Executive Leadership: Sustainability Primer for 2022

Published 4 February 2022 - ID G00758864 - 7 min read
By Analyst(s): Kristin Moyer, Sarah Watt
Initiatives: Executive Leadership: Sustainability; CSCO Strategic Leadership

The pace of sustainable business change is poised to accelerate in 2022, but inflationary pressure could constrain investment. Our research helps executives identify sustainable business opportunities, costs, risks, technology and leadership.

Scope
This initiative provides enterprises with actionable, objective insights about how to navigate sustainable business.

Topics in this initiative include:

- **Risk and Cost**: Assess, monitor and manage the internal and external risks associated with sustainable business.

- **Sustainability Growth Opportunities**: Detect sustainable business inflection points and disruptions, support new investment opportunities, and develop new business and operating models.

- **Sustainability Leadership**: Identify the role for executive leaders across the enterprise in strategic planning, culture, talent and business capabilities.

- **Technology and Innovation**: Monitor, prioritize and apply new technologies, and improve on existing technologies to enable sustainable business in enterprise outcomes.

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Analysis

Figure 1. Executive Leadership: Sustainability Overview

**Executive Leadership: Sustainability**

Executives should expect the pace of sustainable business change to accelerate in 2022. CEOs are experiencing stakeholder pressure from customers, investors, employees and regulators. Our mid-2021 CEO survey reveals that environmental sustainability is now a top 10 business priority for the first time in more than a decade. ¹
All enterprises are now on a path to net zero, whether they know it or not. And all enterprises should institute an internal carbon price of $100 per metric ton of carbon dioxide. After the UN Climate Change Conference in Glasgow (COP26), the direction of travel is not in dispute. The debate is over who cuts emissions — by how much, by when and who pays.

Inflationary pressure could decelerate sustainable business change. This could come from two sources: post-COVID-19 disruption and/or sustainability resources. Post-COVID-19 disruptions to nonlabor unit costs and supply chains persists. More than 60% of CEOs say that nonlabor input costs to their business will rise significantly in 2022. And more than 60% of CEOs expect supply chain volatility and shortages to persist beyond 2022. This could constrain the appetite to invest in sustainable business, unless those investments actually help control costs. For example, fuel efficiency through application of artificial intelligence (AI) to fleet routing reduces costs. Growth in technologies to enable emissions reduction, such as renewable energy and electric vehicles, will face a supply chain crisis. Demand for materials such as rare earths will outstrip supply. The upside is that this could drive businesses toward adopting circular economy business models.

We believe three sustainable business trends will dominate executive agendas in 2022: adaptation, inflation and technology. First, we expect to see an increased focus on climate adaptation, which is a blind spot for many enterprises. Second, we see immediate pressuring concerns with demand outstripping supply for carbon credits, batteries, green hydrogen, recycled plastics and more. Third, increasing adoption of sustainable technology will help enterprises improve environmental, social and governance (ESG)/economic outcomes.

Topics

Operating within the boundaries of externalities while achieving long-term sustainable growth is a challenge. Executive leaders need a clear view of material issues and the ability to balance sometimes competing stakeholder expectations. For example, some of the U.S. business groups that fought landmark climate legislation in 2021 are backed by companies that have promised to address climate change. Executive leaders need the ability to recognize both the risks and opportunities amid a dynamic landscape of changing expectations. This requires inclusive leadership, where all employees can make a positive contribution within the given governance framework. Sustainable technology enables savvy leaders to drive insight, differentiation and acceleration.
Here are some examples of what we plan to do with sustainable business research in 2022:

**Risk and Cost**

Increasing regulations and activist investors create pressure to focus on the financial, legal and reputational risks associated with sustainable business strategies. Our research will help in adopting risk-based decision making that delivers stronger business outcomes.

**Questions Your Peers Are Asking**

- How do I measure performance and risks?
- How can I manage sustainability costs and risks?
- How do I ensure access to capital?
- Which sustainability-risk-based monitoring strategies and responses should I adopt?

**Sustainability Growth Opportunities**

Growth dominates CEO business priorities (see 2021 Gartner CEO Survey: The Year of Rebuilding). Sustainable business provides a growth opportunity for many enterprises. Our sustainability research will help in identifying new market opportunities, inflection points and disruptions.

**Questions Your Peers Are Asking**

- How can I support new investment opportunities?
- How do business and operating models need to change to drive sustainability outcomes?
- What sustainability inflection points will drive opportunities for growth?
Sustainability Leadership

Achieving sustainable business goals relies on expertise from across the organization, from the shop floor to the executive. Getting access to the latest talent will be contingent on demonstrating sustainability credentials. Our sustainable business research will help in building leadership, skills, capabilities and a culture to enable the sustainability strategy.

Questions Your Peers Are Asking

- What is my role in sustainability?
- How do I incorporate sustainability into strategic planning?
- How do I build and support sustainability leadership, culture, capabilities and talent?
- How do I engage with stakeholders on sustainability?

Technology and Innovation

Sustainable technology is a framework of solutions that enable environmental, social and governance outcomes. Intensive sustainable technology implementation at scale will follow innovation and new discoveries. Our sustainable business research will help in identifying emerging technology trends and innovation practices to meet goals and deliver results.

Questions Your Peers Are Asking

- What sustainability technology trends should I include on my radar?
- How can I prioritize sustainability innovation?
- How can I improve the sustainability of IT?
- How can I apply technology to improve enterprise sustainability?
Evidence

1 Mid-2021 Update Gartner CEO and Senior Business Executive Survey. Mid-2021 Update Gartner CEO and Senior Business Executive Survey: Gartner conducted this research July through August 2021 to examine CEO and senior business executive views on current business issues, as well as some areas of technology agenda impact. The research was conducted via an online survey among 105 business leaders. All respondents were screened for active employment in organizations greater than $50 million in annual revenue.

The survey was developed collaboratively by a team of Gartner analysts who examine IT’s role in business and was reviewed, tested and administered by Gartner’s Research Data and Analytics team. The results of this survey are representative of the respondent base and not necessarily business as a whole.

2 The 2020 Gartner Sustainability Survey was conducted to understand how stakeholder pressures for more aggressive economic, social and environmental sustainability actions are growing and to identify best practices from early adopters to provide sustainability advice to Gartner clients. The survey explored different sustainability goals and targets set by organizations and how the level of investment in the sustainability programs has changed over time. It also focused on the value and benefits derived from the sustainability programs.

The research was conducted online from November through December 2020 among 183 respondents from North America, Europe and Asia/Pacific across all industries, except energy and utilities, in enterprises with $250 million or more in annual revenue.

Respondents were screened for job titles at the director level or higher and their level of involvement in their organizations’ sustainability. Any respondents whose organization did not engage in sustainability activities at all or who were limited to achieving compliance were screened out.

The survey was developed collaboratively by a team of Gartner analysts, and was reviewed, tested and administered by Gartner’s Research Data and Analytics team.
Disclaimer: The results of this survey do not represent global findings or the market as a whole, but do reflect the sentiments of the respondents and companies surveyed.

3 Apple and Disney Among Companies Backing Groups Against US Climate Bill, The Guardian.

Document Revision History
Executive Leadership: Sustainability Primer for 2021 - 19 August 2021

Related Priorities

<table>
<thead>
<tr>
<th>Initiative Name</th>
<th>Description</th>
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<tbody>
<tr>
<td>Executive Leadership: Digital Business</td>
<td>Gartner’s digital business key initiative helps clients define a vision, execute and scale that vision, and develop the leadership competencies to achieve their digital ambition.</td>
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<tr>
<td>Executive Leadership: Ent. Strat. Plan &amp; Execution</td>
<td>This initiative focuses on the cross-functional elements of strategic planning and execution. This enables enterprises to collaboratively identify critical trends, events or competitive moves.</td>
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<tr>
<td>Executive Leadership: Strategic Risk Management</td>
<td>The strategic risk management initiative helps executive leaders ensure their organizations’ risk management is comprehensive and balanced, and their strategy setting and execution is risk-informed.</td>
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