

# Sustainability Will Be Important Even Beyond the Recession

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**Sustainability will be a strategic theme beyond the recession. Although it will continue being justified on efficiency agendas, it will increasingly be justified to meet stakeholder expectations, to build trust and compliance, and to manage risk related to the business's reputation.**

## Key Findings

- During 2008 and 2009, sustainability and “green IT” have been used to justify and identify cost-cutting activities.
- Postdownturn, environmental sustainability will no longer be after-the-fact “window dressing”; instead, it will begin to influence core business strategies.
- There will always be an overlap between sustainability and efficiency, which enterprises should continue to seek out; however, postrecession, the emphasis in the justification for sustainability will shift from simple cost savings to supporting the core business, compliance, trust building and risk management related to a corporation's reputation.

## Recommendations

- The IT management team needs to keep the momentum of its green IT and sustainability initiatives beyond the time frame of the recession, because other drivers beyond efficiency will become important — the importance of sustainability coming out of the recession will be greater than it was going in.
- Although IT organizations will continue to focus on improving IT's environmental performance, the focus will shift to supporting the sustainability programs of the core business.

## WHAT YOU NEED TO KNOW

Climate change has been the primary catalyst for putting sustainable development on political and enterprise agendas. As long as climate change is perceived as a significant risk, sustainability will continue its evolution toward becoming a long-term structural change, driven primarily by a combination of changing stakeholder expectations, carbon-related regulations and carbon pricing. There will be a creeping background change in sustainability-related standards, guidelines and regulations, including changes to corporate governance that will have an additional, but low-impact influence. Enterprise strategic planners, including the CIO, need to:

- Start tracking changes in stakeholder expectations and regulations, particularly those involving business ethics, corporate social responsibility (CSR), climate change, sustainability and carbon emissions. Ensure that they are appropriately factored into the enterprise's strategic plans.
- Identify the areas of the business, and the value chains in which they operate, which materially affect the environment. Consider how the IT organization could play a role in reducing those impacts through providing information and instrumentation, as well as dematerialization.
- Maintain the momentum of the sustainability and green IT program coming out of the recession, and use this momentum to develop capabilities in managing sustainability.
- Increase the level of support provided to the CSR team or the executive charged with the sustainability strategy, because failure to do so could cause significant additional costs and raise support issues. Although the issues will vary by industry, the common themes will be energy, greenhouse gas (GHG) emissions, water and waste — therefore, IT needs to track data related to these resources.

## STRATEGIC PLANNING ASSUMPTION(S)

By 2014, the strategies of at least two-thirds of organizations will exploit or risk-mitigate environmental sustainability.

## ANALYSIS

Green IT and the wider business issue of environmental sustainability have been used during the past two years to justify and identify cost savings and cost avoidance in the IT infrastructure and business operations. In most enterprises, the primary catalysts were always related to efficiency, and the environmental benefits were the “icing on the cake.” Green IT projects have stood up relatively well during the downturn because many of them promised and delivered short-term, low-risk return on investment, and made unpopular cost-cutting exercises more palatable. Similarly, projects to drive energy and material efficiencies in the business, such as using IT for travel substitution, have often been attractive.

Although there is a significant overlap between cost savings/avoidance projects and those that improve the environmental performance of the enterprise, the two things should not be confused. More importantly, the issues of environmental sustainability and green IT will not only outlast the recession, they will take on more strategic importance. In some market areas, it will be a point of differentiation and, for others, more of a “me too” response. Enterprises should integrate the opportunities and risks of sustainability and the changes in expectations regarding business ethics into their strategic planning processes. The emphasis should be on exploiting it as an opportunity, engaging key stakeholders and increasing transparency, rather than treating it as pure risk mitigation.

Cost savings and efficiency will remain significant features of sustainability programs, not least because carbon pricing will keep it an economic and commercial decision. The work done under the guise of sustainability and green IT during the 2007 through 2010 period will continue to pay significant dividends. These dividends will increasingly be related to the environmental performance of the enterprise and less about the cost savings from this point on. The business case will transition from predominantly cost saving to a more even balance among efficiency, trust, reputation risk management and alignment with strategic programs, including reductions in GHG emissions.

The primary catalyst that puts sustainability on the political and business agenda is climate change. However, two other discontinuities add further weight to the issue — the long-term energy crisis and the issues associated with a global population that is forecast to grow to 9 billion people by 2040. These challenges provide the context in which international and national policies will be set during the next 20 years and beyond. They also set the context in which enterprise stakeholder expectations will be established, and will contribute to the rapid changes occurring in acceptable business ethics. Finally, they set the context in which enterprises will need to understand how to thrive, providing a changing recipe for success.

By 2014, carbon regulations, combined with pressures from stakeholders and the supply chain, will affect the strategies of at least two-thirds of organizations, which will need to exploit or risk-mitigate environmental sustainability. The evidence of such changes includes:

- Carbon regulations are in effect in the European Union (EU), the U.K. and Australia.
- Carbon regulations are on the horizon in the U.S. and other countries. The Obama administration has already declared its intention to bring in some sort of carbon cap-and-trade scheme. The United Nations climate summit in December 2009 should be a critical test of how global carbon regulation will evolve.
- Leading politicians, including President Obama, are talking about environmental sustainability as a key tenet of future policies. Although “talk is cheap,” it signals a changing view of the issue, which will influence enterprise stakeholders.
- Enterprises at the top of the business food chain, such as Ikea, Marks, Spencer Gifts, Tesco and Wal-Mart, are making significant specific and targeted commitments to improved environmental performance, and, more importantly, they're putting pressure down the supply chain to do the same. Similar commitments are being made by leading players in many other sectors — public and private.

- The economic stimulus packages clearly link the “green collar economy” to recovery, and, in so doing, contribute to changing the business environment after the recovery.
- In the IT industry, “heavyweights,” such as BT, Cisco, Fujitsu, HP, IBM and SAP, are making public proclamations about the strategic importance of sustainability and the low-carbon economy to their business growth.
- There is growing interest from investors, as well as increased demand for greater transparency on sustainability-related issues, including through the auspices of the Carbon Disclosure Project.
- Directives to public sector organizations to manage and improve their environmental performance are moving beyond simply carbon.
- There is a steady increase in the number of enterprises reporting CSR performance, including those reporting under the Global Reporting Initiative (GRI) framework.
- The King III report from the South African Carbon-Based Initiative (CBI) is a good example of how sustainability could enter the domain of corporate governance.
- ISO 26000 has emerged as a set of guidelines for enterprise CSR.
- In January 2009, a White Paper on the requirements of enterprises to report sustainability was published in Norway.
- The influence of the “Green” vote in the EU is growing.
- Gartner’s sustainability survey suggests that approximately one-third of enterprises are starting to take an aggressive position on sustainability.
- Our client interactions indicate senior executives are engaging with the issue, and they’re exploring its impact on their organizations, markets, stakeholders, etc.

Sustainable development is likely to be a theme that will affect most enterprises postrecession. Changes in regulations regarding carbon will keep it an economic and compliance decision; changes in stakeholder expectations mean it will start to influence core business strategies and, of course, will involve risks to business’s reputations.

### Recommendations for IT

- IT organizations need to provide the CSR team or the executive responsible for sustainability with increased support in the provision of information systems. These teams have been systematically underresourced for years, and have filled the void with spreadsheets and hand-crafted, labor-intensive processes.
- The IT organization needs to start building carbon management processes and supporting systems.
- Although priorities will vary among industries, for most, the common focus beyond carbon will be energy, water and waste; IT needs to start providing information systems and processes that monitor and manage those resources as well.
- IT organizations need to be able to participate in and, ideally, contribute to the discussion and to innovative processes across the business to understand how sustainability affects the organization.
- At the very least, the IT organization needs to participate for the purposes of better demand management (so the inevitable projects don’t just appear from nowhere). However, in many cases, they will need to contribute insight into how information, instrumentation and IT’s ability to dematerialize a process or product could improve its environmental performance or footprint.