

ENABLING SUSTAINABLE BUSINESSES WITH SAP



An IDC White Paper

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In This White Paper

This paper presents the results of the *IDC Sustainability in the Nordics* survey carried out in July 2020. The survey, which was sponsored by SAP, SAP Ariba, SAP Concur, and SAP Fieldglass, was conducted in the Nordic countries of Denmark, Finland, Norway, and Sweden. Additional data from other IDC surveys that focus on sustainability will be referenced throughout this study.

Introduction

Mankind is grappling with interrelated social, environmental, and health crises. Organizations and individuals — key players in this crisis equation — must consequently rethink their roles and become part of a solution.

The results of the *IDC Sustainability in the Nordics Survey, SAP, July 2020* suggest that companies in the Nordic region are realizing that they must credibly **meet the financial, environmental, and social expectations of shareholders, workers, and other stakeholders** if they are to become sustainable. Respondents to the survey largely believe that they must intrinsically align environmental and financial objectives to generate long-term value for shareholders, while meeting their commitments to other stakeholders. Sustainability is thus gaining a new meaning with respect to attaining long-term business resilience.

Achieving long-term business resiliency has several practical implications for organizations, but it **requires strong focus on** supply chains, partner ecosystems, and people and operational management processes.

AT A GLANCE

KEY STATS

The IDC Sustainability in the Nordics Survey found that:

- Some 74% of business in the Nordic region believe that long-term business sustainability investments and optimal resource allocations are essential requirements for a more sustainable world.
- Approximately 66% of organizations noted that full supply chain visibility is a crucial aspect of business resiliency and sustainability.
- Some 89% of organizations in the region collect data related to operational insights on a totally or partially manual basis.

KEY TAKEAWAYS

- Successful enterprises of the future will have fused financial and environment, social, and governance (ESG) indicators into a single seamless corporate strategy.
- One common obstacle to the achievement of business sustainability is the deficiency of reliable, fact-based data inputs.
- Because environmental compliance has become tightly connected to overall business performance, organizations need tools such as carbon footprint calculators.

The Call for Sustainability

Resource limitations have shaped the development of human societies since the era of hunter gatherers. It is only in the current Anthropocene era that humans are — for the first time ever in history — having a large-scale impact on the global environment and climate. Humanity must consequently acknowledge that there is a need for behavioral change if the risks stemming from environmental challenges are to be mitigated. Indeed, climatological disasters are reshaping customers' attitudes and increasing awareness about the need for behavioral change. Wildfires in Australia, California, and other parts of the globe, floods on several continents, and melting glaciers testify to the global climate crisis. Social and environmental crises are also reshaping customer purchasing behavior and increasing demand for products and services that have been produced sustainably (such as "zero waste" or "green" goods, locally and ethically produced goods, and long-lasting products). For example, reports about the unethical treatment of workers caused the shares of U.K. retailer Bohoo to crash 33% in just two days. This crash, which wiped £1.6 billion off the value of the company, is an expression of the changing attitudes toward social issues.

Corporations — as active members of society — are not immune to the current environmental crisis and its associated challenges. Financial institutions will play a particularly important role in terms of accountability; in fact, the finance community is starting to take issues such as climate change, social inequality, and energy efficiency very seriously. Sustainable companies are increasingly favored by rating agencies and investors, with ESG funds (i.e., the portfolios of equities and bonds in which ESG elements are an integral part of investment criteria) outperforming the market during the first wave of the COVID-19 pandemic in early 2020. Enterprises have started to view sustainability-related factors as strategic, which signals that sustainability has matured from being a "feel-good factor" into a legitimate business concern.

Nordic Focus: Business Resiliency with Social Ethos at the Heart of Corporate Actions

Forward-looking businesses such as Carlsberg, IKEA, Mærsk, and other Nordic-based organizations are looking to build resiliency into their operations while staying relevant to society's changing needs. For example, many organizations have embraced initiatives based around responsible production processes that only a decade ago were mere ideas promulgated by academics, environmental activists, and non-governmental organizations.

Sustainability is thus gaining support among senior executives in many organizations. According to an IDC survey of over 665 organizations in Europe, **almost two-thirds of businesses cited that sustainability was a very or extremely important business priority for 2020**. The same survey showed that organizations will employ innovative technologies such as artificial intelligence (AI), blockchain, Internet of Things (IoT), and cloud as the means of achieving sustainability.

The *IDC Sustainability in the Nordics Survey* of 140 cross-sector organizations confirmed the conventional wisdom that the Nordic region is highly mature with respect to sustainability issues. On average, more organizations in the Nordic region outline sustainability objectives in requests for proposals (RFPs) than organizations in the wider European region (69% versus 58%). In addition, sustainability goals are integral to the strategies of more organizations in the Nordic region (38% versus the European average of 33%). While these numbers are encouraging, they also indicate that organizations still have a long way to go in integrating sustainability-related parameters into their business strategies.¹

A Sustainable Business Is a Resilient Business

Delivering long-term value to shareholders while fulfilling commitments to other stakeholders (customers, employees, suppliers, and communities) is the foundation of a long-lasting business. The surveyed organizations in the Nordic region stated that a **capability to shift resources to where they are most needed in an agile manner** is the most important aspect of long-term sustainability. Gaining visibility into (and making decisions about) finite financial, natural, and human resources — as well as enabling the replenishment or regeneration of those resources during business cycles — were highlighted as other important considerations.

Organizations need to gather insights and gain visibility into all the resources they use in order to develop more resilient strategies. For example, organizations can build out robust supply chains that can withstand crises without depleting natural resources or unethically using human labor. They can also incorporate aspects of the "circular economy" to tackle waste management and address the inefficient use of finite resources.

¹ Source: IDC European Services Survey, 2019 (n=665)

Nordic Focus: Examples of Successful Sustainability-Related Practices

Denmark passed a climate bill that compels its government to reach the targets of the Paris Agreement. Through climate partnership (klimapartnerskaber) initiatives, the government will tackle issues such as waste management and establish two "energy islands."

In the social arena, a local municipality in Sweden shortened working hours at a nursing facility to six hours as part of a trial that lasted two years (employees still received pay for eight hours). This trial project enhanced productivity, improved employee satisfaction, and reduced the number of sick days taken.

Finland is world famous for allowing flexible working hours, which has been an established practice in the Nordic nation for several years.

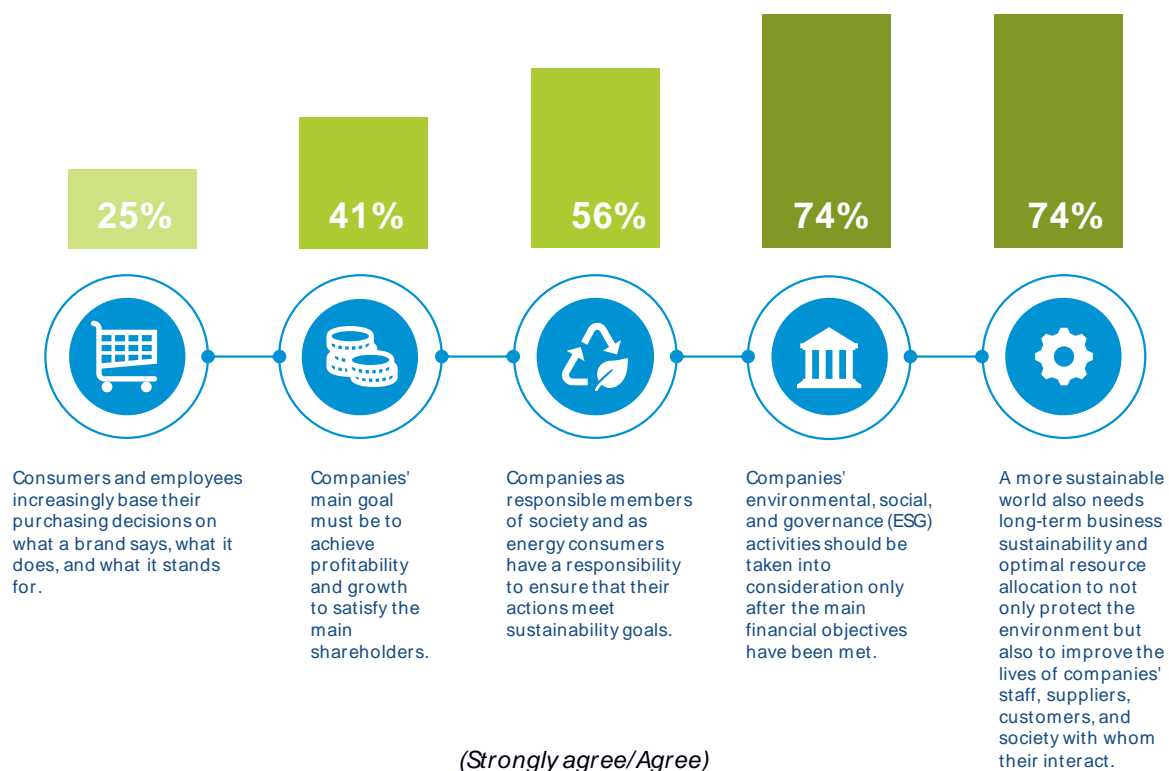
According to IDC's 2019 European Services Survey, sustainability is a top business priority of 58.5% of organizations in Europe. In Sweden alone, 64.0% of respondents highlighted that improving sustainability and climate-related key performance indicators is a top priority.

In addition, nearly 50% of Nordic-based organizations indicated that other aspects related to circular economy models and initiatives (such as waste management) are essential for achieving long-term corporate sustainability. Although only just under one third of Nordic-based organizations mentioned carbon neutrality as a top long-term sustainability concern, this number is likely to rise in coming months, given the recent policy announcements related to the European Green Deal. Due to regulatory demands and the possibility of a European carbon tax on the horizon, increasing numbers of organizations in Europe will pay greater attention to their carbon emissions in coming years.

Integrated Business Strategy – Are We There Yet?

Per the *IDC Sustainability in the Nordics Survey, SAP, July 2020*, **74% of respondents agreed that a more sustainable world requires long-term business sustainability and optimal resource allocation.** The same proportion of respondents (74%) also agreed that ESG-related activities should be taken into consideration **only after the main financial objectives have been met.**

FIGURE 1
Sustainability Perception



Survey Question: To what extent do you agree/disagree with the following statements?

Source: IDC, 2020

Successful enterprises of the future will have fused ESG and financial indicators into a single seamless corporate strategy. This fusion is something that mature corporations clearly understand, especially considering that survey respondents highlighted that **aggregating ESG objectives into one integrated goal was their second-most important sustainability priority over the long term.** Moreover, **nine out of ten survey respondents indicated that integration of environmental sustainability concerns into business operations was an important consideration.**

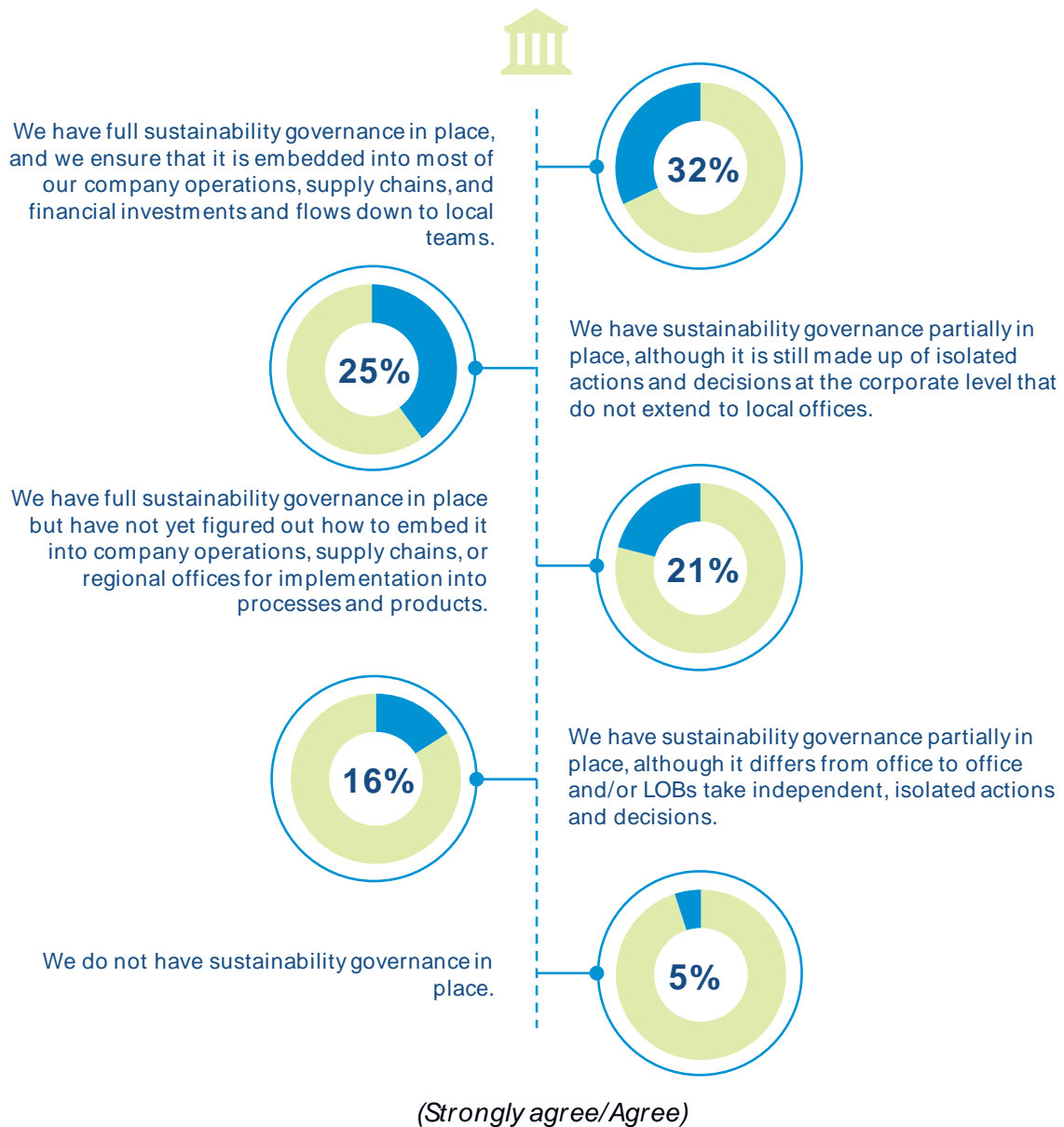
These seemingly conflicting business and environment goals are actually complementary. According to Morning Star and other financial market firms, investments in ESG funds (equities and bonds that meet strict ESG criteria) have outperformed the overall market, even during the current COVID-19 pandemic. The outdoor clothing outfit Patagonia attracts loyal customers because its employees and executives demonstrate their commitment to saving our planet. Entrenching ESG objectives into overall business goals is clearly becoming a pre-condition for long-lasting business resiliency.

Overall, organizations in the Nordic region have high levels of confidence about their sustainability engagements; in fact, **over 80% of respondents of the *IDC Sustainability in the Nordics Survey* perceive themselves to be at least on par with their peers in terms of sustainability readiness.** Furthermore, **62% of Nordic-based enterprises have fully digitalized and automated financial insights, and nearly a third have embedded sustainability governance across their operations.** Despite the large numbers of organizations that have fully automated financial insights to address their business goals, only the most progressive and mature companies have established sustainability governance across their operations.

The level of sustainability governance varies across countries (over 60% of organizations in Denmark and Sweden have adopted sustainability governance, compared with 25% of organizations in Finland). Nonetheless, the level of adoption across the Nordic region is remarkable, especially considering that most organizations at an early stage of the maturity curve may have only adopted sustainability initiatives in an isolated, ad hoc basis. In addition, the country variances can be partly explained in terms of differences in economic composition and sector-specific nuances.

FIGURE 2

Sustainability Governance Maturity



Survey Question: Which of the following statements best describes your company's sustainability governance stage (or status)?

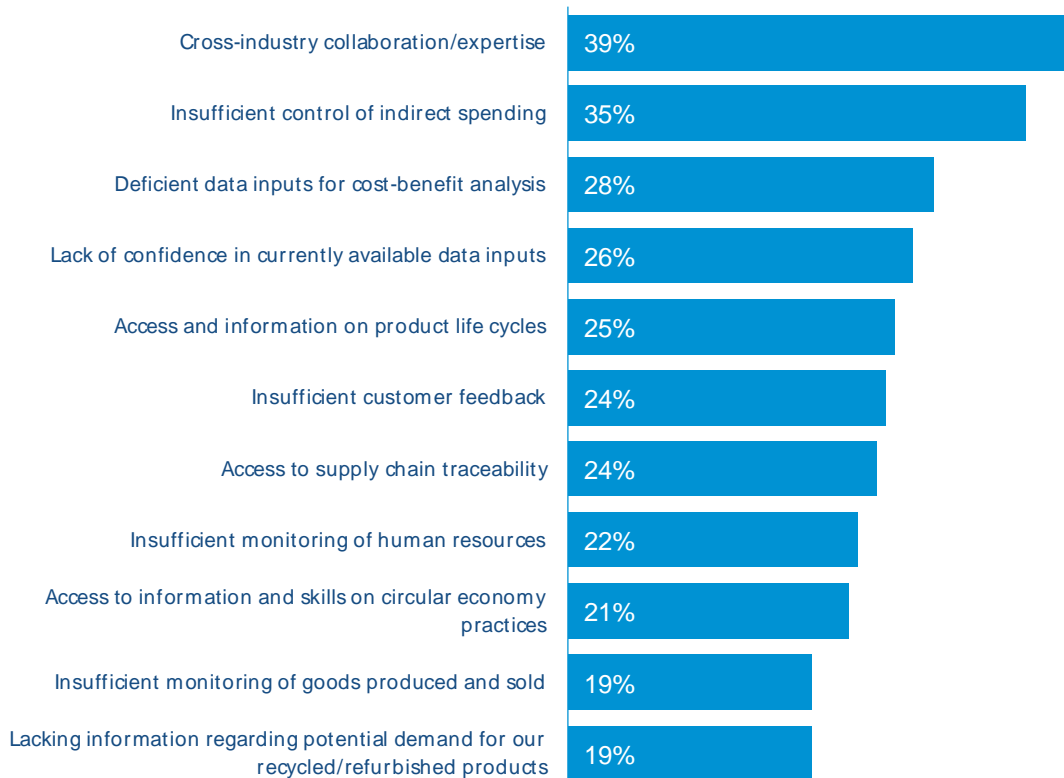
Source: IDC, 2020

Fact-Based Sustainable Businesses

Business agility, resiliency, and sustainability concerns are being shaped by multiple factors in which technologies play a prominent role. IDC predicts that, over the next decade, 75% of organizations will completely digitally transform as they reorient their business models toward platform-based, data-driven value chains that link to external partner ecosystems. **However, the most common obstacles to achieving business sustainability have one common denominator — the deficiency of reliable, fact-based data inputs.**

The IDC study of the Nordic region showed that **organizations are hungry for fact-based information about sustainability-related inputs** (i.e., energy consumption, energy sources, and environmental impact of production processes) as well as operational information (i.e., data related to supply chains and indirect spending).

FIGURE 3
Challenges to Becoming a Sustainable Business



Survey Question: What are the biggest challenges faced by your company when attempting to become a sustainable business? [Choose up to 3]

Source: IDC, 2020

The supplier, partner, and client ecosystems in today's increasingly interconnected world still contain isolated islands of unagile players that do not collaborate or share information. Integrated software platforms, cloud systems, and application programming interfaces (APIs) can help solve this challenge and others (Figure 3). The role of technology is fundamental since enterprises are compelled to merge their purely financial objectives and ESG-related goals in the current era. **Technology thus becomes a powerful ally in the provision of objective, reliable, and fact-based data. Companies need to implement intelligent technologies in order to combine data from all stakeholders and ecosystems and overcome challenges;** they also need to synthesize data in real time to generate actionable insights from various data sets.

According to survey results, **insufficient control over some areas of business (such as indirect spending on office supplies, IT support, and cafeteria items) was identified as the second-most important inhibitor to business sustainability** and resiliency in the Nordic region.

The following four areas are key to enabling the sustainable enterprise:

- Resilient Supply Chains
- Responsible Partner Ecosystems
- Transparent People Management
- Operational Management of Spending

Resilient Supply Chains

Per the IDC Sustainability in the Nordics Survey, SAP, July 2020, a **third of surveyed organizations indicated that supply chain efficiency is essential for enabling sustainable businesses.** The number of organizations that recognized the importance of supply chain efficiency was particularly high in the manufacturing and retail industries — at 46% and 83% of respondents, respectively.

Supply chain management continues to be a manual process that relies on individuals for most decision-making and services tasks. Only a small proportion of respondents in the Nordic region (3.6%) indicated they can anticipate/predict events in their supply chains using their various decision-making approaches; conversely, most surveyed organizations highlighted that they solve supply chain issues as they happen. The COVID-19 crisis has thus brought to light the volatility and business-related risks associated with supply chains. Fluctuations in the supply chain (e.g., due to natural disasters, global pandemics, or the lack of transparency in the chain of providers) can significantly impact product and materials availability, negatively impacting customer experiences in the process.

Because planning and preparing for different possible scenarios is crucial, organizations must rethink and redesign their supply chain practices. Indeed, supply chain complexities can increase as businesses expand into new markets, acquire new upstream and downstream partners, and rely on different channels for delivery. Consequently, achieving full visibility in the supply chain becomes a crucial aspect of business resiliency and sustainability. This was corroborated by the responses to the IDC Nordics survey, with **over 66% of respondent organizations stating that such visibility is important**. According to the same survey, 42% of the organizations in the region have fully automated supply network visibility and have detailed information about the contracts, conditions, and scope of cooperation with suppliers. Transportation, utilities, resource manufacturing, and construction companies have the best view of suppliers in this regard, followed by retail and wholesale organizations. In general, all these entities are large corporations with 5,000+ employees.

To successfully execute a business resiliency strategy, organizations need to attend to several issues that have one denominator in common: supply chain rationalization. Their goal should be to obtain a fact-based understanding of a resource's life cycle, and link internal insights (such as operational improvements and human resource insights) with information about external subjects (e.g., channel partner and customer experiences and perceptions).

Digitalization and automation of supply chain and distribution processes via the use of drones, automated vehicles, sensors, 5G networks, robots, cloud infrastructure and analytics, or AI will not only improve the "brainpower" of a factory/warehouse but also offer an organization an unprecedented opportunity to "remove the muscles" (i.e., lower manpower). Digitalization and automation technologies facilitate transparency and generate the operational data flows that need to be combined with financial and customer insights as well as ESG insights. Via such combinations, organization can create meaningful inputs that accelerate executive decision making while enhancing business resilience and sustainability.

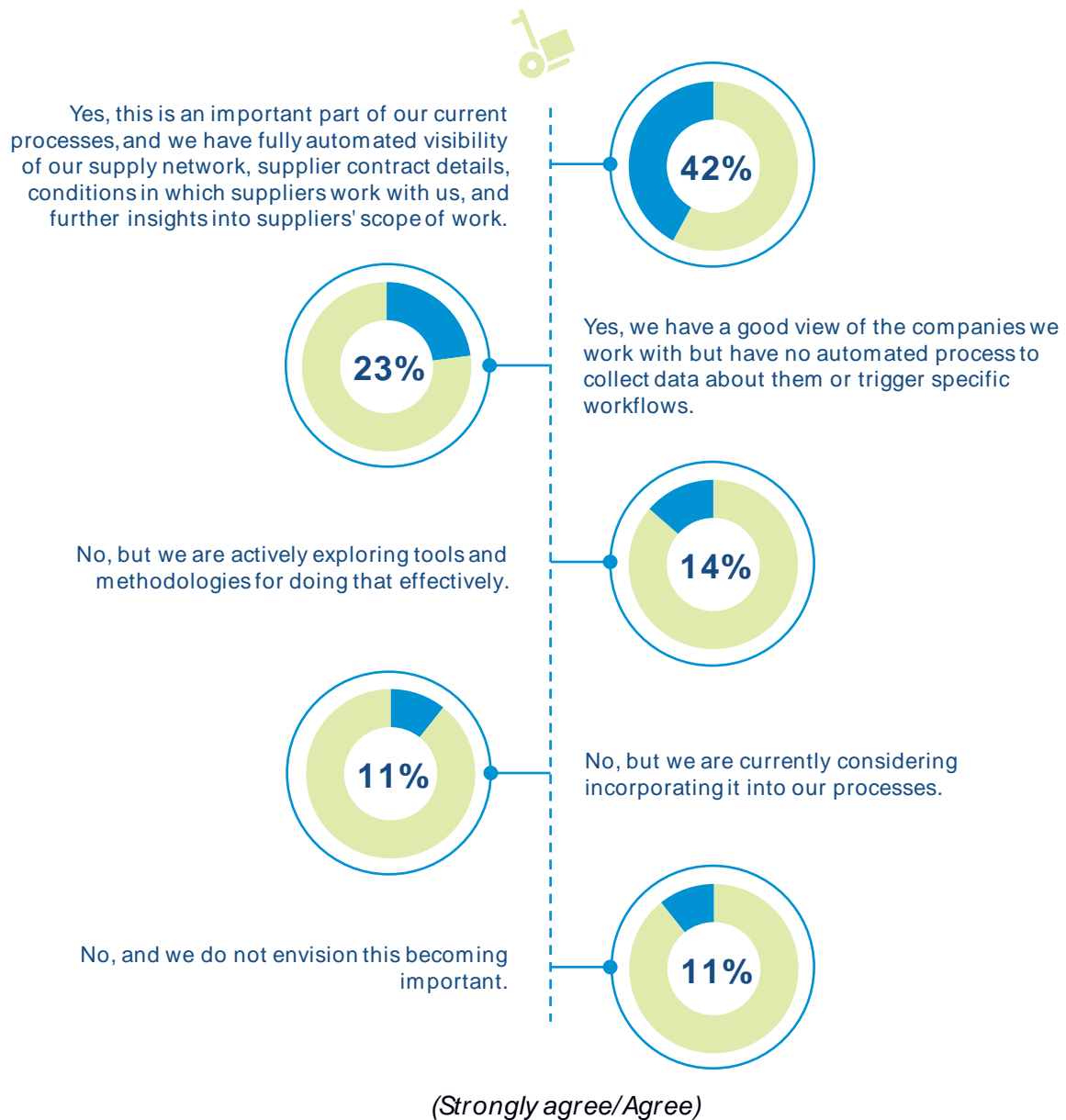
Responsible Partner Ecosystem

Organizations often struggle with inefficient and costly procurement processes (characterized by inaccurate data inputs, disjointed and disparate tasks, and credit risks associated with insufficient information about suppliers). **An integrated system that connects all individual pieces from sourcing and procurement to payment will solve the challenges faced by procurement departments**. By managing suppliers well and equipping them with source-to-pay tools, organizations can improve supply chain collaboration and make use of new procurement concepts. Employees, whether internal or external, remain the focal points of a successful organization.

Less than half of organizations in the Nordic region have a unified view of suppliers and the conditions in which they work together. A further 25% of organizations are currently exploring ways in which they can achieve this view.

FIGURE 4

Supply Chain Visibility



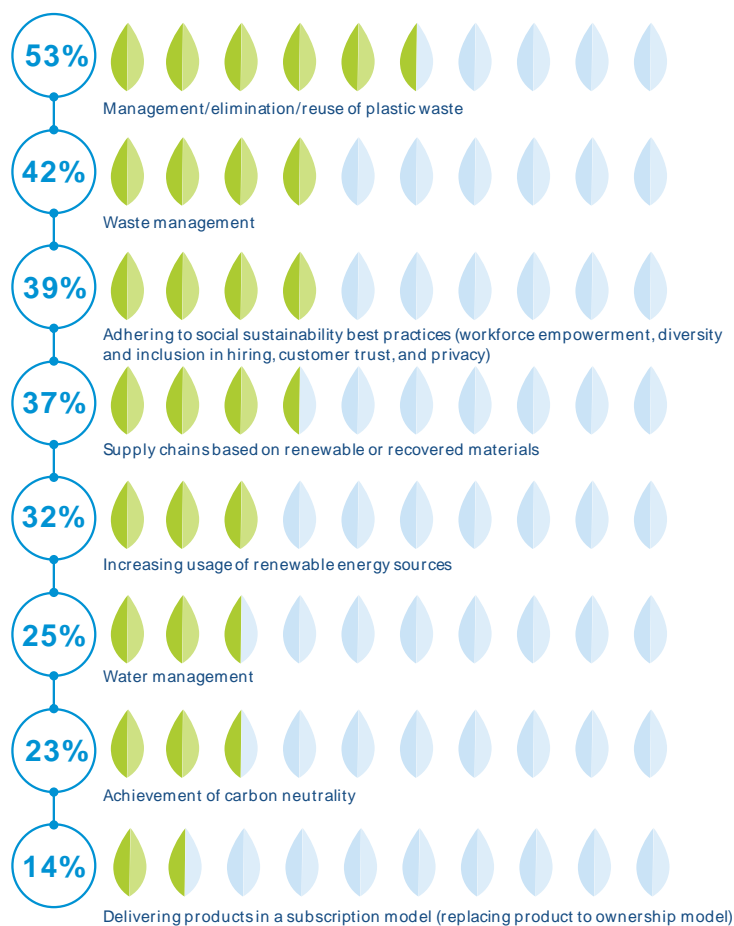
Survey Question: Does your company already have a unified view of suppliers and the conditions in which they work with your company?

Source: IDC, 2020

Long-term business resilience hinges on a company’s ability to forge RFPs into successful contracts. The importance of sustainability is illustrated by the fact that **ESG reporting is now considered an essential component of RFPs. Alongside ESG credentials, information about the customer experience (NPS score) and adherence to circular economy principles and codes of business conduct is very important in modern RFPs.**

On multiple occasions, the IDC Nordics survey proved that environmental and social objectives are essential for long-term sustainability. As shown in Figure 5 below, organizations regard environmental and social objectives such as elimination of single-use plastics, waste management, and adherence to ESG practices (workforce empowerment, air pollution management, etc.) as important.

FIGURE 5
Environmental and Social Sustainability Enablers



Survey Question: Which of the following do you think would contribute most to achieving environmental and social sustainability at your company? [Choose up to 3]

Source: IDC, 2020

The elimination of plastic waste is regarded as leading contributing factor to environmental sustainability, followed by general waste management and adherence to social sustainability best practices. While floating islands of plastic in oceans are grabbing public attention and serving as symbols of environmental degradation, they are also providing an opportunity for organizations to create solutions through technology and collaboration. For example, some organizations could reduce single-use plastic waste by tracking plastic-generation supply chains, incentivizing plastic waste collection, and properly connecting buyers and sellers.

However, the creation of a reliable and robust ecosystem of partners that help organizations transform into more sustainable businesses is a key challenge for many organizations in the region — nearly 40% of surveyed companies cited this as a key challenge in their attempts to become sustainable businesses.

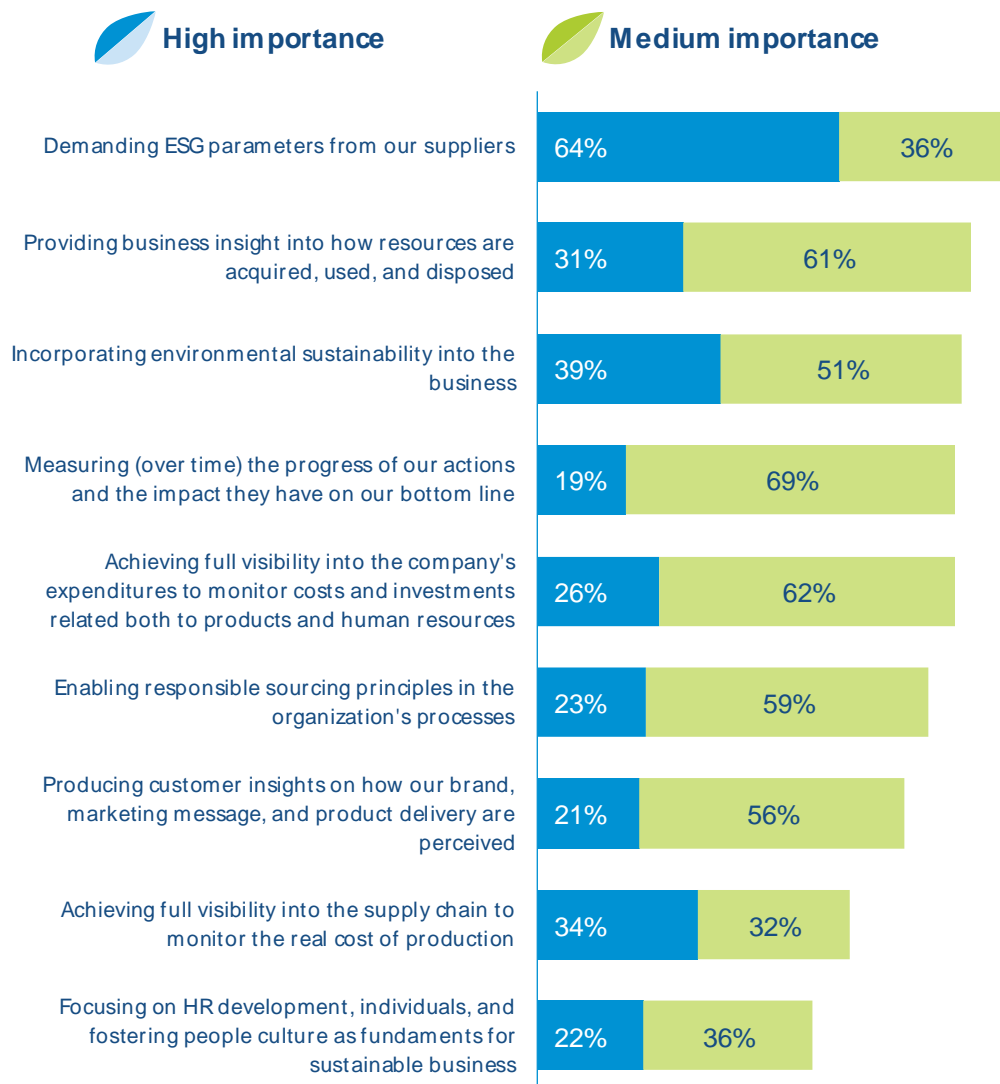
Transparent People Management

People-related insights are typically difficult to collect and analyze; yet, they are critical for operational improvements such as centralization of internal processes — improvements that free up time for employees (and thereby increase efficiency). People management, onboarding, personal development, and coaching are equally important for long-term success.

Counterintuitively, however, results from the Nordic survey revealed **that human resources (HR)-related issues get less attention with respect to enabling sustainability and resiliency**. Only 22% of respondents consider HR-related objectives to be of high importance, while 36% regard them as of medium importance. However, the financial services sector leads the way in recognizing the importance of HR development, followed by the healthcare, government, and education sectors. The manufacturing and construction sectors are laggards in this respect. Surprisingly, aspects related to people insights (such as resource management, compensations, goals, and career development) are still carried out manually among most organizations.

FIGURE 6

Business Aspects Enabling Sustainability and Resiliency



Survey Question: To what extent would you say the following aspects are key to enabling a sustainable and resilient business?

Source: IDC, 2020

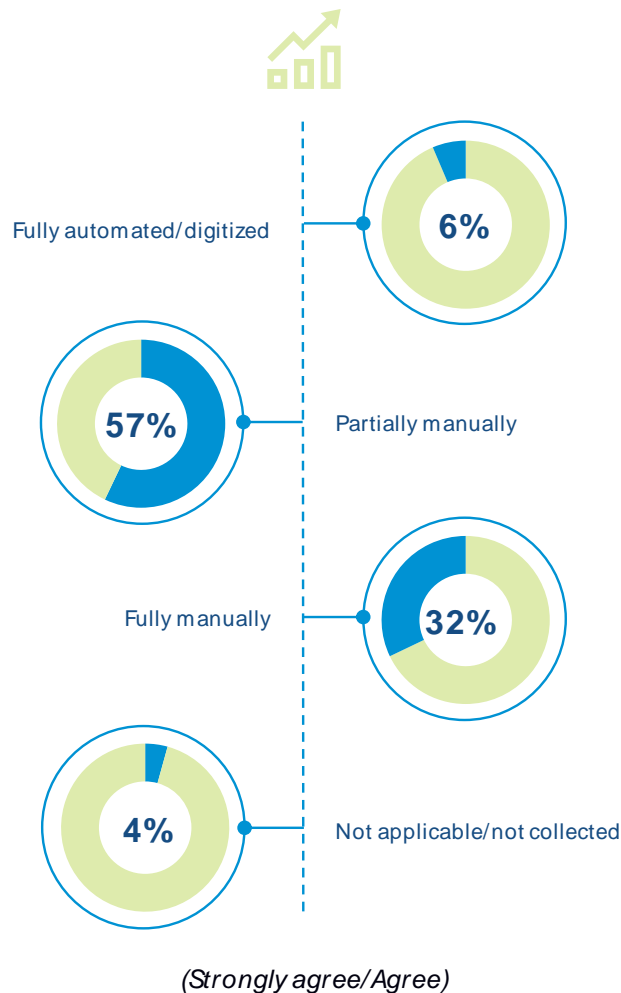
By enabling digitization and automation, organizations will be able to identify gender and social pay gaps, and thereby help reduce inequalities. Moreover, a focus on insights-driven HR development will help retain talent and accelerate career development.

Operational Management of Spending

Over 82% of organizations in the Nordic region indicated that gaining operational visibility into human resources, optimizing workflows, and engaging in responsible procurement and travel are additional aspects that are important to the achievement of long-term sustainable operations.

Per the *IDC Sustainability in the Nordics Survey, SAP, July 2020*, **89% of organizations still collect data related to operational insights (such as travel management and procurement processes) on a totally or partially manual basis.** There is thus incredible room for automating certain aspects of this time- and resource-consuming process.

FIGURE 7
Operational Insights: Methods of Collection/Analysis



Survey Question: In what manner does your company currently collect/analyze data on a regular basis, in each of the following business areas?

The collection of financial insights is already a highly automated process in most organizations in Sweden (72%). However, only 43% of respondent organizations in Finland have fully automated collection processes. Collection is still generally manual in other businesses across the region.

Automation would provide organizations with real-time information and free up precious time for departments and individuals, which would then have the room to shape and develop more informed decisions about sustainable travel and procurement practices.

A similar manual situation exists with respect to gaining insights about facility management (such as energy use and office space insights). Gaining such insights is increasingly becoming a top priority for many organizations, particularly as it can directly impact the bottom line (by reducing energy bills or office space, for example). In addition, the COVID-19 crisis has driven many organizations to question the need for the current office floor space they possess. Data-driven based decisions about these operational aspects of the business are complicated when data collection is heavily dependent on manual processes.

Recommendations for Sustainable Businesses

Deficient data inputs for cost-benefit analyses make sustainable management and resiliency a challenging task for C-level executives and senior managers.

For most enterprises that manage internal employees, channel partners, contractors, and a myriad of suppliers with varying contracts, terms and conditions, developing cost-benefit analyses with insufficient data is an almost impossible mission. However, deploying integrated enterprise software that touches individual points of the entire value chain (customers, suppliers, and employees) can prevent unforeseen events and allow organizations to adapt quickly to market changes.

Companies want to know how sourcing and energy consumption issues affect their bottom lines and carbon footprints; accordingly, they highlighted energy-related information as a key sustainability criterion in the IDC survey. Environmental compliance has become tightly connected to overall business performance. Enterprises thus need tools (such as carbon footprint calculators that are enhanced by analytics) that will empower them to calculate the real carbon footprints of individual products. These solutions and tools should have an impact on the bottom line (i.e., via carbon tax calculations) as well as the top line (e.g., by winning new accounts after meeting sustainability-related RFP criteria).

Finance and accounting software will remain the most useful tool for helping organizations achieve their sustainability-related goals. However, supply chain management, enterprise resource planning, and customer relationship management software will also remain important vis-à-vis sustainability achievement.

Methodology

This IDC White Paper is based on IDC's extensive research in the "Technology for Sustainability and Social Impact" domain. This research includes qualitative reports, end user IDC surveys, and buyer and vendor conversations. IDC also carried out a dedicated survey of 140 organizations across Denmark, Sweden, Finland, and Norway.

MESSAGE FROM THE SPONSOR

Solutions from SAP Ariba and SAP Concur help address business sustainability from the perspective of people, planet, and profit (collectively referred to as the "triple bottom line"). These solutions will help organizations become conscious of the consumption involved in all three areas.

SAP Concur can help organizational leaders:

- **Empower employees** to make informed spend choices and enable the business track and manage those behaviors that have a measurable impact on sustainability performance.
- **Enhance people productivity and engagement**, talent recruitment, and staff wellbeing. With 5% of global emissions generated by the travel industry, managing environmental impact is not just about being responsible. It is about attracting and retaining customers and employees and enhancing a conscious-driven work culture that aims to achieve sustainability goals and the company mission.
- **Reinforce financial discipline**, strengthen control over spending, and create a resilient, sustainable cost structure.

Similarly, SAP Ariba strives to create powerful connections in order to help the world spend better. Organizations must remain vigilant and employ practices that improve the human, economic, and environmental impact of their supply chains. SAP Ariba defines this as "procurement with purpose."

SAP Ariba's mission is to improve people's lives through its procurement with purpose initiative, and the company is committed to helping customers create a more purpose-based, equitable, and nondiscriminatory world. SAP Ariba's solutions can be used to promote ethical suppliers and unlock the potential for buyers to connect with diverse, local, and minority-owned suppliers.

SAP Ariba offers solutions that align with each of its three sustainability pillars and help organizations engage with the type of suppliers that satisfy their goals:

- **Social:** Human and workplace rights
- **Environmental:** Energy and climate change
- **Economic:** Decent work and fair employment

About the Analysts



Marta Muñoz Méndez-Villamil, Research Director, IDC EMEA

Marta has more than 18 years of experience in advising IT vendors and end users on their market strategies and helping them in their transformation journeys in the digital economy. Marta leads IDC Europe's latest Technology for Sustainability and Social Impact Practice, helping technology providers measure and maximize the impact of their own sustainability actions. Marta also helps organizations understand how technology can help achieve their own sustainability goals.



Vladimir Kroa, Associate Vice President, IDC EMEA

Since joining IDC in 2001, Vladimir has been part of the IDC Services program, and he is currently leading the IT, business, and cloud services delivery practice and related research and consulting. Together with Marta, Vladimir heads the European Technology for Sustainability and Social Impact Practice, while focusing on the sustainability and environmental strategies of datacenter services providers and development of the IDC Sustainability Index.



Zuzana Kovacova, Program Manager, IDC EMEA

Zuzana has over 10 years of experience in technology market research and intelligence. She advises ICT vendors and their clients on market strategies while enabling knowledge-based decisions for business success. Zuzana is a program manager for IDC's European Services and IDC Europe's latest Technology for Sustainability and Social Impact Practice.

About IDC

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