IBM Study: Sustainability Remains a Business Imperative, But Current Approaches are Falling Short

- Three-quarters (76%) of surveyed executives agree that sustainability is central to their business, but nearly half (47%) say they struggle to fund sustainability investments

- Organizations that embed sustainability throughout the business are more likely to see financial benefits, yet only 31% of respondents report they incorporate sustainability data and insights into operational improvements to a great extent

ARMONK, N.Y., Feb. 28, 2024 /PRNewswire/ -- A new global study by the IBM (NYSE: IBM) Institute for Business Value found that while a majority of organizations recognize sustainability as important to their business strategy, many C-suite leaders are struggling to fund their sustainability investments. Data collected from 5,000 global C-suite executives highlighted that organizations that embed sustainability within their operations see better sustainability and financial outcomes, while spending less money than their peers.

The study*, "*Beyond checking the box – how to create business value with embedded sustainability,*" revealed that almost one-third (30%) of executives surveyed say they have made significant progress in executing their sustainability strategy – up from 10% a year ago – but turning ambitions into impact remains a challenge. Almost half (47%) of executives surveyed struggle to fund sustainability investments; six in 10 say they have to make trade-offs between financial and sustainability outcomes.

Organizations that embed sustainability more deeply into their operations show a marked difference in outcomes from enterprises with a singular focus on areas, such as regulatory reporting or sustainability as a corporate project. Organizations that embed sustainability are 75% more likely to attribute greater improvement in revenue from their sustainability efforts, and are 52% more likely to outperform their peers on profitability.

The findings indicate that many organizations are focused on managing complex, varied reporting requirements rather than real business value and results. The study found that spending on sustainability reporting exceeds spending on sustainability innovation by 43%. Only 31% of executives surveyed report they are incorporating

sustainability data and insights into operational improvements to a great extent, while 14% say they do so with innovation initiatives.

"An organization's approach to sustainability may be holding it back. There is no quick fix. Sustainability requires intentionality and a shared corporate vision," said Oday Abbosh, Global Managing Partner, Sustainability Services, IBM Consulting. "Sustainability needs to be part of the day-to-day operations, not viewed only as a compliance task or reporting exercise. By embedding sustainability across their business, organizations are more likely to drive internal innovation, attract and retain skilled talent, and be better positioned to deliver both positive environmental impact and financial outcomes."

Other key study findings include:

Organizations continue to pursue sustainability, but funding, skilling and operationalizing actions remain a challenge

- Seventy-five percent (75%) of executives surveyed agree that sustainability drives better business results, and 76% agree that sustainability is central to their business strategy.
- At the same time, 69% of executives surveyed say that sustainability needs to be a higher priority in their organization.
- While 82% of executive respondents agree that high-quality data and transparency are necessary to achieve sustainability outcomes, only about 4 in 10 organizations can automatically source sustainability data from any of the following core systems: ERP (finance, HR, supply chain), Enterprise Asset Management, CRM, Energy Management Systems, Facilities Management systems.
- Thirty-nine percent (39%) of executives surveyed also cite a lack of requisite skills as the top barrier to sustainability progress.

Despite most organizations not incorporating sustainability into innovation initiatives, leaders expect generative AI to help supercharge sustainability efforts

- Sixty-four percent (64%) of executives surveyed agree that generative AI will be important for their sustainability efforts.
- Seventy-three percent (73%) say they plan to increase their investment in generative AI for sustainability.

Organizations that embed sustainability more deeply into their operations see benefits that can convert sustainability efforts into business value

Further analysis of the survey data found that:

- Organizations that embed sustainability spend slightly less on dedicated sustainability efforts as a share of their revenue compared to organizations that don't embed.
- Fifty-three percent (53%) of these organizations say that business benefits are essential for justifying sustainability investments; only 17% say meeting sustainability objectives is in itself sufficient to justify investment.
- These organizations are also 191% more likely to have aligned their data and sustainability strategies to a

great extent, and 80% more likely to be using AI for sustainability to a great extent.

Beyond checking the box - how to create business value with embedded sustainability underscores the urgent need for organizations to integrate sustainability objectives within business strategy and apply technologies like AI to realize greater progress and profitability. The study also serves as a resource for business leaders, outlining actionable strategies to help enterprises with challenges around data, business integration and decision-making.

To view the full study, visit: https://www.ibm.com/thought-leadership/institute-business-value/en-us/report/sustainability-business-value

*Study Methodology
The study draws on a survey of 5,000 C-suite executives across 22 industries and 22 countries conducted by the IBM Institute for Business Value in collaboration with Oxford Economics. In addition to descriptive analysis, the data from the respondents was analyzed to allow for a segmentation of the sample according to how embedded sustainability is in the enterprise. Based on this segmentation, analysis was conducted on differences in sustainability and business outcomes, operational practices, and approaches to enabling progress on sustainability.

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