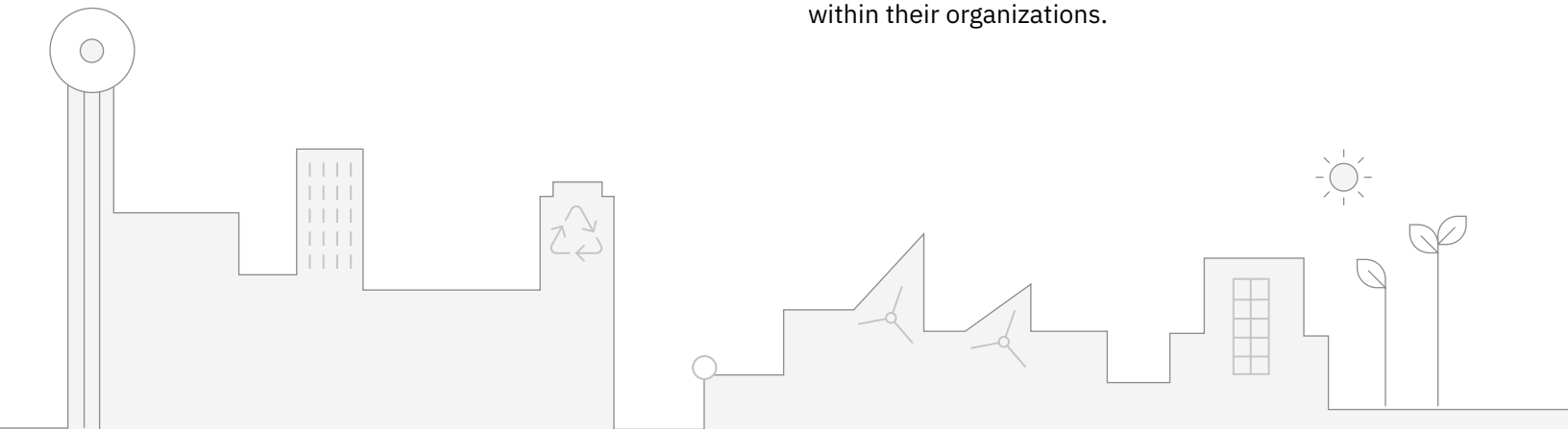
As sustainability finds its place in the modern enterprise, the Thinkers identified 4 key themes that many are focusing on at the moment:

1

Aligning sustainability with the business strategy and demonstrating impact.

Some are positioning sustainability central to their business strategy, but in many organizations the alignment to business value is a little less clear.

"We are future-proofing our company and starting with what the planet needs. And using that to decide what we do today, in five years and in ten years."

"We are trying to build environment, social governance as a core foundation across the business strategy. So it is embedded."

Central to this is the challenge of making the business case for sustainability. How do you define, articulate and show the business value of sustainability to the organization? Data and technology can play a key role, as our Thinkers noted:

"Sustainability is long term investments, but (our industry) thinks quarter to quarter to quarter to quarter."

"How do we demonstrate impact... Our external stakeholders have increased their level of sophistication and it's not just about reach but how are we improving their lives over the long haul? We're really interested in how do we get better data? What is an impact valuation from an economic level?"

2

Addressing the Scope 3 reporting and transparency requirements.

This will need collaboration between many organizations and will have to be addressed collectively. As you do so, it will be possible to convert the Scope 3 challenge into an opportunity for collaboration with partners and innovation.

"Scope 3 is a massive challenge and an opportunity."

"How do you address the Scope 3 piece? How can we work collaboratively together? We take responsibility for Scope 1 and 2. Scope 3 is something we need to collectively work on together. How do we do that and use it as an opportunity to innovate?"

"It's helping people understand that we are all in this. If we don't all rise up to the occasion and if we don't get on board with that, nothing's going to move anywhere."

Data and insights are central to addressing the Scope 3 challenge and report on it reliably, as our Thinkers noted:

"The profile of Scope 3 has changed from what we've been reporting to requiring investment grade data for the 10-K and have CEO/CFO sign off."

"There's so much guesstimation and estimation going on, and averages of averages, it is a massive piece of work requiring huge data processing capabilities."

3

Many organizations are looking to embed and incentivize sustainability across the enterprise, from executives to employees.

How to create accountability for sustainability across the enterprise with encouragement and incentives is the focus.

"We've added a level of accountability across the company, we've brought in a compensation piece for all employees. But really, how do we make sure that we can operationalize and integrate this into how we do our business?"

"Many tie metrics to executive compensation—in the last year, we wanted all employees to have some skin in the game. Over two years we established sustainability goals and an annual incentive plan, which reaches nearly all of our employees... That's really changed the conversation and it's been a really positive opportunity."

4

Data and digital technologies enable greater transparency and connection to value.

To tap that potential, better data governance and management will be key.

"How do we maintain data governance and reporting and public release of data across our big complex business? How do we make sure that we partner, continue to partner very closely with finance around all the processes we need?"

"We need to really utilize tech to help us both track and execute on all of these ESG initiatives."


Role of sustainability leaders

Here are some actions that can help CSOs manage the now, the new and the next of sustainability in order to embrace the opportunities and addressing challenges:

– Work with the rest of the C-suite to position sustainability as a core part of your organization's business strategy.

– Align sustainability initiatives with business outcomes. Use data and technology to convert trade-offs between financial performance and sustainability into win-wins.

– Activate the ecosystem and work with partners. Create shared data governance principles and standards to enable collaboration and co-creation.

– Convert reporting requirements into innovation opportunities. Tap your ESG data for performance improvements and business outcomes.

Related data and resources

In a recent IBM Institute for Business Value study, we asked 2,500 C-Suite executives, in 22 industry sectors, and 34 countries, how they approach ESG reporting and performance and what outcomes they are anticipating and achieving. Here's what they said:

– 95% of organizations say they have developed an ESG proposition, but only 10% say they have made significant progress executing on their ESG proposition.

– 72% of organizations view ESG as a revenue enabler rather than a cost center.

– Inadequate data was cited by organizations as the number 1 barrier to progress on their ESG agenda.

– ESG data and capability leaders are 43% more likely to outperform on profitability—and 52% more likely to say ESG efforts have a significant positive impact on profitability.
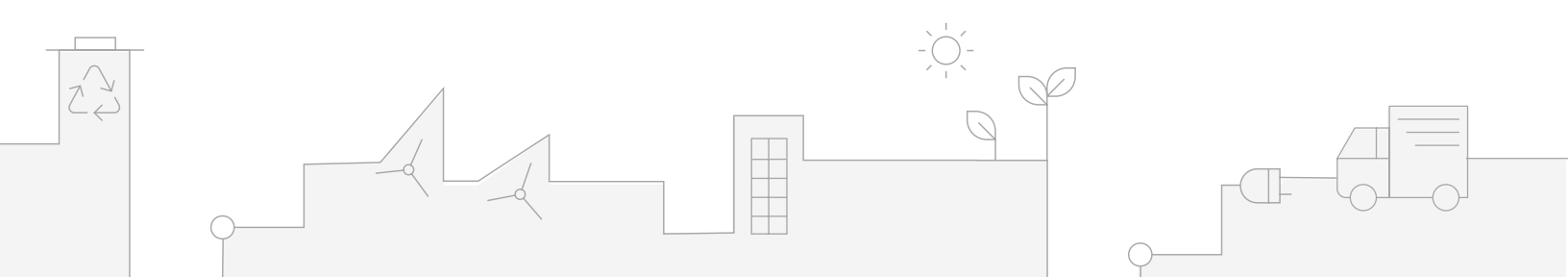
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