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Leading Sustainability Ambition, Goals and Technology in the 2020s

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Leading Sustainability Ambition, Goals and Technology in the 2020s

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Gartner survey data shows that a lot will happen with sustainability in the 2020s. Executive leaders should set the strategic ambition, align their goals with the ambition and unleash ecosystems with technology.

Overview

Key Findings

- Sustainability spend is increasing and will be resilient through at least 2023.
- More aggressive sustainability goals are driving spending increases.
- Customers are applying the most stakeholder pressure for sustainability.

Recommendations

Executive leaders involved with sustainability strategy and initiatives should:

- Set or advance the strategic ambition for sustainability. Create a central program if investor, regulator and/or employee pressure is high. Launch new products if customer pressure is high.
- Align goals with ambition. Set a goal or commit to carbon neutrality if investor or employee pressure is high. Advance to net zero or climate positive/negative if customer pressure is high.
- Unleash ecosystems with technology. Empower internal ecosystems to comply with regulations, private ecosystems to meet goals and public ecosystems to drive industry performance.
Introduction

Executive Advice

Gartner data shows that the business context for sustainability is both changing and enduring for the 2020s. Goals are getting more aggressive. Investment is growing. Future carbon taxation planning is already underway. Customers are driving transformation.

This research is based on a 2020 Gartner Sustainability survey conducted in late 2020. The purpose of the survey was to identify the strategic focus of sustainability programs, emissions reduction approaches and the role of technology. We did include social sustainability, but the primary focus is environmental sustainability. This survey included 183 respondents from corporations in North America, Europe and APAC. It covered multiple industries, with the exception of oil and gas, utilities and power generation, given the high intensity of impact on these sectors. Respondents were screened out if their organization did not engage in sustainability activities at all or were limited to achieving compliance.

This research will help executive leaders make three decisions in order to thrive within sustainability in the 2020s (see Figure 1).
Set the Strategic Ambition for Sustainability

- Set or identify the strategic ambition for sustainability. This is the “you are here” dot, and is the foundation for sustainability strategy.

- Allow for a blend of sustainability ambition within the same enterprise. For example, some enterprises may need to be more aggressive with diversity, equity and inclusion (DEI) than greenhouse gases (GHG) and waste. So their social sustainability ambition might be transformational, while their environmental sustainability ambition is compliance. Also allow for differences between business units within the enterprise.

- Progress sustainability ambition from compliance to optimization if investor and employee pressure is high or if executives want to preempt change.
Mature sustainability ambition from optimization to transformation if customer pressure is high or if executives want to differentiate and act on values.

Align Goals With Ambition

- Conduct a materiality assessment to identify the best sustainability issues to focus on.
- Align goals with the strategic ambition. For example, sustainability compliance doesn’t always include goals. Sustainability optimization often sets a carbon-neutral goal or DEI goals. Sustainability transformation often has more aggressive goals like climate positive/negative and DEI accountability.
- Assess the capital investment and resources required to meet any goals set.

Unleash Ecosystems With Technology

- Support internal ecosystems of employees with technologies like energy management, business applications and artificial intelligence/machine learning (AI/ML) for reporting.
- Enable private ecosystems of known partners (like value chain partners) with technologies like Internet of Things (IoT) monitoring, data and analytics, digital twins, and geospatial tech to enable supply chain transparency. Use talent marketplaces to support DEI recruitment and training.
- Empower public ecosystems of unknown partners (like industry competitors) with technologies like an industry circular economy platform, virtual power plants and next-generation offset programs.

Analysis

Set the Sustainability Ambition

Half of Enterprises Are Transforming

Sustainability executives revealed that around half have gotten as far as optimization. The other half have optimized and progressed to transformation (see Figure 2). We will share statistical differences between these two groups throughout this analysis.
**Figure 2. Half of Enterprises Are Transforming**

**Highest Level of Sustainability Activity**
Percentage of Respondents

- Individual Sustainability Projects Beyond Compliance and Reporting Are Undertaken: 11%
- A Centrally Coordinated, Executive-Led Sustainability Program Is in Place, With Defined Deliverables and Targets: 37%
- Sustainability Is a Strategic Activity Impacting New Products/Services/Design and Value Chain: 36%
- Leading Extensive Partnerships Up and Down Value Chain to Drive Industry/Cross-Industry Sustainability Performance: 16%

*n = 183 all respondents*

Q: What is the highest level of sustainability activity your organization has achieved?
Source: 2020 Gartner Sustainability Survey

**Sustainability Spend Is Increasing**

More than 90% of executives in enterprises with a program report that sustainability investment is increasing. The average increase is 5.8% total since 2017, despite the pandemic and economic recession (see Figure 3). They expect investment growth to hold steady over the next three years, increasing by an average of 5.7%.
The implication is that sustainability is treated as a mission-critical priority regardless of market volatility for those executives that already have a program.

**Align Goals With the Ambition**

**More Aggressive Goals Are Driving Spending Increases**

Executives are setting more aggressive and strategic sustainability goals (see Figure 4), and this is driving the spending increase we saw above. Stakeholder pressure is primarily driving these changes, as we will see in the next section. But not all executives are reactive. Around 20% of sustainability executives said board of directors and executive interest were behind spending increases.
Customers and Technology Advancements Are Driving Transformation

Executive leaders focused on sustainability compliance are driven by regulator pressure. Executives focused on optimization are doing so to meet their goals and respond to investor pressure and employee pressure. Executives focused on sustainability transformation are driven by meeting or exceeding customer expectations (see Figure 5). Transformers are also using technology advancements in information technology (IT), operational technology (OT) and energy technology (ET) to create growth. One of the biggest opportunities to accelerate sustainability is to position it as a growth opportunity.
Figure 5. Customers and Technology Advancement Are Driving Transformation

Reasonts Sustainability Investment Increased, Compared to 2017
Coded, Multiple Responses

<table>
<thead>
<tr>
<th>Reason</th>
<th>Sustainability Optimization (n = 80)</th>
<th>Sustainability Transformation (n = 82)</th>
</tr>
</thead>
<tbody>
<tr>
<td>More Aggressive and Strategic Sustainability Goals</td>
<td>35%</td>
<td>37%</td>
</tr>
<tr>
<td>Regulatory Pressure</td>
<td>30%</td>
<td>28%</td>
</tr>
<tr>
<td>Investor Pressure</td>
<td>25% ▲</td>
<td>10%</td>
</tr>
<tr>
<td>BoD/Executive Leadership Interest</td>
<td>24%</td>
<td>13%</td>
</tr>
<tr>
<td>Customer Pressure</td>
<td>23%</td>
<td>15%</td>
</tr>
<tr>
<td>Employees Pressure</td>
<td>23%</td>
<td>13%</td>
</tr>
<tr>
<td>Public Pressure</td>
<td>23%</td>
<td>13%</td>
</tr>
<tr>
<td>CSR</td>
<td>18%</td>
<td>7%</td>
</tr>
<tr>
<td>Better Awareness</td>
<td>16%</td>
<td>16%</td>
</tr>
<tr>
<td>Industry Competition and Differentiation</td>
<td>15%</td>
<td>10%</td>
</tr>
<tr>
<td>Expansion and Investment Opportunities</td>
<td>14%</td>
<td>9%</td>
</tr>
<tr>
<td>Brand and Reputation</td>
<td>6%</td>
<td>4%</td>
</tr>
<tr>
<td>Cost Savings</td>
<td>6%</td>
<td>7%</td>
</tr>
<tr>
<td>Product Innovation</td>
<td>5%</td>
<td>7%</td>
</tr>
<tr>
<td>NGO and Environmentalist Pressure</td>
<td>5%</td>
<td>4%</td>
</tr>
<tr>
<td>IT, OT and ET Advancement</td>
<td>4%</td>
<td>6%</td>
</tr>
<tr>
<td>Supply Chain Pressure</td>
<td>4%</td>
<td>11%</td>
</tr>
<tr>
<td>Political Pressure</td>
<td>3%</td>
<td></td>
</tr>
<tr>
<td>New Partnerships</td>
<td>1%</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>8%</td>
<td></td>
</tr>
</tbody>
</table>

Significant differences between Sustainability Optimization and Sustainability Transformation

Q. What are the top reasons for increasing investment in sustainability programs, excluding “don’t know”
Source: 2020 Gartner Sustainability Survey

Sustainability Is Providing Direct Value for Customers
Stakeholder pressure is driving more aggressive goals, especially from (see Figure 6):

Customers: Executives should tread carefully with customers. Customers are savvy and more aware of sustainability issues compared to previous years. The 2019 Edelman Trust Barometer Special Report showed that 56% of consumers thought that brands are using societal issues as a marketing ploy. For 81% of consumers, a consideration for brand purchase is, “I must be able to trust the brand to do what is right.” Greenwashing is likely to do more harm than good. This indicates that sustainability is influencing buying decisions and is providing direct value to customers. That means ROI is in the picture somewhere, as opposed to the price for performance value proposition for infrastructure that is invisible to the customer.
**Investors:** Investors are demanding that enterprises adopt a more forward-looking and methodical view through frameworks and standards such as the Task Force on Climate-related Financial Disclosures (TCFD) and the Sustainability Accounting Standards Board (SASB).

**Regulators:** The regulatory landscape is changing. The European Union is committed to the European Green Deal as part of a strategy to climate neutrality by 2050. The U.S. has committed to rejoin the Paris Climate Accord under the Biden Administration. China launched an emission trading scheme.

**Employees:** Employee engagement can increase from 40% to 60% by taking a stand on issues employees care about. Taking a stand on sustainability due to employee pressure is not right for every company, however. An executive at a European manufacturing company told us, “In some regions, employees want to work for a company focused on sustainability. But in Asia, some employees see it as a burden.”
Figure 6. Sustainability Is Driving Direct Value for Customers

Top Three Stakeholder Groups Creating Pressure to Invest in Sustainability Initiatives

<table>
<thead>
<tr>
<th>Stakeholder Group</th>
<th>First Choice</th>
<th>Sum of Top Three</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers</td>
<td>20%</td>
<td>63%</td>
</tr>
<tr>
<td>Investors</td>
<td>23%</td>
<td>48%</td>
</tr>
<tr>
<td>Regulators</td>
<td>19%</td>
<td>46%</td>
</tr>
<tr>
<td>Employees</td>
<td>15%</td>
<td>45%</td>
</tr>
<tr>
<td>Public</td>
<td>10%</td>
<td>42%</td>
</tr>
<tr>
<td>NGOs and Environmental Activists</td>
<td>5%</td>
<td>21%</td>
</tr>
<tr>
<td>Politicians</td>
<td>2%</td>
<td>14%</td>
</tr>
<tr>
<td>Supply Chain</td>
<td>3%</td>
<td>13%</td>
</tr>
<tr>
<td>Other</td>
<td>2%</td>
<td>7%</td>
</tr>
</tbody>
</table>

n = 183; all respondents

Q: What are the top three stakeholder groups creating pressure for your organization to act on/invest in sustainability initiatives?
Source: 2020 Gartner Sustainability Survey
Note: First choice totals may not equal 100% due to rounding.

Social Prioritization Increased for 70% of Enterprises

Around half of executives indicated that COVID-19 increased the prioritization of climate change, but the impact on social sustainability was even higher. Seven out of 10 executives said the pandemic increased social sustainability priorities, with 11% saying the increase was significantly higher (see Figure 7).
Figure 7. COVID-19 Increased Social Prioritization

**COVID-19 Impact on Societal/Social Issue Prioritization**
Percentage of Respondents

<table>
<thead>
<tr>
<th>Priority Level</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>7. Significantly Higher Priority Than Pre-COVID-19</td>
<td>11%</td>
</tr>
<tr>
<td>6. Higher Priority</td>
<td>35%</td>
</tr>
<tr>
<td>5. Slightly Higher Priority</td>
<td>24%</td>
</tr>
<tr>
<td>4. Same Priority/No Change</td>
<td>21%</td>
</tr>
<tr>
<td>3. Slightly Lower Priority</td>
<td>8%</td>
</tr>
<tr>
<td>2. Lower Priority</td>
<td>1%</td>
</tr>
<tr>
<td>1. Significantly Lower Priority Than Pre-COVID-19</td>
<td>1%</td>
</tr>
</tbody>
</table>

**n = 181; all respondents, excluding “not sure”**

Q: How has COVID-19 impacted the prioritization of societal/social issues in your organization?
Source: 2020 Gartner Sustainability Survey
Note: Total may not equal 100% due to rounding.

Absolute Reduction Goals Are More Common Than Intensity Goals

Executives are setting absolute reduction goals over intensity targets (see Figure 8). We also saw executives committing to become carbon neutral. The definition of this often varies by organization, predominantly focusing on Scope 1 and 2, and selected Scope 3 emissions, and utilizing offsets as a compensation mechanism. ⁴ A more rigorous approach to neutrality is through a net zero commitment, which includes setting a science-based target.
Executives focused on transformation were statistically more likely to set absolute emissions reduction targets (see Figure 9). Those focused on optimization were statistically more likely to state that they had an intention to set an emissions reduction goal in the next 12 months.
Unleash Ecosystems With Technology

Digital and Renewable Energy Are the Most Used Technologies

“Digital” is named as the top technology used to address sustainability, along with renewable energy (see Figure 10). Applying technology to sustainability is about enabling ecosystems of partners. Internal ecosystems need technologies like renewable energy and business applications to track, report and plan. Private ecosystems need technologies like AI and blockchain to enable transparency. Public ecosystems of industry and cross-industry partners need technologies like IoT to enable smart cities.
Figure 10. Digital and Renewable Energy Technologies Are the Most Used

Top Technologies for Sustainability Programs
Coded, Multiple Responses

Digital/IT Solution: 19%
Renewable Energy: 19%
Reuse/Recycling: 16%
Business Applications: 14%
Energy Management and Efficiency: 14%
Materials: 13%
Analytics and Data Management: 13%
Energy Technologies: 12%
Transport: 11%
Cloud: 11%
Operational Technologies: 10%
AI/ML: 10%
Remote Workplace and Management: 8%
Sustainable IT Infrastructure: 8%
Building Management: 7%
Water Management: 7%
Lighting: 7%
IoT/Monitoring: 5%
Automation: 5%
Product Design and PLM: 4%
On-Site Generation: 4%
Blockchain: 3%
Waste Management: 3%
CCS: 3%

n = 167; all respondents, excluding “none”
Q: What are the top three technologies that your organization is investing in for its sustainability program(s)?
Source: 2020 Gartner Sustainability Survey
Note: Technologies with 2% or more are shown in the graphic
AI/ML = artificial intelligence/machine learning; CCS = carbon capture and storage; IoT = Internet of Things; PLM = product life cycle management

Sustainability Outcomes Aren’t Driving Revenue Growth

Executives are improving resource efficiency, brand and product innovation (see Figure 11). But sustainability in its current form is only increasing revenue for 4% of executives. One reason for this could be that existing products are being tweaked, rather than creating new products. Another reason could be long product development life cycles, which executives identify as the fifth largest barrier to progress.
Summary

A lot will happen with sustainability in the 2020s (see Figure 12). Executives should set or advance their strategic ambition, align goals with ambition and empower ecosystems with technology.
Evidence

2020 Gartner Sustainability Survey: This study was conducted to understand how stakeholder (customers, employees, investors, regulators and partners) pressure for more aggressive economic, social and environmental sustainability action is growing. And to identify best practices from early adopters to provide sustainability advice to Gartner clients. The study explores different sustainability goals/targets set by organizations and how the level of investment in the sustainability programs has changed over time. It also focuses on the value and benefits derived from the sustainability programs.

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

Respondents were screened for director level or above and their level of involvement in their organization's sustainability. Any respondents whose organization did not engage in sustainability activities at all, or was limited to achieving compliance, were screened out.

The study was developed collaboratively by Gartner analysts and the Research and Data Analytics team.
1. A European Green Deal, European Commission, European Union.

2. Biden Returns US to Paris Climate Accord Hours After Becoming President, Guardian.


4. Scope 1 and Scope 2 Inventory Guidance and Scope 3 Inventory Guidance, United States Environmental Protection Agency.

**Acronym Key and Glossary Terms**

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ET</td>
<td>energy technology</td>
</tr>
<tr>
<td>IT</td>
<td>information technology</td>
</tr>
<tr>
<td>OT</td>
<td>operational technology</td>
</tr>
</tbody>
</table>

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