Leading a sustainable enterprise

Leveraging insight and information to act

Organizations have recently sharpened their focus on sustainability, primarily in response to consumer and stakeholder expectations. Consequently, they face an entirely new set of decisions. However, most lack the information required to make these strategic choices. Based on what we've learned from outperforming organizations and leading CSR organizations, we believe businesses should develop new sources of operational, supply chain and customer information to gain new levels of insight for meeting strategic sustainability objectives.

Today, more than ever, organizations are focused on environmental and social responsibility as a strategic objective. Our 2009 survey of 224 business leaders worldwide shows that 60 percent believe corporate social responsibility (CSR) has increased in importance over the past year. Only 6 percent say it is a lower priority. These responses defy the conventional wisdom that the new economic environment dilutes CSR focus.

To be sustainable, businesses are embracing a relatively new objective: optimizing their operations to minimize environmental impact and improve social outcomes while maximizing performance. More than two-thirds of organizations we surveyed focus on CSR as part of an integrated business strategy to grow new revenue streams and control costs. As a result, they face an entirely new set of

decisions. Can they cut down on waste without increasing product price? Should they rethink distribution options to reduce carbon? The answers to these and other questions like them involve managing an intricate new set of tradeoffs.

Progress is mixed, and challenges abound, especially in accessing the information needed to meet these new strategic objectives. Overall, organizations have intensified efforts to collect information about their operations. However, many are still missing the information necessary to operate as a sustainable enterprise. Outperforming organizations, though, have proven to be far better at collecting the right data.

What's holding other organizations back? As is the case with many new ventures, it can be difficult to determine

what information is needed. Should organizations look into the tsunami of realtime, unstructured information? Will they know how to turn information into insight and action?

The optimization gap

We surveyed leaders on three areas related to sustainability: operations, supply chain and customers. Our results indicate that operational information needs to be more timely, supply chain information is still too insular and more customer information is needed.

Across the entire sample, the shortfall in collecting information related to these areas reveals an optimization gap (see Figure 1). But the approach to information and actions taken by outperforming organizations suggest the gap will narrow over time. The immediate challenge is to identify what information is needed and then aggregate and analyze it so it contributes to efficiency and growth objectives.

Insight, engagement and action

Early efforts suggest that collaboration is the best approach. Leading organizations are exchanging information with customers, industry groups and nongovernmental organizations to increase their access to knowledge and their ability to benchmark. They are joining with

FIGURE 1.

Optimization gap.

Efficiency

| 87% | 57% Gap | 57% Gap | 52% Gap |

| 30% | 30% | 35% |

Focused on CSR for efficiency | Collect operations-related CSR data frequently | Gather CSR data from suppliers | Understand customers' CSR expectations well

Growth

| 69% | 39% Gap | 39% Gap | 34% Gap |

| 30% | 30% | 35% |

Focused on CSR for growth | Collect operations-related CSR data frequently | Gather CSR data from suppliers | Understand customers' CSR expectations well
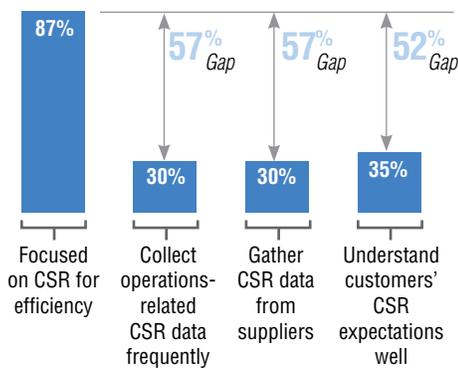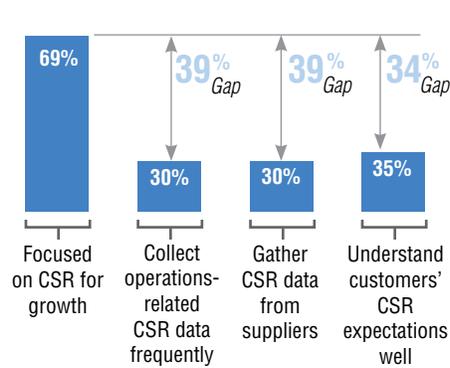
Source: IBM Intitute for Business Value 2009 CSR Study.

partners, suppliers and even competitors to exchange leading practices and build out common sustainability standards.

Path forward

To enable success, organizations should turn the growing body of sustainability information into new intelligence. They need to 1) identify their information gaps, ensuring data is relevant, timely and inclusive of suppliers and business partners; 2) understand customers' CSR concerns -- but ensure that the information demands of stakeholders align with business objectives rather than dominate them; 3) assess leading practices and participate in industry coalitions.

Focusing on these areas, businesses will be well positioned to reap the business benefits of more efficient operations and better balance with diverse social and environmental ecosystems.

To view a full version of this paper, visit
ibm.com/gbs/csrstudy

How can IBM help?

- *Governance and strategy:* Tackle tough issues such as environmental policies, labor practices, regulatory compliance, sustainability metrics and growth strategy.
- *Employee and stakeholder management:* Address employee engagement with collaborative tools and programs for collaboration.
- *Operational Restructuring:* Identify and reduce inefficiencies related to carbon, water, energy and waste.

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