

The heat is on

5 steps to accelerate sustainable transformation



Introduction

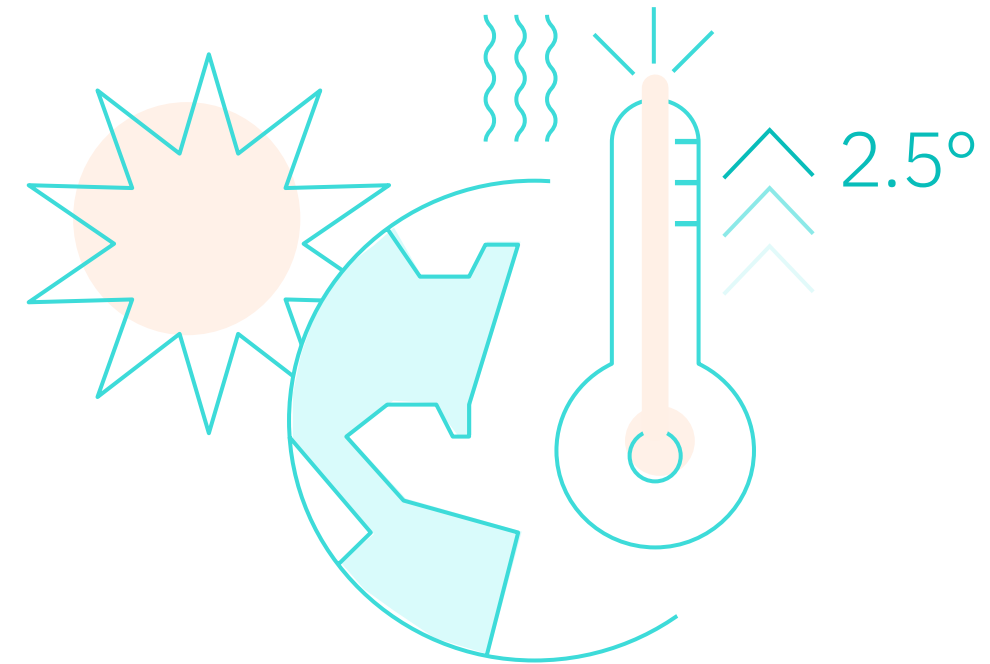
For decades, leaders have debated what it will take to keep Earth at a livable temperature—a bar scientists have set at 2 degrees Celsius higher than pre-industrial levels.¹ Talk is plentiful, but action has been slow, and temperatures just keep rising.

In October 2022, the United Nations projected that, given current commitments by participants in the Paris Agreement, the planet is on track to warm 2.5 degrees by the end of the century.² To reverse this trend, organizations need to think big and broad.

While many have committed to achieving net-zero emissions by 2050, most plans lack specificity. There are few active or effective coalitions that can collectively have a greater impact than any one organization on its own. And even if net-zero targets are achieved, they may be too little, too late. As the call for environmental action becomes more urgent, stakeholders are holding leaders accountable to their sustainability targets—or lack thereof.

Insight

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For example, recent consumer research conducted by the IBM Institute for Business Value (IBV) revealed that consumers are changing their habits to reduce their environmental impact. Almost two in three (64%) said products branded as environmentally sustainable or socially responsible made up at least half of their last purchase. This figure was even higher in India (75%) and China (76%).³

What's more, roughly half (49%) of consumers said they paid an average premium of 59% for products branded as sustainable or socially responsible, signaling consumers across income groups are willing to support sustainability with their wallets.⁴

Individuals are also prioritizing sustainability in their job searches. IBV research found that more than two in three respondents said they were more willing to apply for and accept jobs from organizations they consider to be sustainable. And roughly one in three (34%) of those who changed jobs in the last year said they accepted a lower salary to work for sustainable or socially responsible organizations.⁵

But the pressure being applied by individuals is dwarfed by the demands being made by boards of directors, investors, and ecosystem partners. The IBV's 2022 CEO study revealed that five times more CEOs reported getting sustainability pressure from board members than customers. As a result, almost half of CEOs said increasing sustainability is one of the highest priorities for their organization in the next two to three years—up from roughly a third in 2021. This reflects an increase of 37% year-over-year.⁶

5X more
CEOs report getting sustainability pressure from board members than customers.⁷

While an increased commitment is promising, good intentions can only take a company so far. Another IBV survey of C-suite execs found that while 86% said their organization now has a sustainability strategy in place, only 35% had acted on that strategy. Only one in three had integrated sustainability objectives and metrics into business processes.⁸

What will it take to make sustainability business a reality—before it's too late? Here are five steps organizations can take today to reframe their sustainability strategies and make bigger strides toward solving the complex problem of climate change.

#1

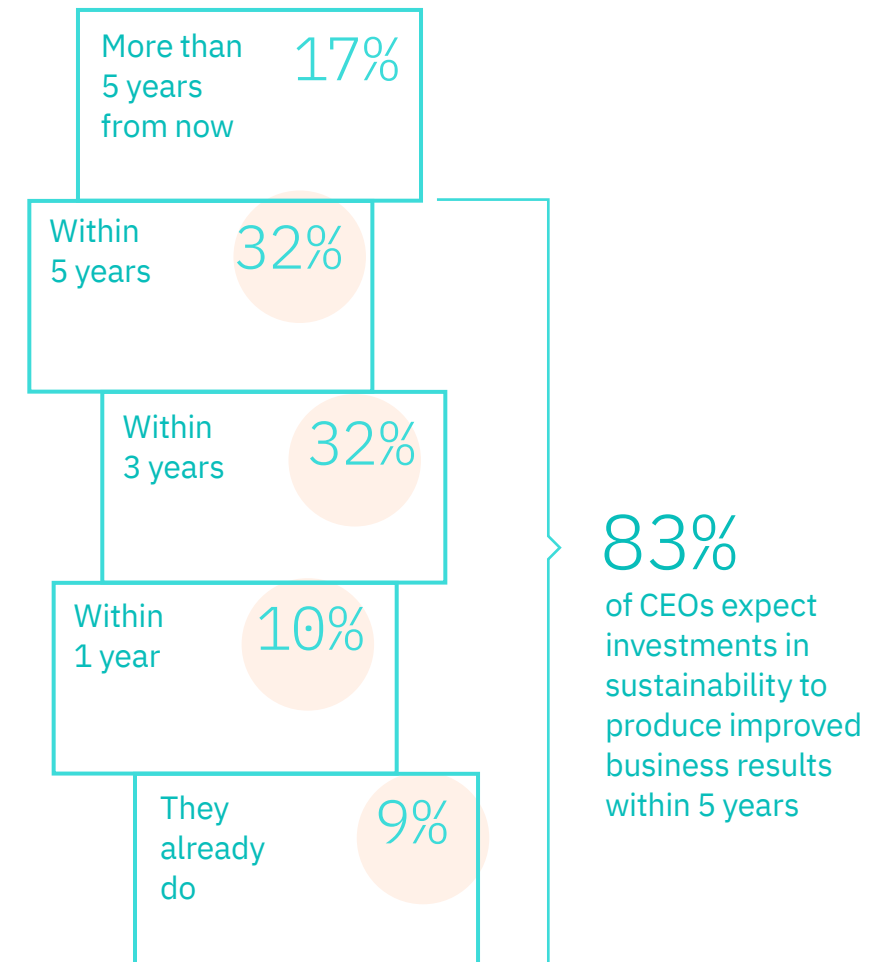
Embrace sustainability as a business opportunity

Many CEOs now realize that they don't have to sacrifice business results to reach sustainability goals. They see sustainability as an opportunity, not just a cost. In fact, more than 80% of CEOs said they expect sustainability investments to produce improved business results within five years.⁹

But the nature of those results is still in question. More than half (57%) of CEOs cited unclear ROI and economic barriers as top challenges to achieving sustainability objectives.¹⁰ Incorporating these goals into broader strategic objectives from the outset can help clarify the business value created by sustainability.

Insight

Business results from sustainability investments are on the horizon.



#2

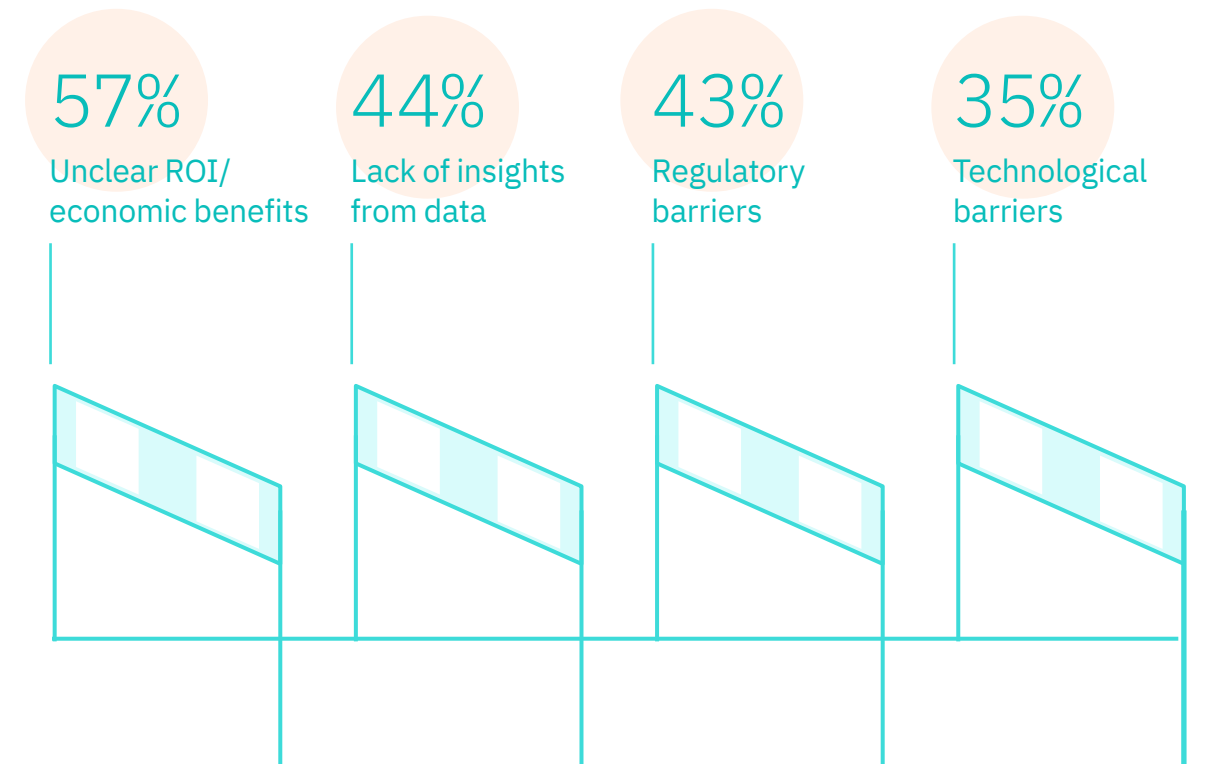
Tap the potential of data and digital technologies

Digital technology can give leaders the data they need to set a path toward sustainable transformation—as well as the tools to make that journey possible. However, 44% of CEOs saw a lack of insights from data as a top challenge to meeting their organizations’ sustainability goals. Another 35% named technology barriers as a primary hurdle.¹¹

Technologies such as AI, cloud, and blockchain can help organizations access the data and insights needed to inform sustainable operations and inspire innovation. Advanced data management capabilities, fueled by open standards and interoperability, play a big part in helping leaders improve sustainability outcomes.

Insight

CEOs’ top challenges in achieving sustainability objectives.



#3

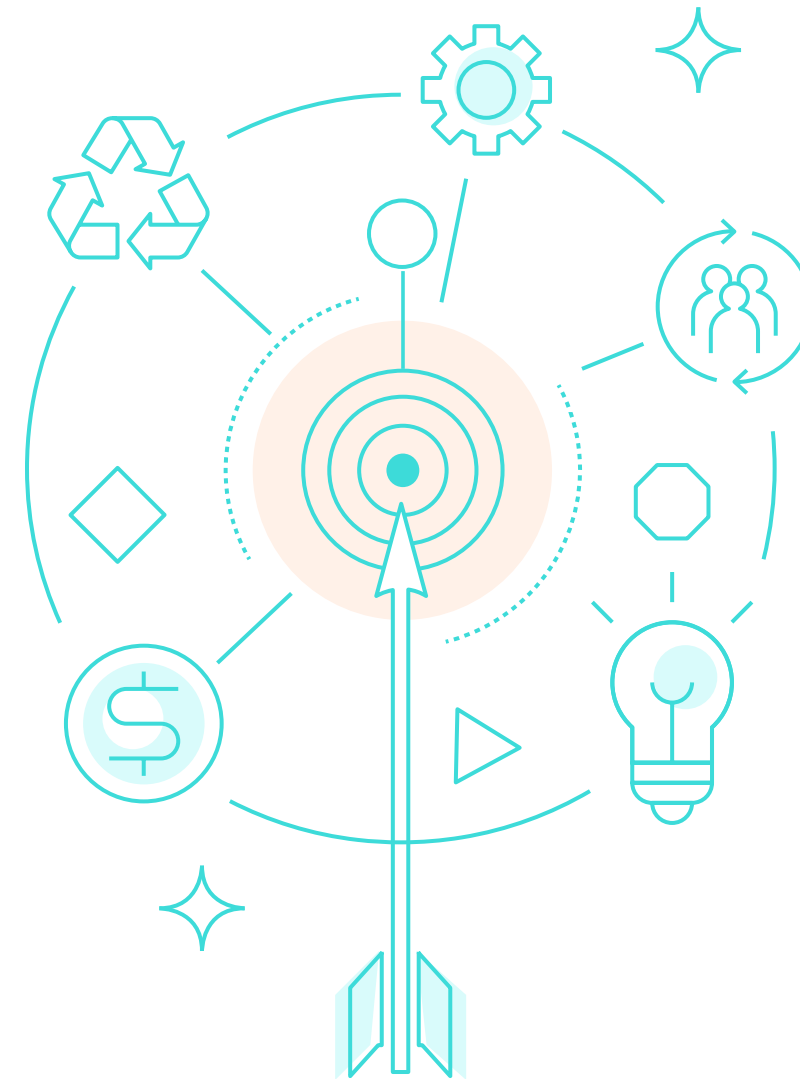
Embed sustainability within structures and processes

Clear, consistent, meaningful standards also play a large role in helping organizations introduce and enforce more sustainability-focused business processes. If leaders don't know their targets—or how they will be evaluated by stakeholders—they may struggle to make changes that can move the needle in the right direction.

When sustainability is an integral part of the business strategy, it is also purposefully reinforced through operational structures. This includes compensation packages, enterprise change management programs, and active employee engagement initiatives. What is measured gets managed, so leaders need to create and communicate clear targets teams are expected to hit.

Insight

If leaders don't know their targets, they may struggle to make changes that can move the needle in the right direction.



#4

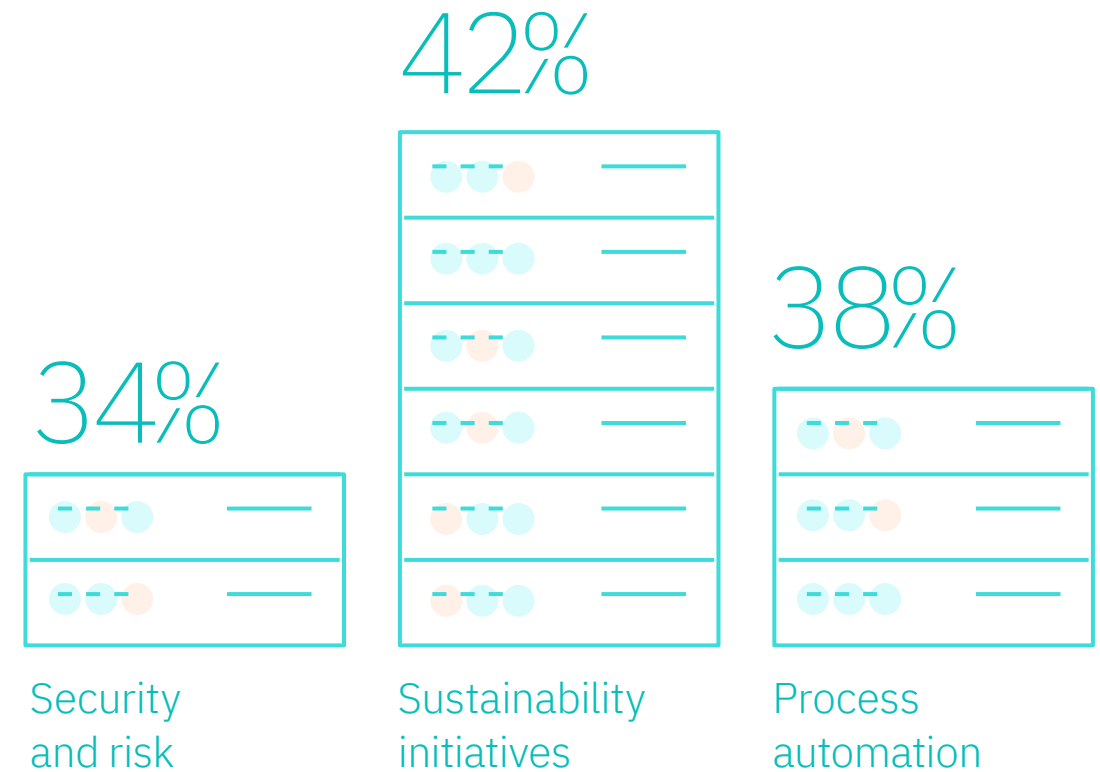
Activate sustainability across the organization

Organizations need to make sustainability a shared responsibility. Assigning responsibility for sustainability to a single individual—whether it is a Chief Sustainability Officer or another leader—won't inspire the wholesale enterprise transformation most organizations must undergo to achieve their goals.

It starts at the top, with CEOs, COOs, CFOs, CTOs, and CIOs assuming more direct, collective responsibility for the sustainability agenda. There are already signs that companies are adopting this approach. For instance, CIOs cited sustainability as the top area where they expect technology to have the greatest impact over the next 3 years.¹²

Insight

CIOs expect technology to have a significant impact on sustainability over the next 3 years.



#5

Engage ecosystem partners and suppliers to meet sustainability goals

No single organization can curb climate change on its own. To make the sweeping changes that are required, leaders need to work together to set specific targets, clearly define the metrics they will use to measure success, and jointly report on the progress they've made.

Many organizations have begun to co-create with partners in service to this goal, developing new business platforms and pursuing innovation together. They work with suppliers to get greater visibility into their operations and collaborate with partners—and even competitors—to increase sustainability, reduce risks, and boost efficiency in each link of the supply chain.

Insight

No single organization can curb climate change on its own.



Turning the tide

If leaders don't take decisive and meaningful steps toward a sustainable future today, they will have fewer options to choose from tomorrow. And as the Earth's environment becomes more unforgiving, so will stakeholders. In this do-or-die moment, consumers, investors, and partners will reward organizations that rise to the challenge—and ignore those that don't.



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