SAP INSIGHTS

How to Ace the Sustainability Learning Curve

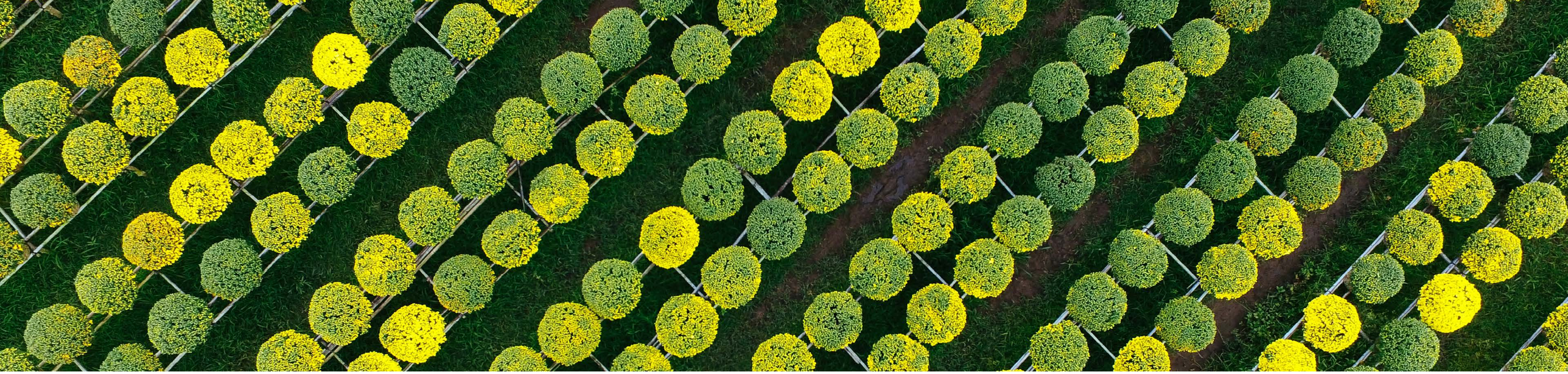


Top heavy is not good. Not for vehicles (they have a nasty tendency to tip over at speed). Not for wedding cakes (unless you catch the spill on video). And not for businesses.

In business, *top heavy* means lots of high-salaried people making decisions without much visibility into what is happening with customers, or employees, day by day.

When it comes to sustainability, boards and CEOs are invaluable to figuring out strategy and championing change. Big, enterprise efforts like this would go nowhere without their vigor. But when the confetti settles and the sustainability ship has been launched, everyone needs to help steer.





Those carbon targets and pledges to investors won't achieve themselves.

In fact, the longer a company has been measuring sustainability, the more likely its sustainability strategy is set by the chief sustainability officer rather than the board or the CEO, according to a survey by SAP Insights.

But the person in charge isn't the only characteristic that distinguishes companies that are progressing from the beginners. Respondents show other signs that form a pattern, including whether they're using sustainability data in their business strategy and operational decisions, whether they're holding more leaders accountable for results, and whether sustainability is material to their financial results.

Here's what we know about what the learning curve for sustainability looks like and how any company can accelerate its efforts.

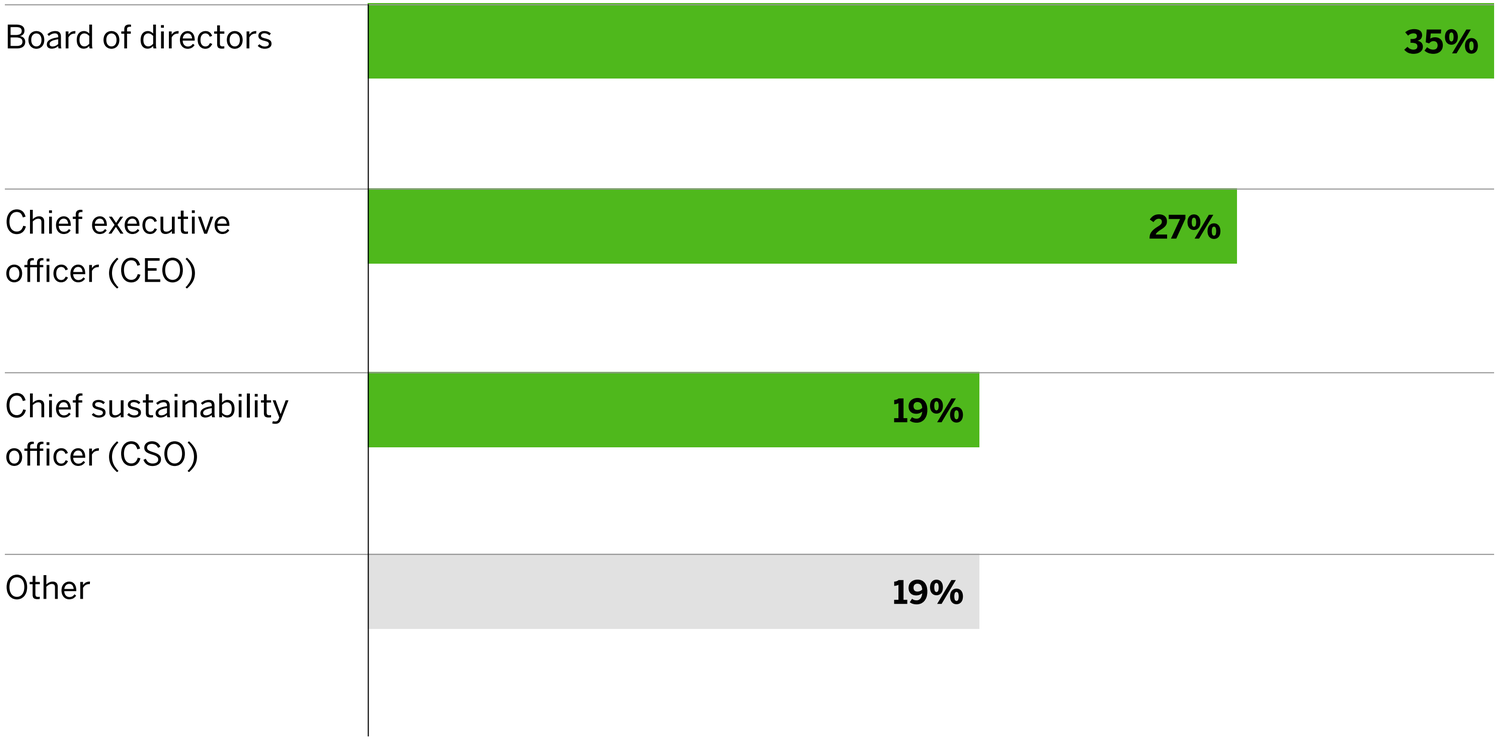
Sustainability Progress Model

	Early Stage	Progressing
Leadership	■ The board or the CEO sets strategy for sustainability ■ The sustainability strategy is focused at the business level rather than globally ■ Leaders are more concerned that government regulations will negatively affect their business ■ The business invests less in sustainability issues	■ The chief sustainability officer sets strategy for sustainability ■ The sustainability strategy is more integrated with the overall business strategy and has more external motivators, such as strengthening societal approval of the business and commitment to the UN Sustainable Development Goals ■ Leaders are more likely to say that government regulations have a positive impact on the business ■ The business invests more in sustainability issues
Accountability	■ Accountability for sustainability is more concentrated at the top of the company, mostly at the C-level ■ Sustainability specialists, such as the chief sustainability officer and the sustainability manager, have less accountability ■ Accountability is less likely to be assigned in areas important for sustainability progress, such as energy risk, facilities, processes, procurement, and individual business units	■ Accountability for sustainability is focused at lower levels inside the business ■ The chief sustainability officer and sustainability manager have a high degree of accountability ■ Accountability is spread more broadly to business leaders
Decision-Making	■ Sustainability data is used less often in business strategic and operational decision-making ■ Sustainability has been measured for a shorter period (1-5 years) ■ Fewer areas of sustainability are measured ■ Satisfaction with sustainability data quality is lower	■ Sustainability data is more integrated into strategic and operational decision-making ■ Sustainability has been measured for a longer period (5+ years) ■ More areas of sustainability are measured ■ Satisfaction with sustainability data is higher
Financial Materiality	■ Fewer businesses say that sustainability is material to financial results today ■ Respondents are more likely to say that sustainability will not be financially material to their business results until more than 20 years from today	■ More businesses say that sustainability is material to financial results today ■ Respondents are more likely to say that sustainability will be financially material to their business results in 1-3 years

Boards and CEOs lead – at first.

Beginners are more likely to have their boards and CEOs directly overseeing sustainability strategy, especially if they have only been collecting sustainability data for one or two years.

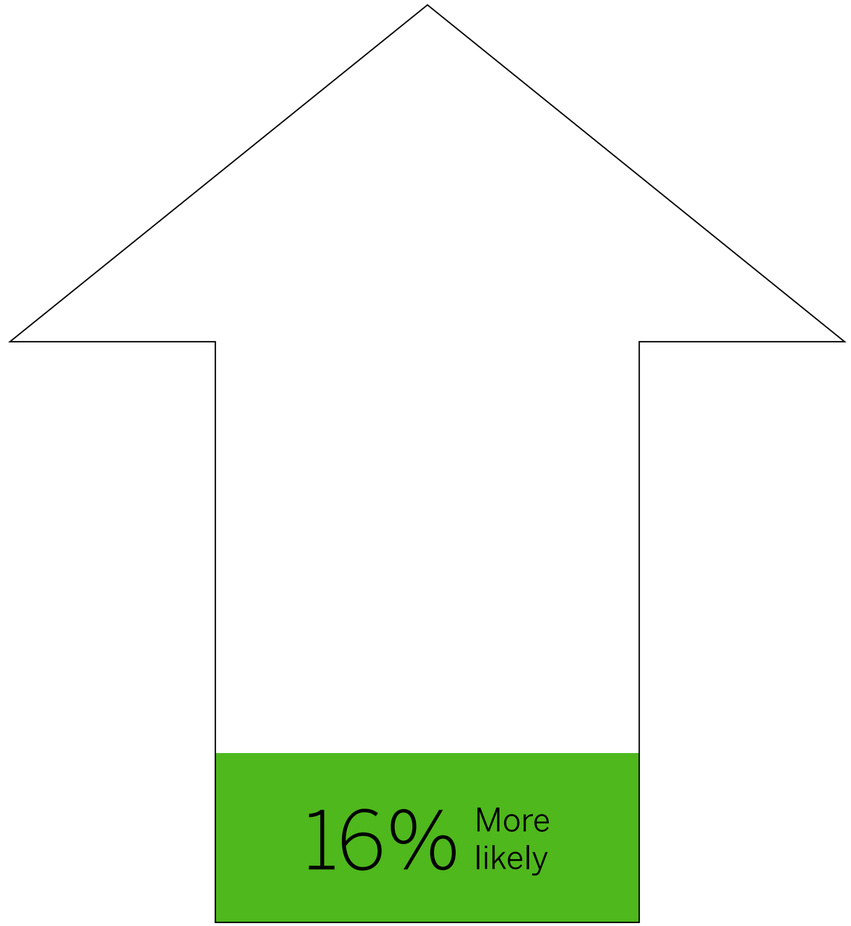
Companies that have been collecting data for one to two years are **47% more likely** to have the board in charge of setting sustainability strategy and **14% more likely** to have the CEO in charge.



Having the CEO or the board in charge makes sense when starting out. Sustainability isn't a project, it's a transformation. You need the leaders at the top to champion sustainability and to tell employees why and how they need to change until it becomes part of how they do everything.

Further, CEOs have the credibility to pitch early-stage change as a growth strategy. When CEOs are leading the sustainability strategy, businesses are more likely to be motivated by revenue and profit opportunities by a wide margin.

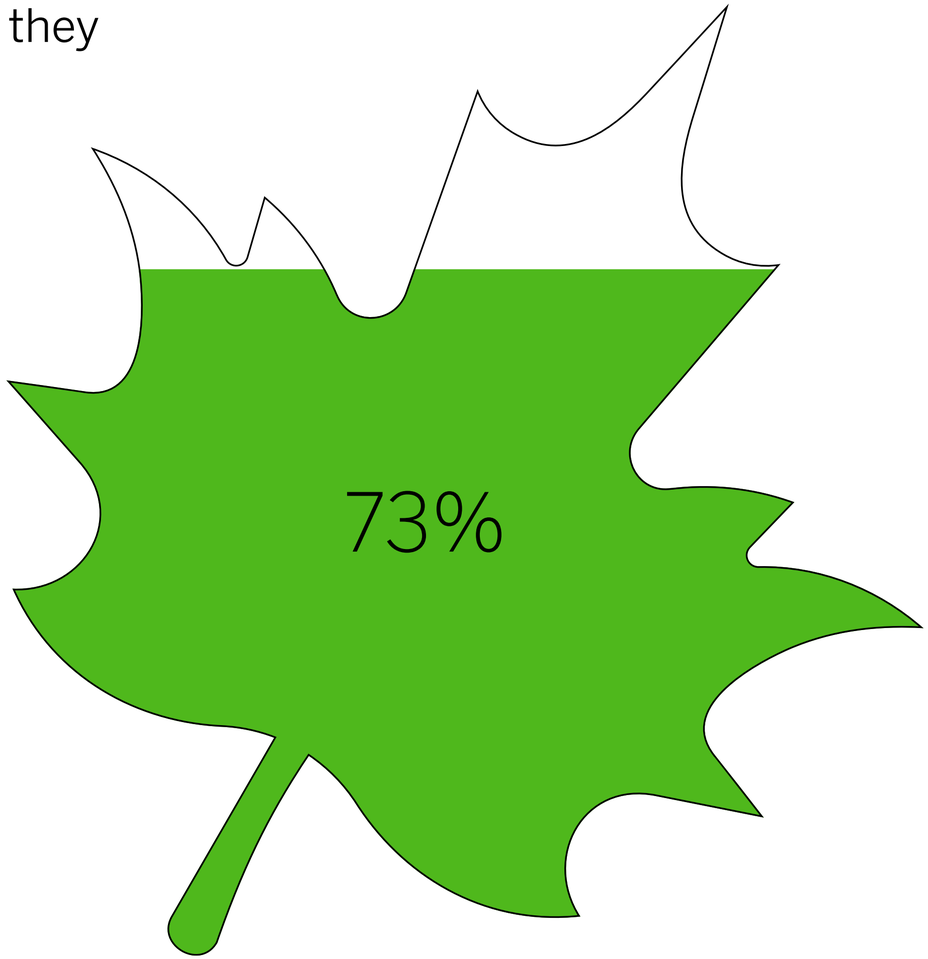
Businesses where the CEO sets strategic direction for sustainability are **16% more likely** to have revenue and profit growth opportunities as a motivator for action.




Sustainability isn’t a project,
it’s a transformation

Eventually, the chief sustainability officer takes charge.

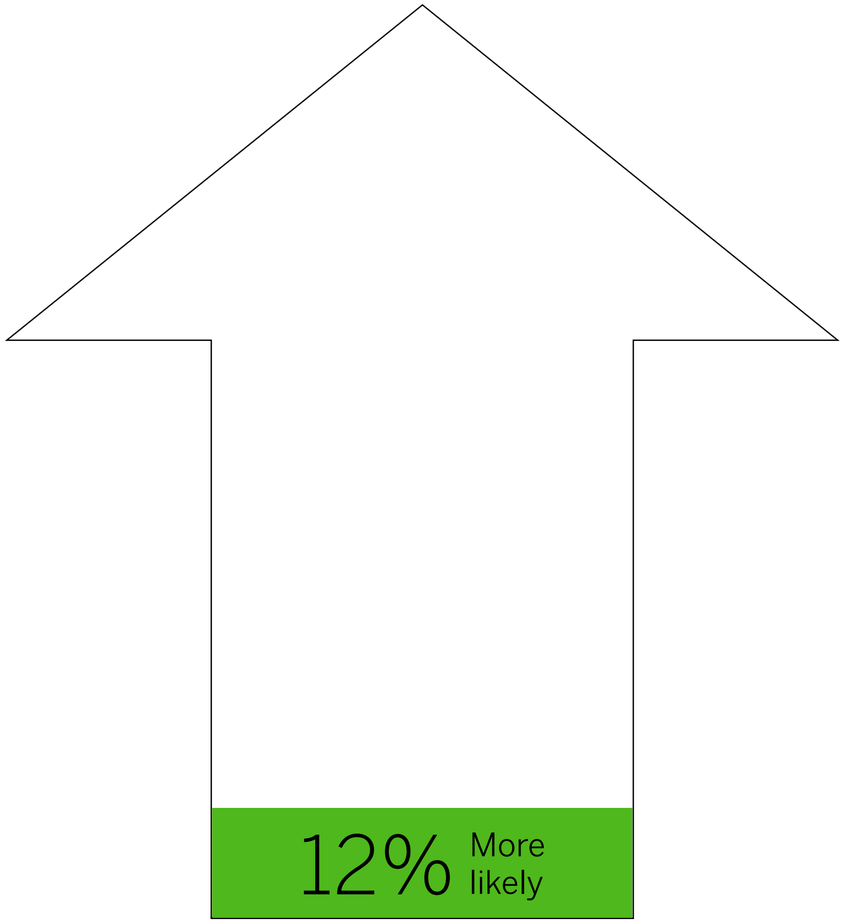
Having sustainability leadership glued to the top of the organization isn't, uh, sustainable. It's going to be one of a hundred things the board and CEO need to worry about. That's why, as companies progress, they eventually delegate leadership to a chief sustainability officer.



Companies that have been collecting data for more than two years are **73% more likely** to have the chief sustainability officer in charge of setting sustainability strategy.

After rallying the business around a sustainability transformation, the CEO and the board don't need to be the face of it anymore. But they don't withdraw completely. Among the top motivators for chief sustainability officers who set sustainability strategy are board and CEO commitment and company purpose, which shows that chief sustainability officers aren't running around like stray cats.

Businesses where chief sustainability officers set strategic direction for sustainability are **12% more likely** to have board and CEO commitment as their top motivator.

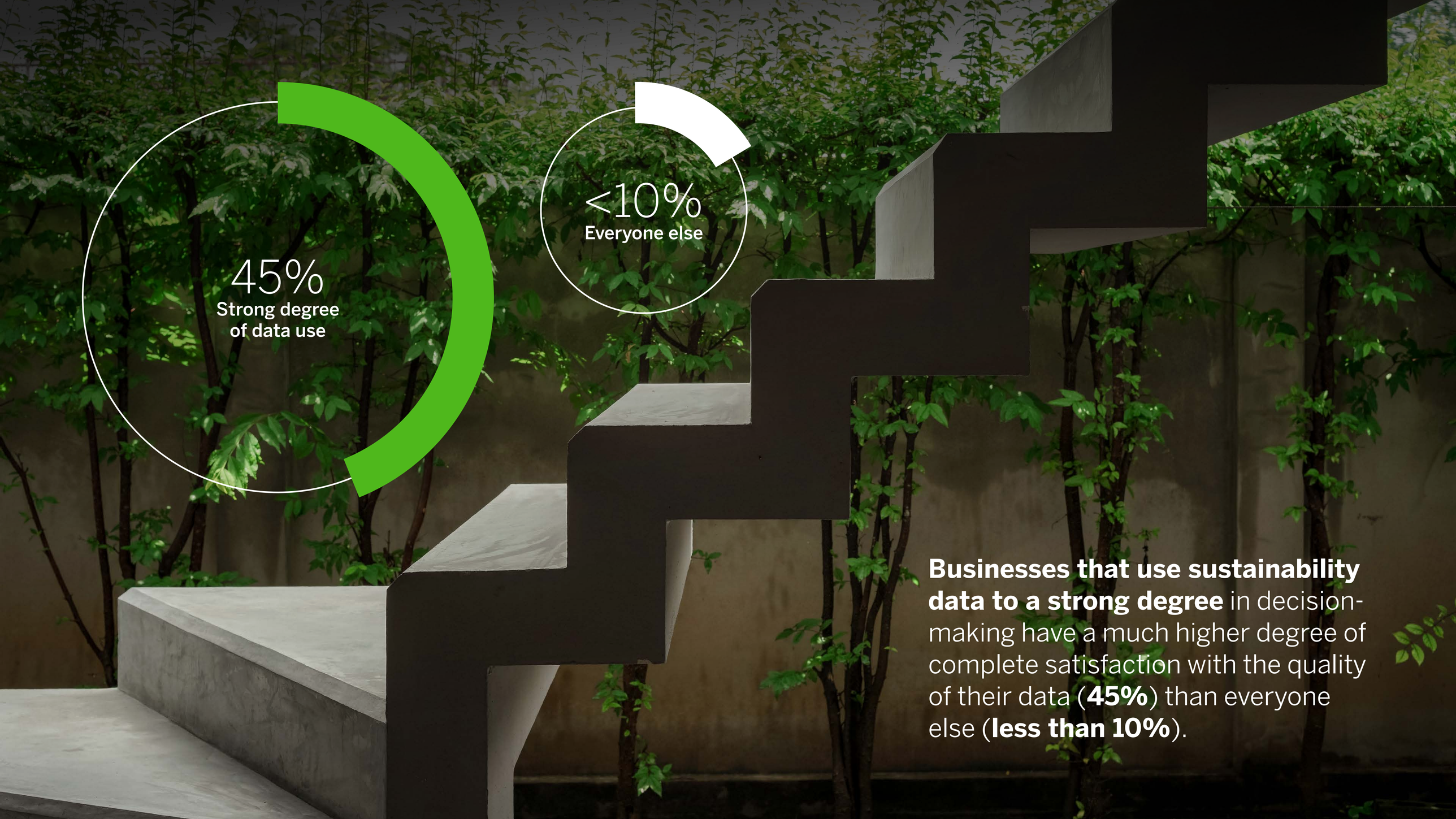


Sustainability is part of strategic and operational decision-making.

More experienced companies use the data they have collected about sustainability when they make decisions.

Respondents who are happiest with their sustainability data are more likely to have been collecting it for at least five years. And the longer they have been collecting it, the more likely they are to be using it to make operational decisions – the kind that reduce a carbon footprint or prioritize reuse of materials.

When you have a lot of reliable data, you gain a better understanding about what needs to be measured and how to improve mega-metrics like carbon footprint. Which is to say, knowing *why* you're measuring something is as important as measuring it.



Businesses that use sustainability data to a strong degree in decision-making have a much higher degree of complete satisfaction with the quality of their data (**45%**) than everyone else (**less than 10%**).

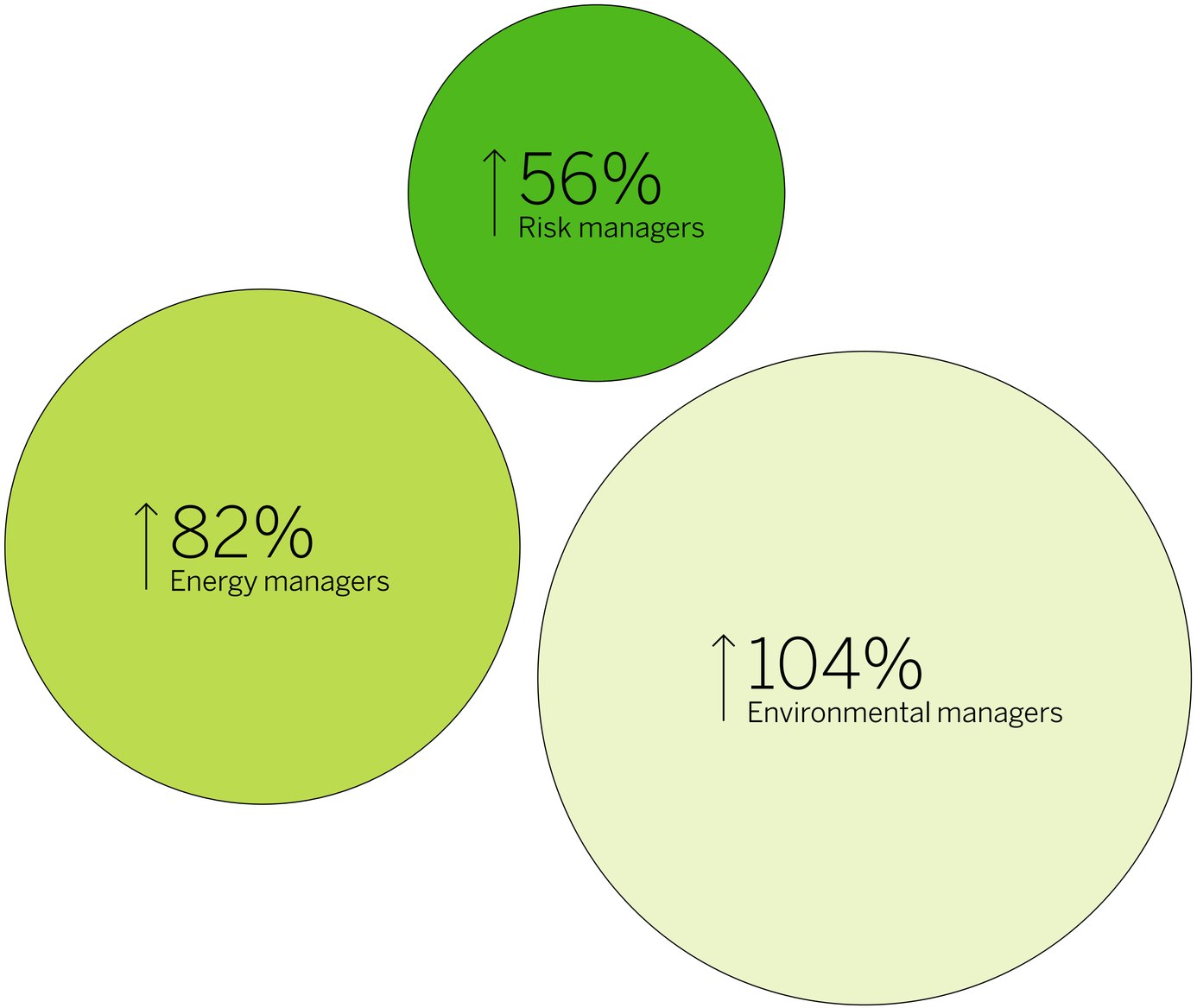
Accountability spreads everywhere.

In organizations where the chief sustainability officer sets sustainability strategy, accountability spreads to other leaders in the organization, particularly sustainability managers, energy managers, and risk managers.

The spread of accountability is crucial to sustainability success. Only if accountability is given to (and accepted by) the respective line-of-business leaders will a business have the fuel to make big changes.

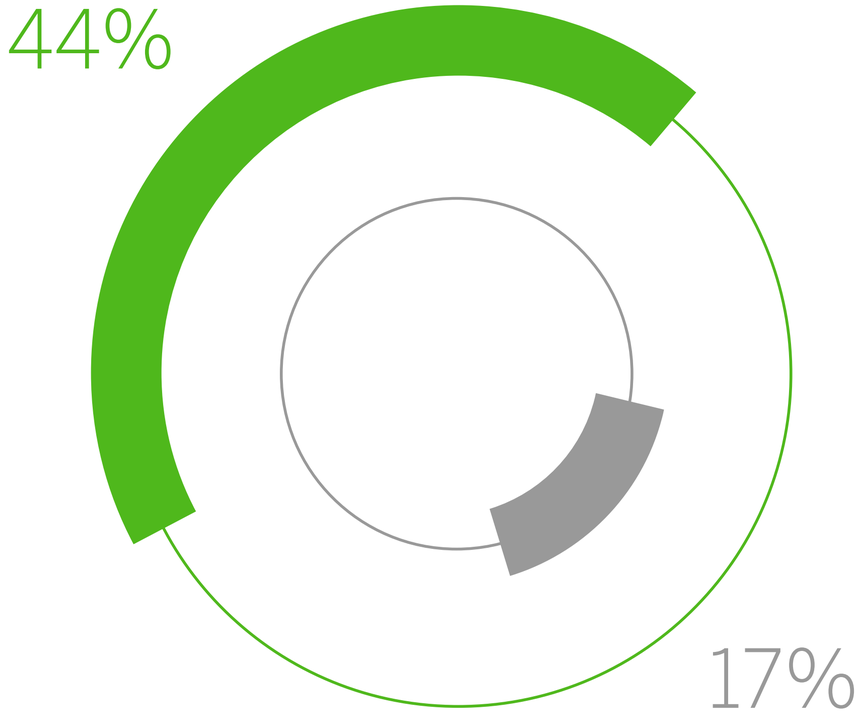
When accountability rests with more than one area, you start building a cross-business function that can spread sustainability to processes everywhere. Think of it like IT, where specialists in HR processes and software are in HR rather than in the technology department.

In businesses where the chief sustainability officer sets the strategic direction for sustainability, **82% more** energy managers have accountability for sustainability, along with **56% more** risk managers, and **104% (or roughly two times) more** environmental managers.



Sustainability becomes material to financial results.

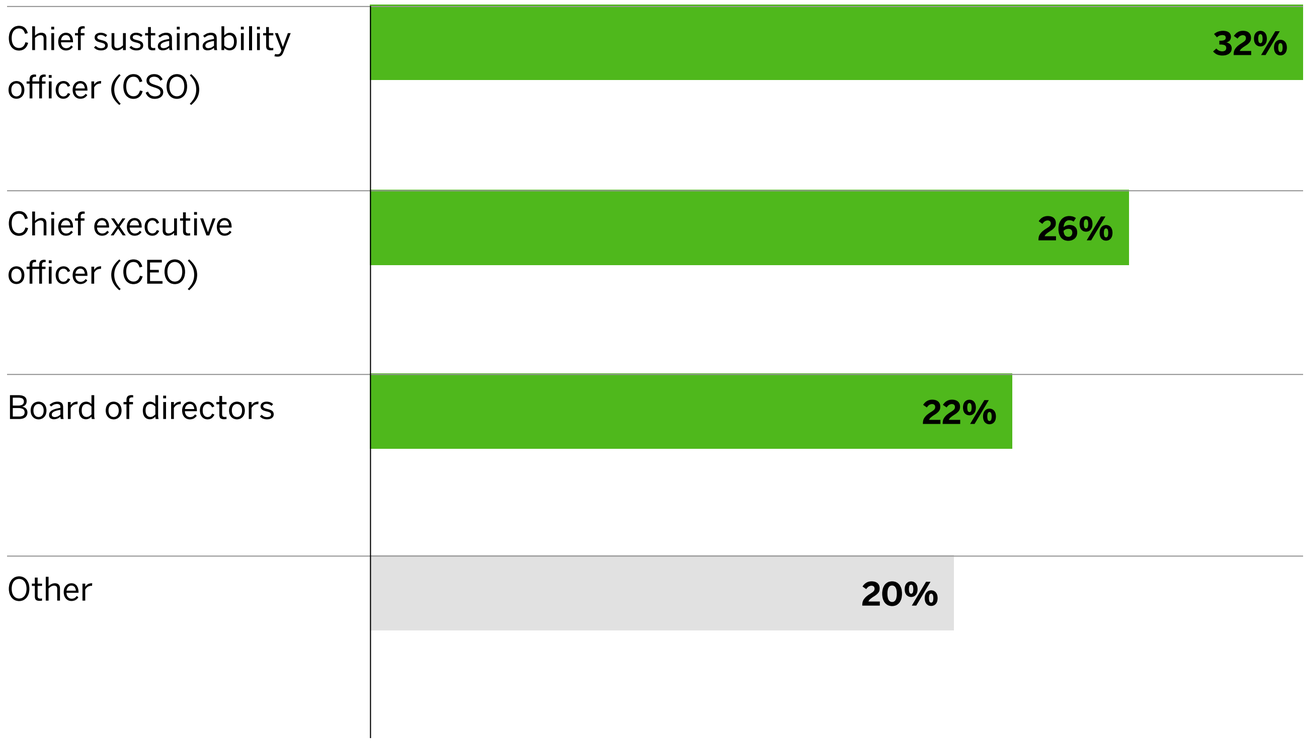
Okay, you may be thinking that installing solar panels on a few rooftops isn't exactly going to be newsworthy to investors. But consider businesses that have been measuring sustainability for 20 years or more. This group is highly represented by industries such as energy, chemicals, and automotive that have been regulated for a long time and thus forced to do it. Among such businesses, 44% say that environmental issues are already material to their business results, while another 11% say they will be within three years.



44% of businesses that have been collecting sustainability data for 20+ years say that sustainability is already financially material to their business vs. **17% for everyone else.**

But financial materiality isn't linked only to how long a company has been tracking sustainability. Businesses that have delegated leadership, are using sustainability data to make operational decisions, and have widely distributed accountability appear to be more successful financially.

Businesses where sustainability data has a strong effect on operational and strategic decision-making are **more likely to give responsibility** for setting strategic direction for sustainability **to the chief sustainability officer** rather than the board or the CEO.





Companies that use environmental metrics to a strong degree are **4% more likely** to predict growth in 2023.

How to catch up

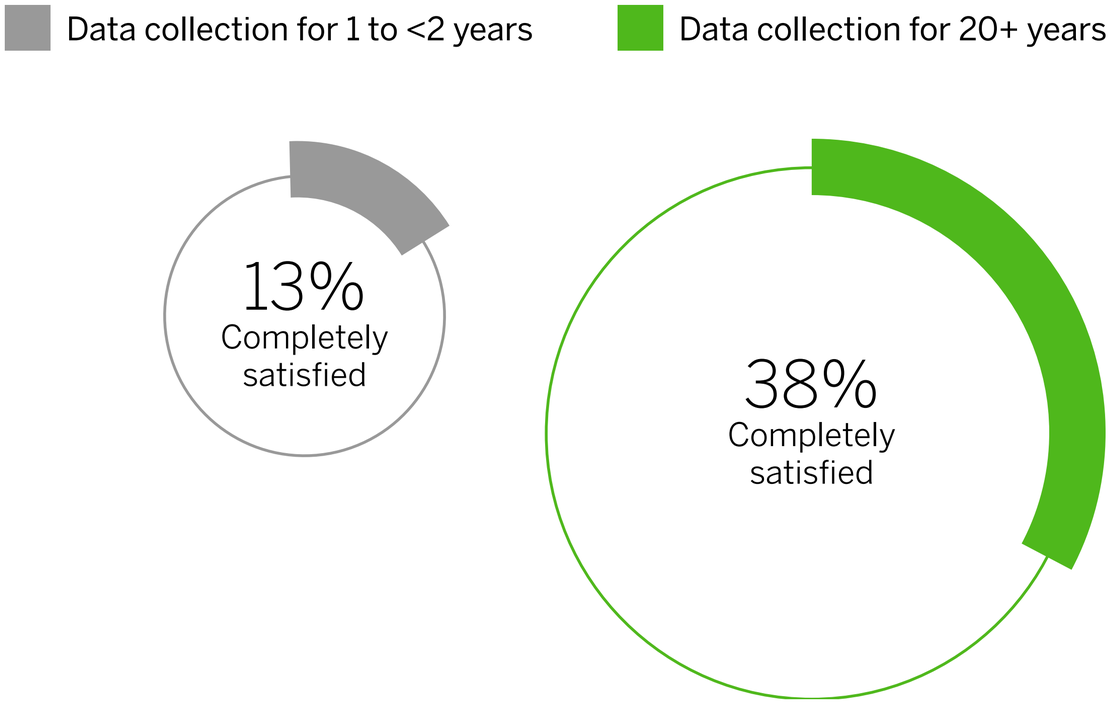
Now that you know what a sustainability-savvy company looks like, how can you become one?

Here are three ways to get more experience fast.

Use improvements in data collection to catch up.

The area of data quality is not respondents' happy place. Among companies that have been measuring sustainability data for one to two years, just 13% say they are completely satisfied.

No surprise. We all know collecting good data is hard. Yet even among those who've been collecting for 20 years or more, just 38% express complete joy.



Just **13% of businesses** that have been collecting sustainability data for one to two years are completely satisfied with its quality.

Among businesses that have been collecting data for more than 20 years, **only 38%** say they are completely satisfied with its quality.

That’s going to change. Think of the handicaps that plagued companies trying to gather sustainability data back in the old days: Client–servers! 80 gig hard drives! 3G networks! (Oh wait, those weren’t even available yet.) You get the idea.

Now we have virtually unlimited cloud storage and databases that compute in near real time, not to mention the (admittedly gradual) progress of Internet of Things and AI to gather data from far-flung equipment and analyze exponentially more of it exponentially faster.

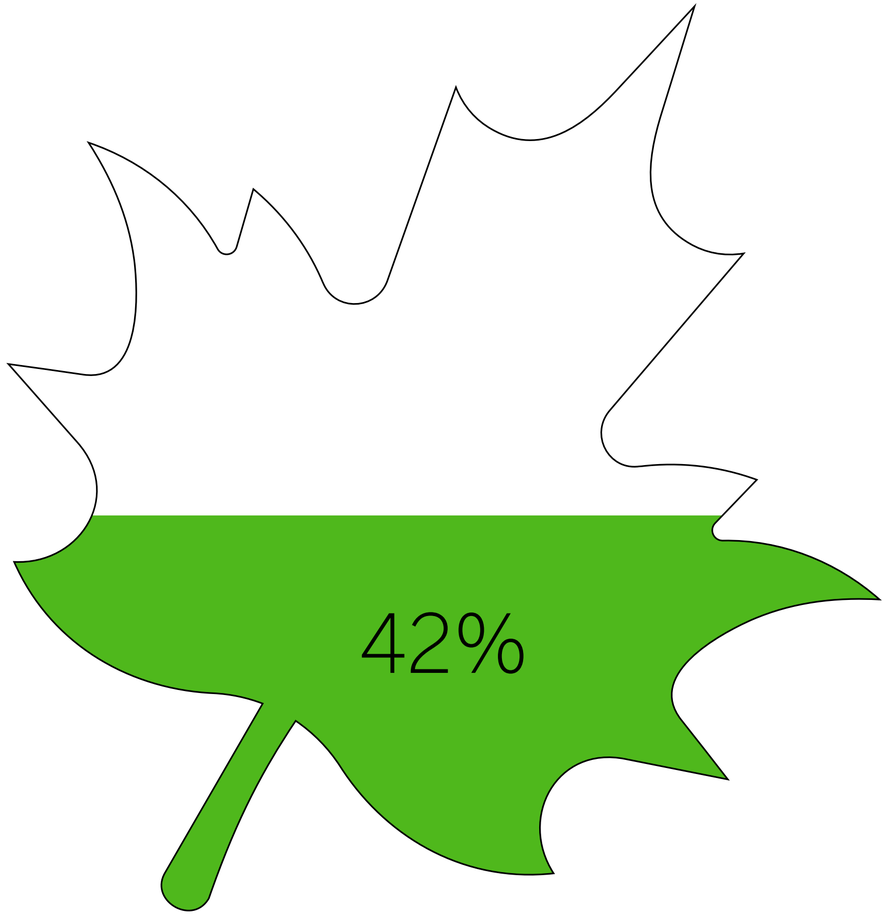
Not to sound like that high school kid behind the counter at Best Buy, but you can do *so much* with technology today! It lets you claw back lost time fast.



Broaden your horizons to make progress.

Businesses that have advanced enough to put the chief sustainability officer in charge of sustainability aren't just focused on their own fortunes but also on those of the planet. That will be essential to make real progress on climate change.

If that sounds unbearably squishy and tree-huggy, consider this: Businesses that are motivated by the UN Sustainable Development Goals still prioritize traditional red-blooded business goals, such as opportunities to develop new or improved offerings or revenue and profit growth opportunities. The UN commitments are simply part of a full list of sustainability priorities.



Businesses where CSOs set strategic direction for sustainability are motivated **42% more** by commitment to the UN Sustainable Development Goals, but they are not ignoring more traditional goals.

Find a connection to financial results – the sooner the better.

The mandates that heavily regulated industries like energy, chemicals, and autos have been working with for decades are coming soon to a balance sheet near you. So even if the dirtiest thing your business produces is a bunch of used coffee cups at the end of the workday, you're not out of the woods. Rather, you're just about to enter them.

Regulators in the United States and the European Union are working on rules to incorporate emissions from a company's dirtiest suppliers (like fuel and logistics) into its totals, according to consultancy PwC. Soon, your suppliers' emissions may matter as much to your financial results as your own. It's time to start thinking of them that way.

Not just barking orders from the bridge

Everyone makes sustainability pledges:

Carbon neutral by 2035!
Use 25% more renewable materials!
Reuse and recycle products!

But companies that are progressing in their ability to run sustainably are taking specific steps. They're giving leadership for sustainability to the expert, the chief sustainability officer, and they're spreading accountability across the organization. They've decided that growing the business and protecting the planet are compatible goals. They realize that if they don't reduce the damaging effects of their businesses on the environment they'll lose the ability to grow.

You can't sell to a depleted market.

The most important step they're taking in the short term is to use the sustainability data they collect for operational decision-making. This is the toughest part. Collecting quality data is difficult and using that data to make business decisions is a big shift. But it's how you make all those sustainability pledges real. It's how you get everyone in the business to incorporate sustainability into their thinking and actions.

And it's how you keep the ship heading in the right direction when the water is heaving (and rising) all around you.

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About This Research

The SAP Insights research center collected data from 6,669 respondents across 40 nations and 29 industries. Respondents had highest knowledge of their organization's sustainability objectives and processes. The surveys were conducted in April 2022 via a 10-minute online survey.

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