

ANALYST INSIGHT

Integration: The Smart Way to Manage Sustainability

Linking sustainability data and core business systems is key to balancing business performance and sustainability footprint

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SUMMARY

Catalyst

Organizations face growing pressure from an increasingly broad range of stakeholders to operate more sustainably without sacrificing business results or competitiveness. IT has a critical role to play in giving managers a holistic view of their operations, a view that integrates sustainability metrics with those of key management applications such as enterprise resource planning (ERP), financial management, supply chain management (SCM), analytics, and even human resource and customer relationship management. This report explains why IT-based sustainability management is becoming a business imperative; why integration with core business strategy and applications is essential; and what companies can do to optimize both business results and sustainability performance. It does not address specific vendors or products; rather, it is intended for C-level executives responsible for overall business strategy and results, and for the IT professionals responsible for implementing sustainability management solutions and managing them effectively.

Ovum view

Regulators, activist groups, customers, investors, and employees all are demanding that both private and public sector organizations operate more sustainably – reducing carbon emissions and use of hazardous materials, minimizing business risks associated with regulatory compliance and over-reliance on scarce resources, operating more transparently and more fairly. Businesses can't ignore these pressures, but neither can they ignore the potential impact on their bottom lines if they spend large sums to clean up their manufacturing operations or abandon profitable products because they contain some dangerous substance. Businesses can only manage wisely by putting sustainability in context – by integrating sustainability metrics across core business management solutions such as financials, ERP, SCM, business intelligence, and analytics.

Most organizations have not yet adopted IT solutions for sustainability management, but such solutions are the only practical way to manage the increasing demands they face. As they weigh their options, organizations should pursue strategies that will optimize both sustainability and business performance. There are various options for doing so, and no one-size-fits-all solution. But to get the right outcome, they have to start from the right place – by integrating sustainability into core business strategies, processes, and the IT platforms that support them.

Key messages

- Sustainability management is becoming obligatory, but it also offers business opportunities.
- Optimal sustainability management requires an integrated approach.
- Customers face a strategic choice: extend existing applications, or buy new, fit-for-purpose solutions?
- Best practices, key challenges: how to maximize ROI from sustainability management solutions.

SUSTAINABILITY MANAGEMENT IS BECOMING OBLIGATORY, BUT IT ALSO OFFERS BUSINESS OPPORTUNITIES

Companies face more pressure to operate sustainably, but relatively few have taken action

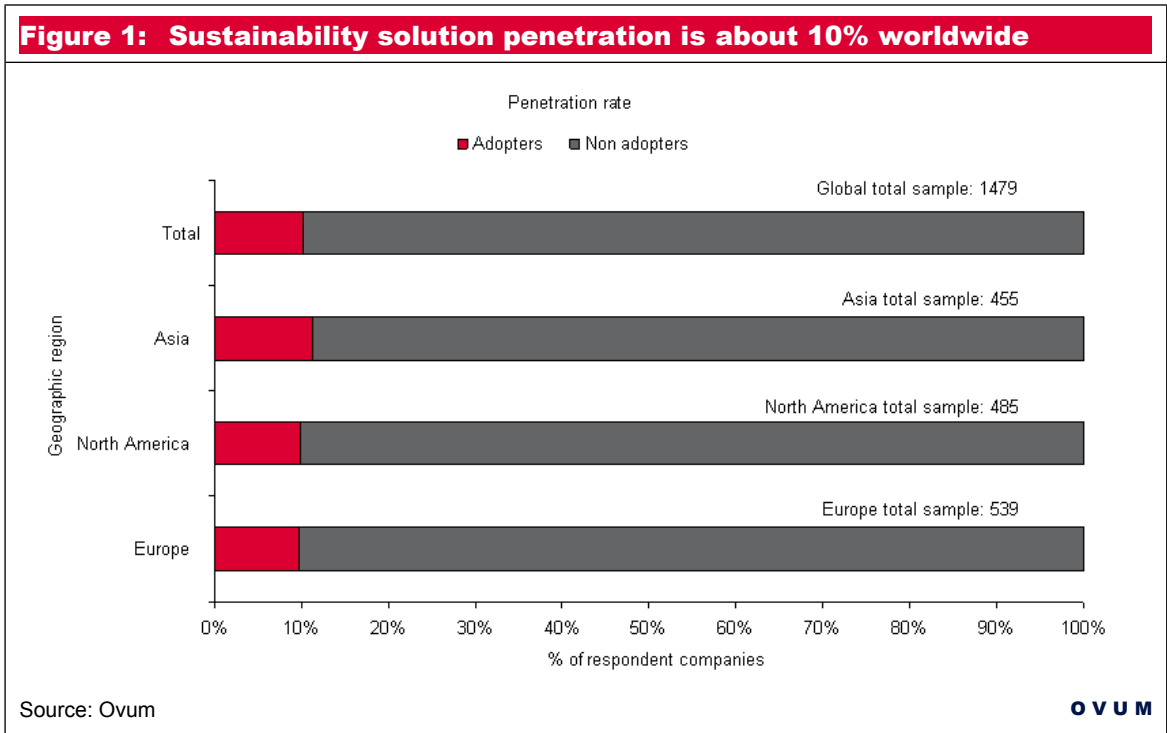
Sustainability has become a board-level issue during the past several years largely due to concerns about climate change and the human-generated greenhouse gas emissions that cause

it. The sustainability label has also gained a broader meaning beyond climate issues to include more environmental topics, such as hazardous chemicals and water scarcity, and social concerns such as population growth (which drives many environmental issues), and wages and working conditions, particularly in developing countries. Sustainability management must also address profits, of course, since they are crucial to every company's own sustainability.

Many organizations' early sustainability initiatives have been fundamentally defensive in nature, focused on reputational risk, regulatory compliance, or risk of operational disruption as supply chains grow longer and more complex. Companies will have to keep "playing defense" as new challenges are identified (such as health risks from substances once thought benign) and as population growth and economic development, particularly in China and India, drive greater energy and resource consumption.

However, as sustainability challenges grow in number and severity, companies are also facing more pressure from stakeholders – not just regulators but also customers, investors, and activist organizations – to become more proactive in sustainability management and more transparent in their operations overall. Despite these increasing pressures, however, and contrary to the impression one gets from reading about the high-profile initiatives of companies such as Walmart, Dell, and Unilever, most organizations have yet to take significant action, or to adopt IT solutions that will enable such initiatives.

A recent Ovum survey found that only approximately 10% of companies worldwide with 1,000 or more employees have adopted any type of IT solution for energy management, corporate social responsibility, environmental footprint, or simplified compliance (see Figure 1). Even among companies that have adopted such a solution, sustainability was not a top priority. It ranked sixth on a list of 13 adoption drivers, below cost reduction, customer satisfaction, revenue growth, responsiveness, and risk avoidance.



We believe a key barrier to companies being more proactive is the widespread assumption that changing core processes will be expensive and disruptive, and will increase costs without delivering commensurate benefits. There is considerable evidence to the contrary, but most companies lack visibility into their own operations to identify opportunities. Most have not conducted baseline studies of their energy use and carbon emissions, for example, and lack the foundational data required to build an energy conservation and/or emissions mitigation strategy. And, as blind as they are to their own operations, most companies have even less visibility into sustainability factors in their supply chains, which can easily account for half or more of their overall environmental footprints.

Managing for sustainability can significantly improve business performance

If lack of visibility is impeding progress toward sustainability, why are companies not doing more to gain such visibility? The first reason is the common misconception that managing for sustainability or environmental remediation will harm business performance, or impose extra costs and inconvenience on customers – a notion that several years ago gave rise to the popular canard that

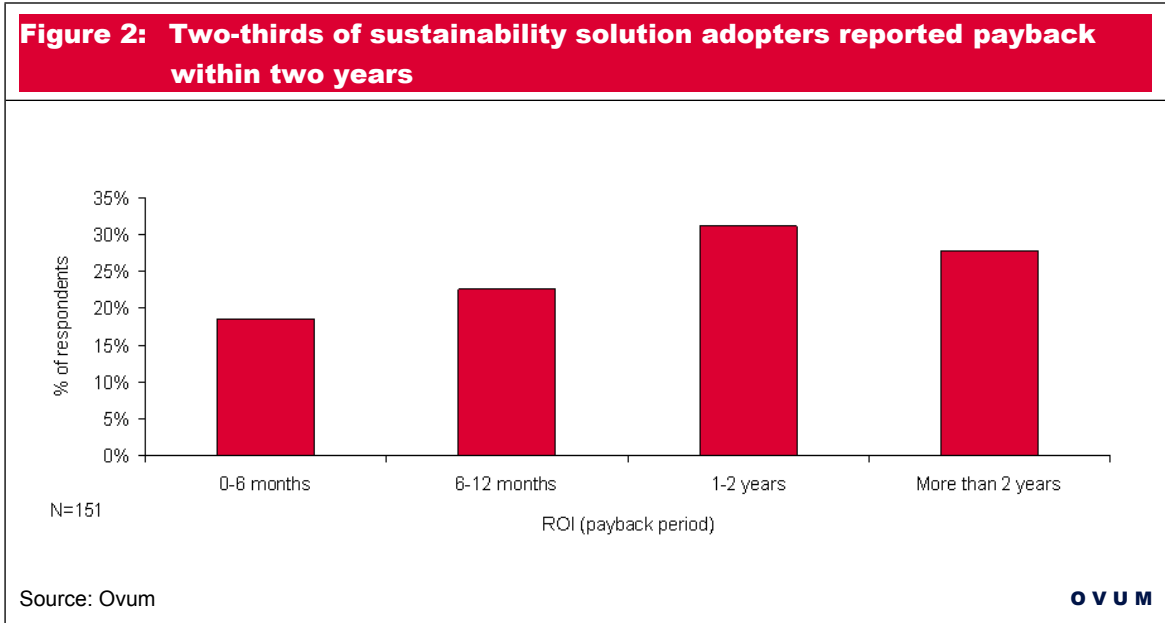


large-scale energy conservation initiatives would lead to large numbers of people "freezing in the dark." Today, not just conservationists but most utilities recognize that, broadly speaking, energy conservation is actually a cheaper source of "new" electricity than building more power plants.

The second reason is that most companies do not yet appreciate how IT solutions can provide the visibility needed to reveal where managing for sustainability can actually improve business performance. This is not surprising; if you start from the assumption that managing for sustainability will harm business performance, you have little incentive to learn about the recent developments in software, sensors, and networking that make IT a powerful tool to harness sustainable practices for better business results.

But success stories are increasingly plentiful, often dramatic, and span a wide variety of industries, geographies, and solution types. They illustrate how increased visibility can help companies identify various ways to reduce costs and risks while improving customer satisfaction and investor loyalty.

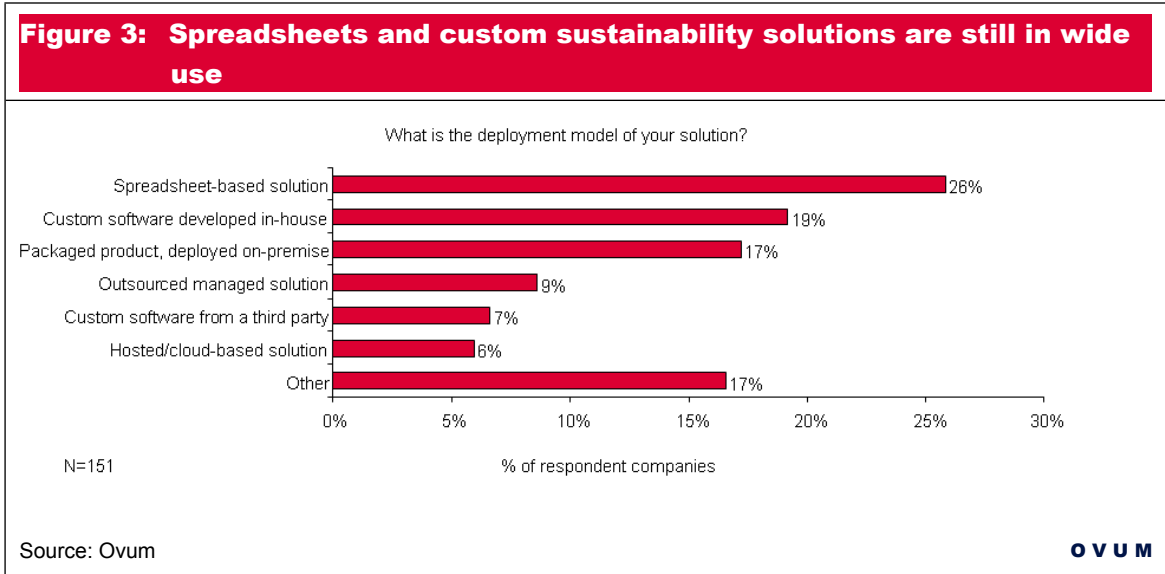
Furthermore, in many cases, such solutions cost relatively little and quickly pay for themselves. Ovum's survey of sustainability solution adoption confirms both ideas. In our sample, of which 80% of the 151 adopters were mid-sized companies with 1,000 to 4,999 employees, half said that their solution cost \$50,000 or less, and another 19% said their solution cost \$50,000 to \$100,000. Two-thirds of the adopters said that their solution began to deliver benefits in one year or less; the same share reported a payback period of two years or less (see Figure 2).



Spreadsheets are no longer sufficient

Some sustainability initiatives do not require any IT beyond email. An executive can make his or her organization more ecologically friendly simply by ordering that lights and computers be turned off at night or by banning the use of disposable cups and water bottles. For further low-tech energy improvements, an executive could have office buildings retrofitted with better insulation or heating, ventilation, and air conditioning (HVAC) systems. A fleet manager could order that drivers check tire pressure daily, accelerate slowly, and drive at their vehicles' most fuel-efficient speed. On a shop floor, the manager might implement a more aggressive preventive-maintenance program.

Clearly, however, some kind of monitoring and reporting solutions are needed to track whether new policies are being complied with or if a new HVAC system is actually cutting energy use. At present, companies that are attempting to monitor the success of such initiatives are relying mainly on spreadsheets or custom software. In Ovum's sustainability solution adoption survey, more than 25% of adopters said they use a spreadsheet-based solution; another 19% use custom software (see Figure 3).



Such solutions can have numerous limitations. For one, they may contain only weekly or monthly data that reveals nothing about transient spikes in energy use or some other parameter. For another, spreadsheet solutions are prone to error; it is all too easy to misplace a decimal point or corrupt a formula and wind up with wildly inaccurate results. A third limitation is that spreadsheet-based management is often unwieldy and painfully slow.

Employees frequently put off filling out spreadsheets, even expense forms that will put money back in their pockets, and it can take a significant investment of resources to ensure the forms are filled out, checked for errors, and submitted in timely fashion. Once those steps are completed, the data must be analyzed to find out if the new policies or investments are achieving their intended result. This takes even more time, and limits the reports' value because the events they purport to monitor are long past.

Furthermore, spreadsheet solutions simply do not scale. As we have discussed, businesses face increasing demands for timely, transparent information from activist groups, investors, and regulators. And it is not just environmental regulators; financial regulators are beginning to demand sustainability-related information as well as financial data because they recognize that the two are interdependent.

In short, sustainability management is rapidly becoming a "Big Data" challenge. Any company that must manage multiple lines of business, in multiple countries, involving complex products and

supply chains, and multiple regulatory agencies, cannot achieve the visibility, control or responsiveness required to meet these demands using manual or spreadsheet-based tools.

OPTIMAL SUSTAINABILITY MANAGEMENT REQUIRES AN INTEGRATED APPROACH

Context is crucial – sustainability must be embedded in business strategy and IT infrastructure

Sustainability is not a step in a process, like procurement or manufacturing. It is not an "either/or" factor – a company cannot simply be designated sustainable or not. Sustainability is a goal that involves every aspect of the business. It involves costs, benefits, risks; it affects every department and every phase of operations: industrial and manufacturing processes; building operations; logistics/fleet management; supply and distribution chains.

All of these processes are interdependent; a change in one affects the others. So decisions about one part of the business must take into consideration the effects on other parts of the business. This is one of the main purposes of modeling and forecasting tools, and of business intelligence and analytics solutions in general. Because sustainability affects so many aspects of the business, it must be considered in decisions about them. In other words, sustainability cannot be measured and analyzed in isolation. To be meaningful, and to be useful in mapping strategy, sustainability must be integrated into broad decision-making, and considered alongside data from other systems of record – such as for manufacturing, financials, and supply chain.

To illustrate the point, consider this idea (admittedly oversimplified): if a business needed to reduce energy consumption and carbon emissions from manufacturing by 5%, it could simply dial back manufacturing output by 5%. Obviously that would reduce sales by approximately the same amount, which could easily push a business into the red – clearly an unacceptable result. The smarter approach, of course, is to root out waste and inefficiency to achieve the desired result in energy consumption and carbon emissions, without affecting manufacturing output at all.

Typically, however, wasteful and inefficient practices are not obvious. If they were, the company would have addressed them already. Instead, inefficiency might be embedded so deeply in a core process that it cannot be addressed without completely re-engineering the process. Or the waste might be altogether invisible. A company might have no data at all on a particular process; this is often the case with energy, because usage is monitored at the facility level, not differentiated by process within the facility. Waste might also be episodic or erratic, hidden in a report that identifies usage only on a monthly basis, for example.

Three crucial capabilities are visibility, granularity, and analytics

These scenarios point to three related capabilities that organizations must have in order to reduce waste and inefficiency. The first is one we mentioned earlier – visibility into the actual process in question. An example is office energy costs: a gas or electric meter might measure the consumption of an entire building, but not break it down by department, floor or process, leaving the company blind to potential savings opportunities within the building. The second is granularity; if energy use is erratic, the variations might be hidden in a bill based solely on total monthly consumption. The third is analytical capability, including forecasting and modeling. Before changing a core process, a company needs to understand not just how much energy it might save by doing so but also how much the change will cost and how it will affect the overall operation.

In these examples we have focused on energy management because it is an area of concern across all sectors of the economy. But the same requirements – visibility, granularity, and analytical capability – are relevant across a broad range of sustainability metrics, from hazardous materials to scarce resources and even to social concerns such as wages, working conditions, and ethnic and gender diversity.

Furthermore, it is not enough to view and analyze sustainability metrics on their own; to really understand what they mean, they must be placed in the context of other relevant enterprise data. For example, to start with energy, it is implicit in our earlier example that data related to energy conservation initiatives be linked to manufacturing data, because the two are interrelated; one cannot be changed without affecting the other. The analysis also must include financial implications, so an effective solution must integrate not just sustainability and manufacturing metrics but also financial data. The linkage also must extend to analytics tools, including forecasting and modeling, so that a company can consider various alternatives under varying conditions of energy prices and supplies.

But even this degree of integration of sustainability metrics with broader enterprise data is not sufficient for a company that needs a thorough understanding of its sustainability posture – which we believe will eventually be the vast majority of companies. As we have noted earlier, many companies' environmental and sustainability footprints depend to a large extent on their supply chains. For example, in the case of retail giants like Walmart, which sources its merchandise from vast numbers of far-flung suppliers, the supply chain may account for 90% of a company's overall footprint. So sustainability data from the supply chain (to the extent that it can be ascertained – a major blind spot for most companies today) must also be factored in.

Furthermore, because sustainability is of growing concern to customers, investors, and employees, companies will also need the ability to relate sustainability metrics to data on the

impact on these groups. For example, a consumer products company launching a pilot sustainability initiative in a particular country or region might well want to track how customers are reacting. To gain such visibility, it would need to correlate at least some parameters of the sustainability initiative to customer sentiment and satisfaction metrics in its CRM system and/or social media such as Twitter or Facebook. Because prospective and current employees increasingly care about sustainability, a company might well want to link such data with its HR systems to track whether sustainability has an impact on employee engagement and retention (as measured through annual appraisals or exit interviews, for example) or on talent recruitment (based on hiring interviews and/or applicant surveys about the importance of sustainability in choosing one job over another).

Granted, most companies have not yet reached this level of sophistication in either their design or implementation of sustainability solutions. But leading companies, especially those in customer-facing industries and those in which talent recruitment is fiercest, are well aware of the impact that sustainability can have on their images, and thus on their overall customer satisfaction and recruitment success. As they refine their sustainability strategies and expand their initiatives, it will be a natural next step for them to consider how software might help them correlate these activities with a broader set of enterprise metrics, including CRM and HR data, to understand as thoroughly as possible how they interrelate.

Audits and disclosure obligations are gaining importance

Two other interrelated solution capabilities also bear mentioning here: auditability and automated reporting. Auditability is a long-standing requirement in certain industries, but it has grown in importance as regulations (such as carbon emissions limits and hazardous substance restrictions) continue to be imposed around the globe, and as non-governmental organizations such as the Carbon Disclosure Project (CDP) and the Global Reporting Initiative (GRI) have grown in stature and influence. To demonstrate compliance with regulations and reporting requirements, companies must maintain the data and records on which they base their reports. In addition, financial regulators have begun to require that companies also submit sustainability information, because of the increasingly clear link between, say, resource availability and a company's long-term financial health.

The proliferation of sustainability reports, whether required or voluntary, is a growing administrative burden, given the reports' levels of complexity and variations from one jurisdiction or non-governmental organization to another. Requirements vary as to which metrics must be captured, how those metrics are defined, methodologies that must be followed in capturing them, as well as languages, timing, and frequency. Especially for companies with multiple lines of business and



operations in multiple countries, reporting requirements present significant costs and risks. Accordingly, automated reporting is an important capability for sustainability management solutions.

CUSTOMERS FACE A STRATEGIC CHOICE: EXTEND EXISTING APPLICATIONS, OR BUY NEW, FIT-FOR-PURPOSE SOLUTIONS?

Extending existing applications leverages current investments, but may not meet all needs

Companies in certain industries, such as oil and gas refining and chemical processing, have long relied on vendors of core enterprise applications such as ERP (including accounting/financials, supply chain management, CRM, and HR) to help them maintain and document compliance with complex environmental regulations.

As sustainability obligations grow in number and complexity, it makes sense for companies to look first to their incumbent solution providers for help in meeting these new demands. After all, ERP suites already provide much of the back-end business-process integration that we have described, not just across functional areas such as financials and manufacturing resource planning but also with the advanced business intelligence and analytics tools to which enterprise applications vendors have devoted substantial resources in recent years. And the vendors of these applications are steadily investing in new sustainability-related capabilities. Such investments may take the form of modules that extend the functionality of existing applications, or new products that can be deployed on a standalone basis or integrated with the customer's existing IT infrastructure.

In addition to leveraging pre-existing integration, such solutions in many cases will have a look and feel similar to those of the vendor's existing applications, which minimizes training time and costs, while improving adoption rates and time to benefit.

On the other hand, for large enterprise applications vendors, sustainability is just one of many areas they must address in their overall research, product development, and marketing efforts. Topics such as Big Data, cloud computing, and mobility also compete for finite resources as vendors look to remain competitive across the board. Sustainability is also a relatively new area of investment. The large vendors' offerings are still maturing, so they bear close evaluation to make sure they meet the needs of a company with far-flung operations, complex products, and extensive regulatory and reporting requirements.

The growing sustainability market has spawned new point solutions, but they may require substantial custom integration

Specialized environmental management and compliance solutions have existed for decades, but the market has exploded in recent years due to a combination of factors, including climate change, new research on the health and environmental effects of various substances and practices, associated regulation of those factors, and vastly greater public access to information and communication tools due to widespread Internet connectivity.

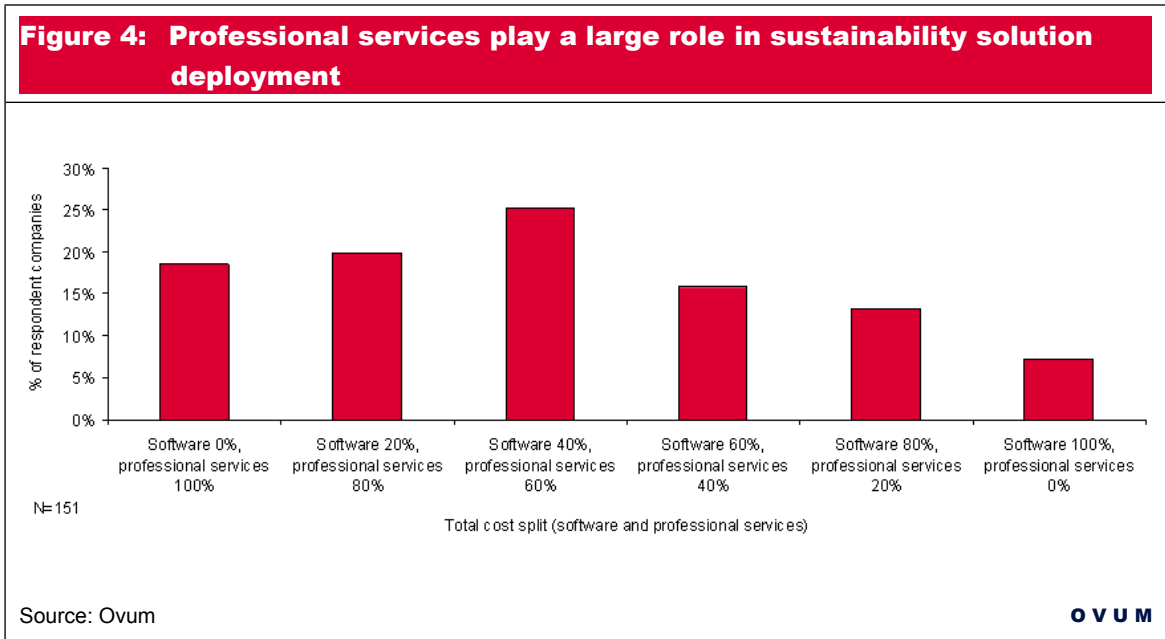
Carbon management solutions, in particular, have flourished during the past few years, with scores of new offerings joining those already in the market. Solutions for managing hazardous substances requirements have grown in number as more countries adopt regulations controlling their use in products, handling procedures, and disposal.

Such focused solutions may be compelling choices for companies with very specific needs, or with particularly complex processes and needs that require the help of vendors with deep experience in the particular industries.

But such third-party solutions are not embedded in a company's operations like core management applications are, such as ERP. They may provide great value, including built-in modeling and forecasting capabilities around the specific sustainability parameters they address. But companies that need the kind of broad, integrated view discussed earlier may face additional integration needs and expenses.

In fact, this appears to be the most common route for companies adopting sustainability solutions today. Ovum's survey found that nearly two-thirds of sustainability solution adopters acquired their solution from a single vendor, and that nearly three-quarters do not use any other products from the same vendor – in other words, they turned to a specialist, not their incumbent enterprise applications vendor.

In line with that approach, our survey found that a large share of deployments required substantial professional services, primarily for application and data integration, as well as strategic consulting. More than 60% of respondents said professional services accounted for the bulk of their overall solution costs; only around 7% said they adopted a packaged solution that required no professional services (see Figure 4).

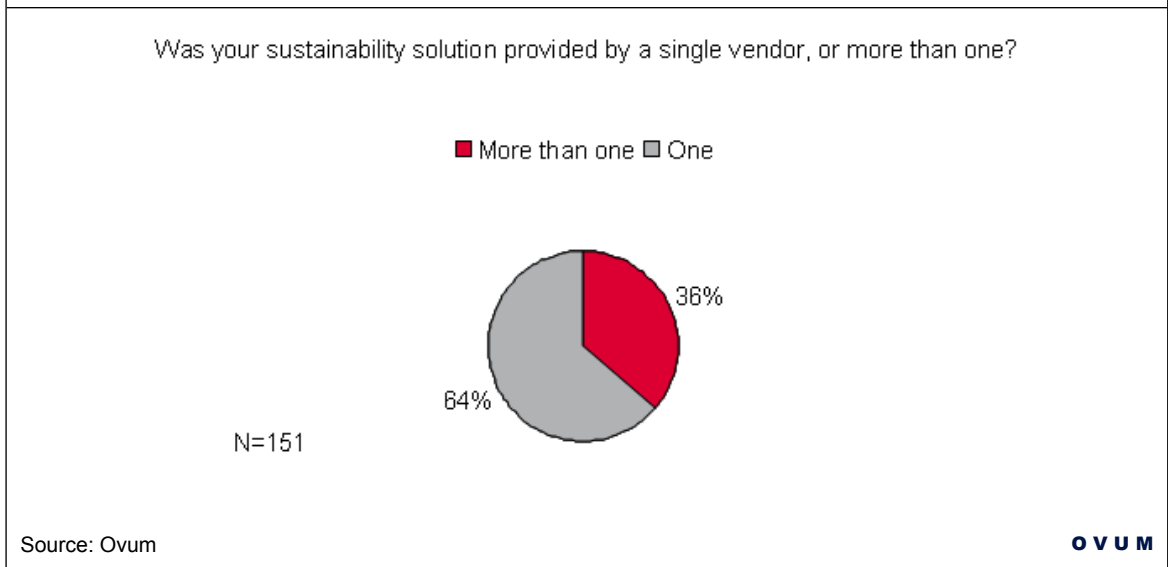


Solution choice depends on current infrastructure and scope of the sustainability challenge

Both types of sustainability solutions – those that extend existing capabilities, and new, third-party applications – continue to evolve. Neither category is anywhere close to mature. Customers therefore face a fundamental choice: which type will best meet their needs today and in the long term? Should they bolt a third-party solution onto their existing IT infrastructure, or rely on their incumbent vendors for products or modules that extend existing business management solutions into the sustainability realm?

The fact that, to date, most companies seem to be choosing to adopt third-party solutions rather than extend the application suites they already have in place, may well change, as application suite vendors further develop their own offerings. Furthermore, the fact that nearly two-thirds of the adopters in our survey data chose a single vendor for their sustainability solution suggests that they also value simplicity, and might well prefer to stick with their incumbent vendor if its sustainability solution meets their needs (see Figure 5).

Figure 5: Sustainability solution adopters put a premium on simplicity



Clearly there is no one-size-fits-all solution. The choice will depend partly on the complexity of a company's sustainability requirements. Companies focused on a particular parameter – energy consumption, for example, or specific types of hazardous substances – may prefer a third-party solution built to address that parameter. If they need to integrate it with existing applications, the integration may be tightly bound and relatively low in cost. On the other hand, companies that have extensive catalogs of complex products, that do business in multiple jurisdictions and thus face a multitude of compliance and reporting requirements, may find great value in the built-in, cross-function integration of their incumbent enterprise applications suite, and therefore prefer to work with the same vendor in sustainability management.

BEST PRACTICES, KEY CHALLENGES: HOW TO MAXIMIZE ROI FROM SUSTAINABILITY MANAGEMENT SOLUTIONS

Best practices include a broad definition and flexible solutions

The most important points for companies to keep in mind as they consider how best to address sustainability are:

- the topic is vast

- it affects every aspect of their business in one way or another
- both their own specific challenges and their options for addressing them are changing rapidly.

New research identifies new problems; new problems lead to new rules; rules themselves change with political and economic conditions. Non-governmental organizations such as the CDP and GRI have had a substantial impact on the sustainability-related practices of some of the world's largest organizations, and this trend seems unlikely to change. Investors' growing concerns about sustainability – some of it rooted in ethical concerns, some based on perceived risks – manifest themselves in the growing number of sustainability-related investment funds and indices.

Similarly, sustainability-focused IT solutions are evolving rapidly as software vendors of all types enhance existing products and create new ones, and as professional services firms and consultancies invest in sustainability and gain more expertise with each implementation.

In such an environment, companies must define their challenges first in business terms, taking as broad a view as possible, and avoid the temptation to regard IT as a panacea.

When considering IT solutions, companies should place a premium on flexibility, because requirements may look very different a few years in the future than they do today. In planning the actual implementation, companies need to tightly define the scope of work to be done, establish clear success metrics, and set specific milestones. With such metrics in place, companies will be in better position to spot any problems early on, and to implement continuous process improvements.

Energy conservation can deliver quick wins and broader buy-in

Companies should structure their sustainability strategy around quick wins, specific projects with rapid time-to-benefit and ROI that will demonstrate the value of sustainability management across the organization, win broad buy-in at the executive and board level, and engage their employees in the process.

One of the areas on which many companies focus first is energy management, in part because rising and volatile costs have made it a higher priority than in the past, and because most companies have not yet undertaken a detailed analysis of their energy consumption. There may be no such thing as a "typical" energy conservation initiative, but companies that specialize in this area say they routinely find ways to reduce their customers' energy usage by 10% to 20%, sometimes even more, with solutions that combine software for data gathering and analysis with new instrumentation technologies such as wireless sensors. Professional services firms report

similar results in projects that they approach from the opposite direction: instead of setting out to minimize energy consumption, their brief may be to overhaul a customer's supply chain management system, and in doing so they achieve efficiencies that cut energy consumption by 20%, among other benefits.

Energy conservation is not the only source of quick wins, however. A company facing compliance challenges might focus on that area first and achieve significant gains by avoiding penalties, ensuring its legal right to do business in a given market, and raising its approval ratings with customers and the public. A company whose products contain rare or hazardous materials might gain the greatest advantage from product-design tools that minimize the use of substances that might become unavailable, whether because of scarcity or new regulations.

The key to such quick wins goes back to the first "best practice" – recognizing that sustainability affects every part of their business, and that it must be defined and addressed as a business problem, not an exercise in technology for its own sake.

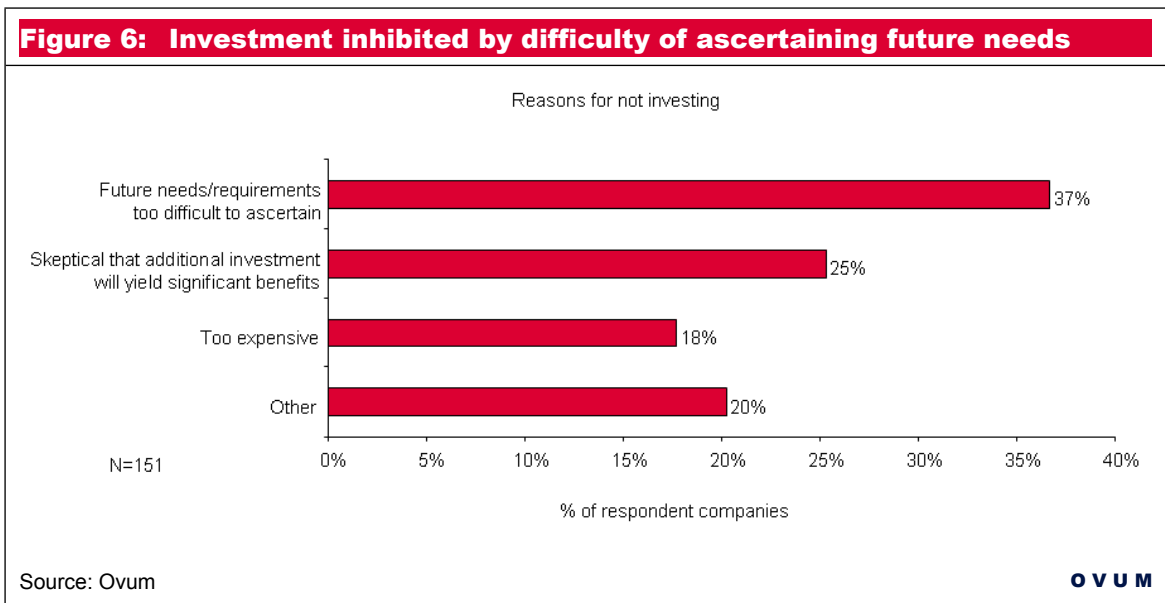
Key challenges: factors holding back sustainability investment

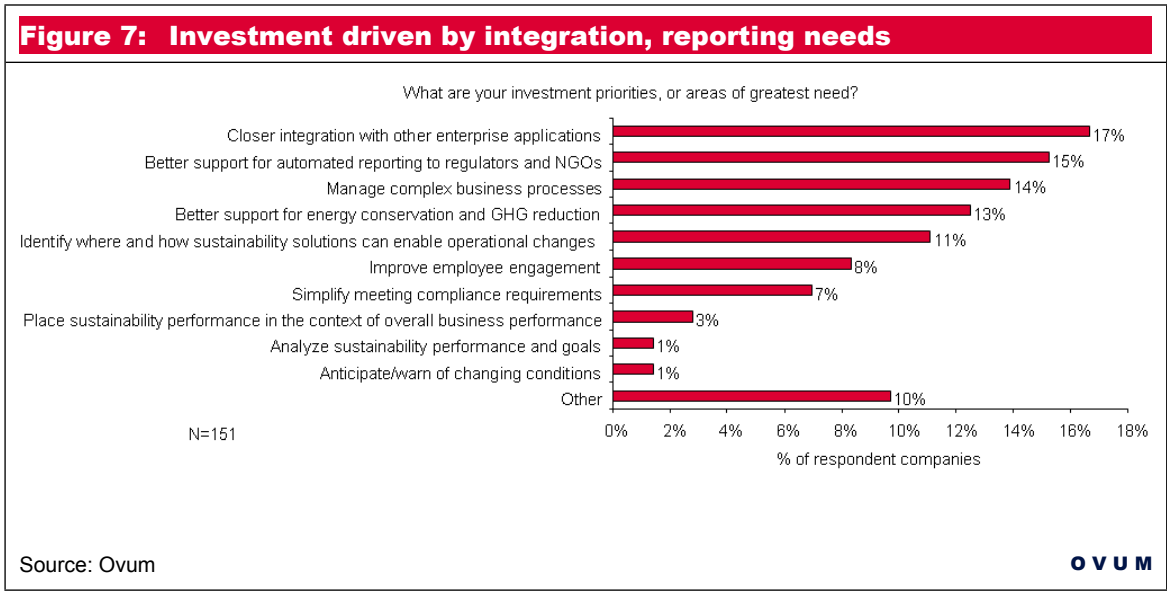
The key challenges in sustainability management tend to mirror best practices. First and foremost, sustainability and sustainability management are not well understood. Many companies still view sustainability as a low priority, in part because they do not see the connection between managing for sustainability and improving business performance – in terms of reducing costs and risks, and improving efficiency, customer and investor loyalty, and overall brand strength. Such limited views can be deeply rooted, especially among people whose roles are largely technical and tactical rather than strategic.

Another key challenge is that sustainability, because it is a relatively new concern in the boardroom and C-suite, does not yet have an established "home" in the corporate structure. A CFO by definition is concerned with financial performance, but may not be attuned to the cost-saving potential of sustainability solutions. A COO may be concerned about operational efficiency, but similarly unaware of the close relationship between sustainability and business-process optimization. CIOs and CTOs have primarily been concerned with making sure the IT infrastructure works properly, but only in rare cases have they been quick to recognize how they can add strategic value and improve business results by implementing IT-based sustainability management solutions.

A third inhibitor is rapid change, on all fronts. Regulations are a moving target as regional, national, and local entities adopt regulations that differ in scope, definition, and format. The same is true of non-governmental organizations; new groups crop up regularly, and even among the well-

established there is too little harmonization of definitions and reporting procedures. Solutions themselves are evolving quickly, as we have discussed. This combination of factors can leave customers confused about the best path forward. In Ovum's survey, in fact, among adopters that said they plan no further investment in sustainability solutions, the most frequently cited reason was the difficulty of ascertaining future needs and requirements (see Figure 6). (Among adopters that do plan further investment, the most frequently cited need was closer integration with existing enterprise applications – see Figure 7.)





By acting quickly, companies can gain competitive advantage

The fact that sustainability solutions have such low penetration – about 10% worldwide, for solutions of any type – means that companies in all sectors have a significant opportunity to steal a march on their competitors.

The benefits are both substantial and varied. First and foremost are cost savings from better energy management and new process efficiencies, savings that can be carried straight to the bottom line. Risk reduction offers both tangible and intangible benefits. Tangible benefits include reduced penalties from better compliance, as well as the continued right to do business in a given jurisdiction. Less tangible but still significant are the gains in reputation, investor and customer loyalty, and operational stability (such as reduced risk of supply disruption) that can result from better sustainability management.

The critical factor in capturing these benefits is to take a broad view of sustainability across the organization, including not just environmental metrics but social and economic ones as well. At the same time, companies must recognize that all of the factors driving the need for sustainability solutions – climate change, regulation, scarce resources, consumer and investor concerns, and the like – will only grow stronger in the future. None are likely to fade.

By acting quickly, companies can reap lasting bottom-line benefits as well as gains in customer and investor loyalty and overall brand strength, while later adopters struggle with issues of inefficiency, compliance, risk, and more, in an overall business environment that grows more challenging by the day.

RECOMMENDATIONS

Recommendations for enterprises

Enterprises should take a broad view of sustainability and recognize that it is not a single silo but affects many aspects of their business. Accordingly, in scoping a sustainability solution, enterprises must take care to frame it primarily as a business challenge that IT can help to address, not vice versa.

In line with the previous recommendation, enterprises should assess current operations so they can set accurate benchmarks and define appropriate metrics and milestones with which to track progress and measure success.

Sustainability management solutions can take many forms; there is no one-size-fits-all model. But to be effective, such solutions must provide visibility into business processes and include analytical tools that companies can use to identify and address inefficiencies and risks. Solutions also must address stakeholders' growing demands for accountability and transparency by automating reporting processes and producing auditable results.

Sustainability solutions must also be flexible, because needs and requirements are subject to rapid change, and they must integrate with existing enterprise applications so that enterprises can see the relationships between sustainability solutions and other aspects of the business.

Enterprises must recognize that all of the factors driving the adoption of sustainability management solutions – including population growth, resource scarcity, and intensifying demands from a growing list of stakeholders – will only become stronger. Still, because only around 10% of companies have adopted any kind of sustainability-related IT solution, companies that act quickly can gain competitive advantage in the form of cost savings that enhance the bottom line: reduced risk of compliance violations, reputational damage, and supply disruption, and greater satisfaction and loyalty among customers and investors.

Recommendations for vendors

Just as key challenges and best practices in sustainability management tend to mirror each other, recommendations for vendors tend to mirror those for enterprises.

Solution providers must start by helping potential customers understand the breadth and variety of sustainability-related challenges and the corresponding need for broad and flexible solutions. Similarly, as an extension of the same education process, solution providers must be ready to help potential customers establish solid benchmarks and success metrics.

Sustainability management solutions must provide visibility at levels of granularity that will vary by customer, depending on the industry in which a customer operates, its particular business processes, and the specific demands it faces from regulators and other stakeholders. Accordingly, solution providers must be able to tailor their value propositions to customers' specific needs. Beyond that, solution providers must tailor their offerings to the specific interests of the person they are selling to: a chief financial officer views sustainability differently than a chief operating officer or a chief risk officer, for example, and a pitch geared to one might well fail with the others. The only universal component of these tailored value propositions is competitive advantage, in any of several forms – cost savings, simpler compliance, reduced risk of supply disruption, and greater customer and shareholder satisfaction.

Finally, solution providers must recognize how rapidly and unpredictably their customers' needs may change, and develop solutions that are appropriately flexible and adaptable. They, like their customers, must recognize that the factors pushing sustainability to the forefront of corporate and public concern will only grow in importance. This will substantially enlarge the vendors' addressable market and create significant revenue opportunities if they can provide solutions that help customers to meet their growing obligations and gain maximum competitive advantage.

APPENDIX

Further reading

"SAP gives sustainability a higher strategic priority," OI00138-018 (December 2011)

C3: Can it Spark an Explosion in Energy Management? OI00139-053 (December 2011)

Selecting a PC Power Management Solution Vendor, OI00139-020 (December 2011)

2012 Trends to Watch: Sustainability Technology, OI00139-009 (November 2011)

Technology Trends: Software for Sustainability Management OI00139-001 (November 2011)

Integration: The Smart Way to Manage Sustainability (OI00139-048)



“Oracle's new emphasis on sustainability changes the playing field,” OI00138-016 (October 2011)

Sustainability: The Frame Around the IT Canvas, OI00139-043 (August 2011)

Profiting from Sustainability, OI00139-0040 (July 2011)

The Critical Role of IT in Sustainable Supply Chains, OI00139-004 (April 2011)

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