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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).

Figure 1. Leading Sustainability Ambition, Goals and Technology

Leading Sustainability Ambition, Goals and Technology

Executive Actions	Sustainability Compliance	Sustainability Optimization	Sustainability Transformation
1. Set Sustainability Ambition	Use when these business outcomes are desired: <ul style="list-style-type: none"> • Comply with regulations • Produce CSR report Use when: <ul style="list-style-type: none"> • Regulator pressure is high 	Use when these business outcomes are desired: <ul style="list-style-type: none"> • Reduce risk and cost • Increase brand • Improve resource efficiency Use when: <ul style="list-style-type: none"> • Investor and employee pressure is high • Execs want to preempt change 	Use when these business outcomes are desired: <ul style="list-style-type: none"> • New products and revenue • Performance through industry partnerships • Competitive differentiation Use when: <ul style="list-style-type: none"> • Customer pressure is high • Execs want to differentiate and act on value
2. Align Goals With Ambition	Typically no goals	Examples: <ul style="list-style-type: none"> • Carbon neutral • DEI goals 	Examples: <ul style="list-style-type: none"> • Climate positive • DEI accountability
3. Unleash Ecosystems With Technology	Internal (Employee) Ecosystems (Example: energy management, reporting)	Private Ecosystems (Example: supply chain transparency, talent marketplace)	Public Ecosystems (Example: industry circular economy platform)

Source: Gartner (April 2021)

CSR = corporate social responsibility; DEI = diversity, equity and inclusion

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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

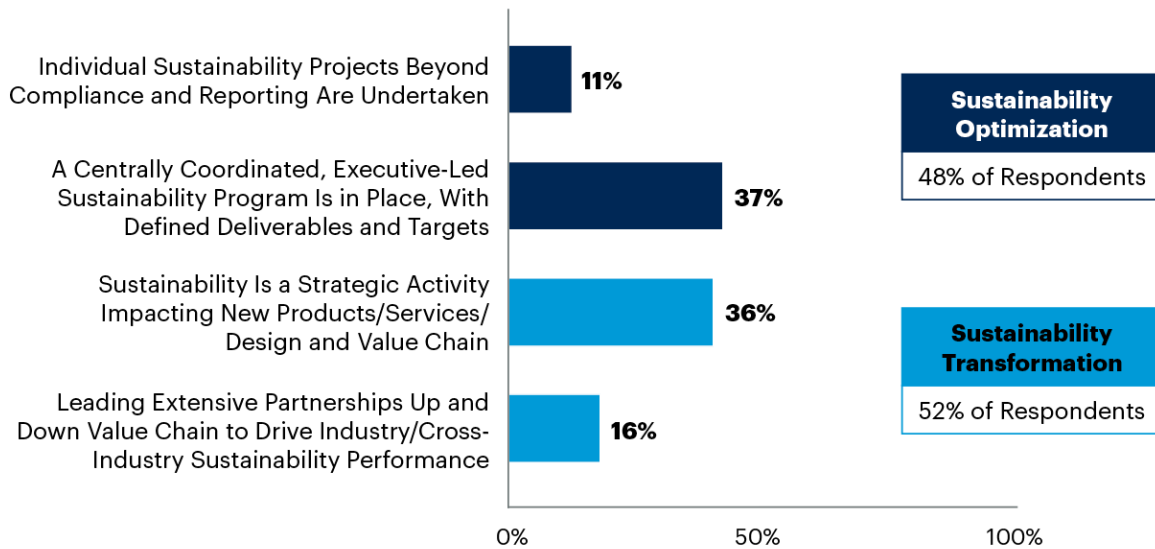
Half of Enterprises Are Transforming

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



n = 183 all respondents

Q: What is the highest level of sustainability activity your organization has achieved?

Source: 2020 Gartner Sustainability Survey

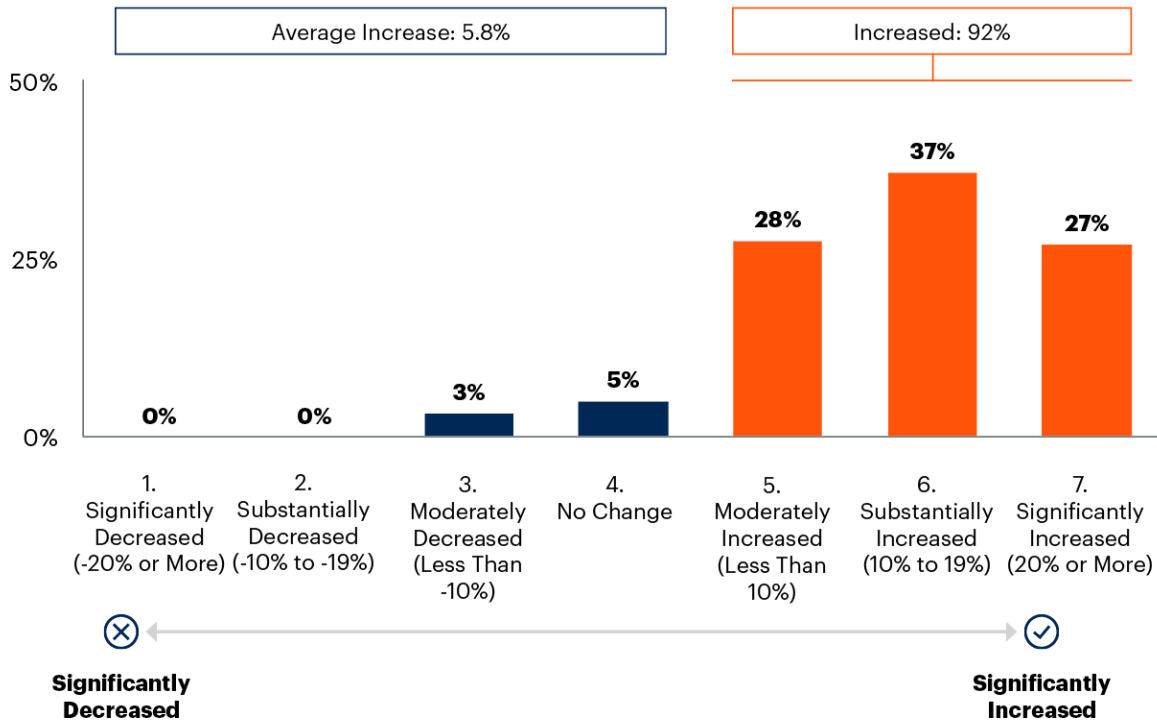
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Sustainability Spend Is Increasing

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%.

Figure 3. Sustainability Spend Is Increasing

Change in Sustainability Investment, Compared to 2017



n = 178; all respondents, excluding "don't know"

Q: Compared to three years ago (2017), how has the current (2020) investment in sustainability program(s) changed in your organization?

Source: 2020 Gartner Sustainability Survey

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The implication is that sustainability is treated as a mission-critical priority regardless of market volatility for those executives that already have a program.

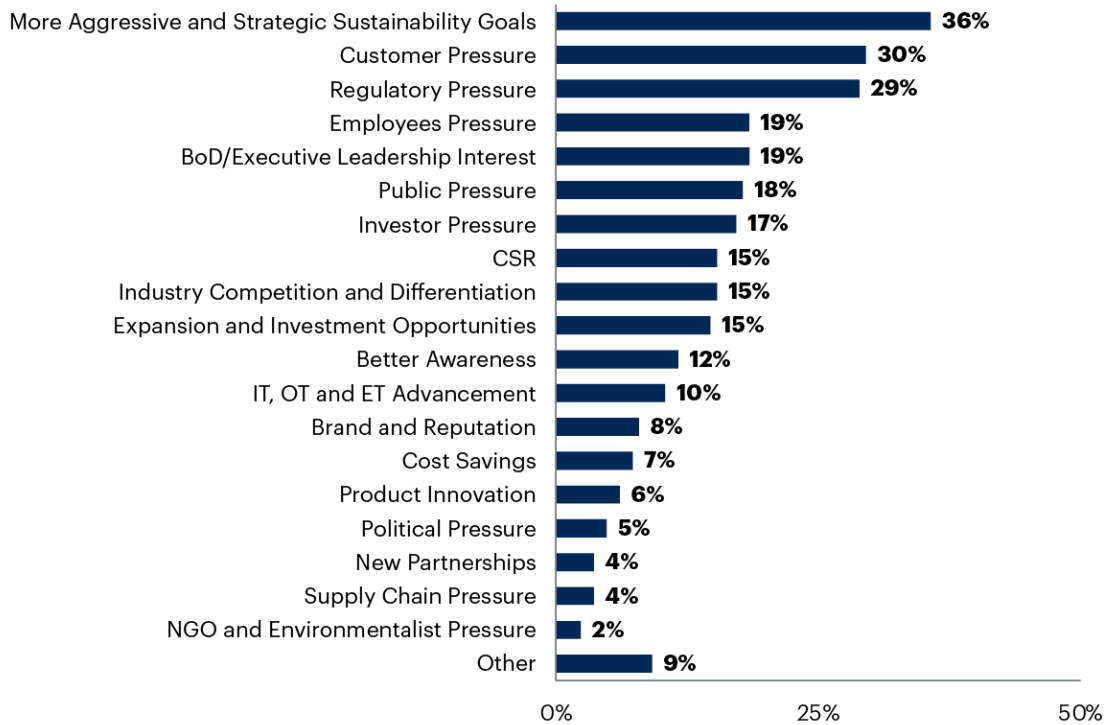
Align Goals With the Ambition

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.

Figure 4. More Aggressive Goals Are Driving Investment

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



n = 162; respondents who have increased current investment in sustainability programs, excluding “don’t know”
Q. What are the top reasons for increasing investment in 2020 compared to three years ago (2017)?

Source: 2020 Gartner Sustainability Survey

BoD = board of directors, ET = energy technology; OT = operational technology; NGO = nongovernmental organization

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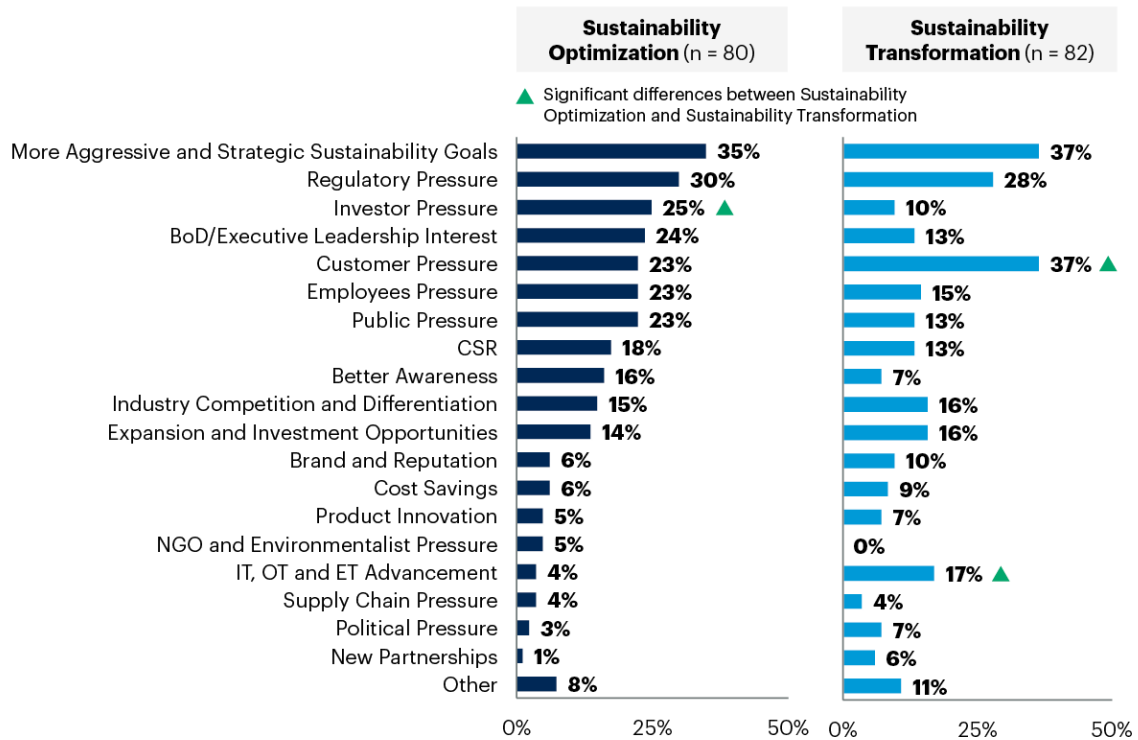
Customers and Technology Advancements Are Driving Transformation

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

Reasons Sustainability Investment Increased, Compared to 2017

Coded, Multiple Responses



n varies; respondents who have increased current investment in sustainability programs, excluding "don't know"

Q. What are the top reasons for increasing investment in 2020 compared to three years ago (2017)?

Source: 2020 Gartner Sustainability Survey

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Sustainability Is Providing Direct Value for Customers

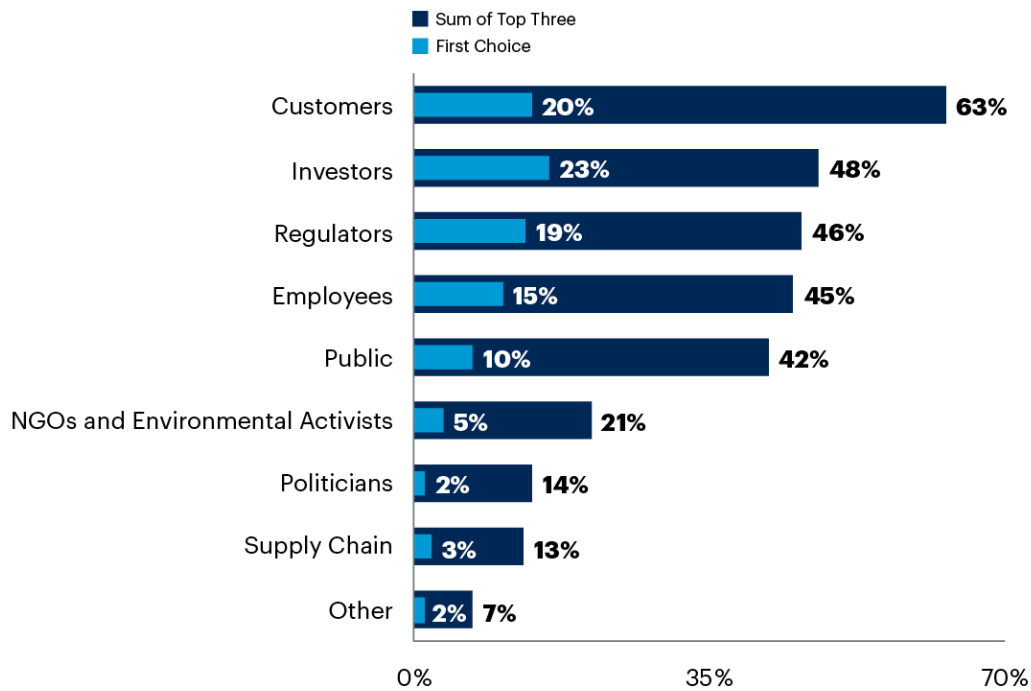
Stakeholder pressure is driving more aggressive goals, especially from (see Figure 6):

- **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. ¹ The U.S. has committed to rejoin the Paris Climate Accord under the Biden Administration. ² China launched an emission trading scheme. ³
- **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



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.

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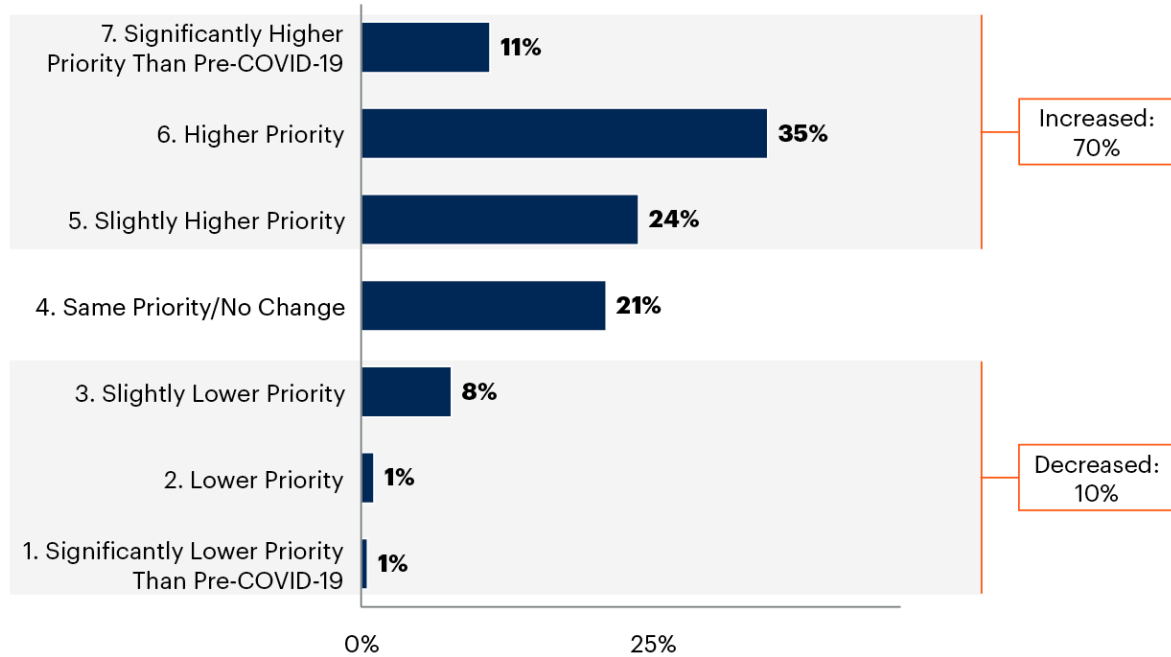
Social Prioritization Increased for 70% of Enterprises

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



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.

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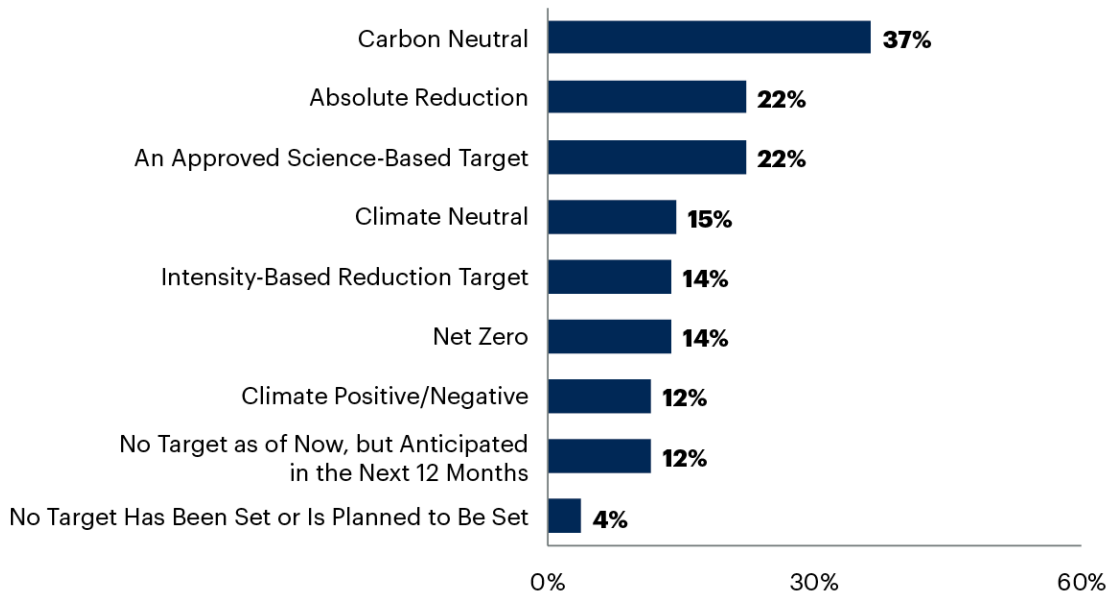
Absolute Reduction Goals Are More Common Than Intensity Goals

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.

Figure 8. Executives Are Setting Absolute Reduction Goals Over Intensity Goals

Greenhouse Gas Emission Reduction Target

Multiple Responses



n = 178; all respondents, excluding “don’t know”

Q: Which of the following greenhouse gas (GHG) emissions reduction targets have been set by your organization?

Source: 2020 Gartner Sustainability Survey

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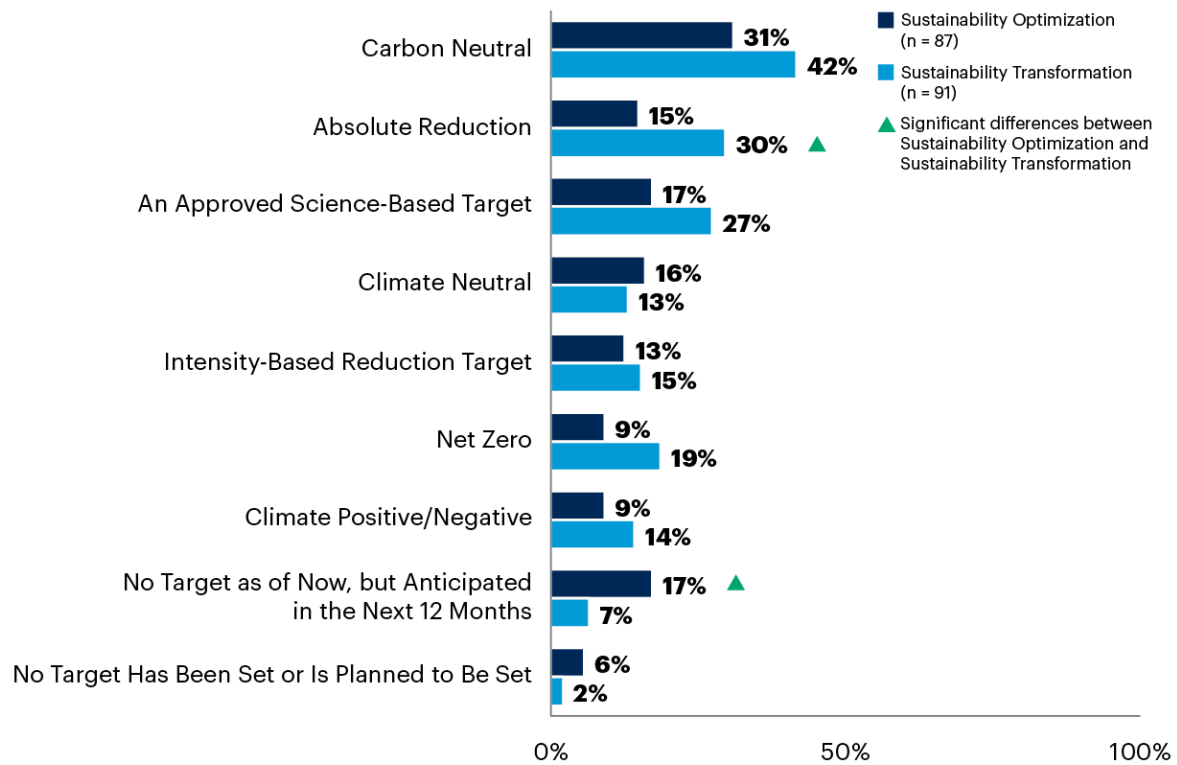


Executives focused on transformation were statistically more likely to set absolute emissions reduction targets (see Figure 9). Those focused on optimization were statistically more likely to state that they had an intention to set an emissions reduction goal in the next 12 months.

Figure 9. Transformers Are More Likely to Set Absolute Reduction Goals

Greenhouse Gas Emission Reduction Target

Multiple Responses



n = varies; all respondents, excluding “don’t know”

Q: Which of the following greenhouse gas (GHG) emissions reduction targets have been set by your organization?

Source: 2020 Gartner Sustainability Survey

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Unleash Ecosystems With Technology

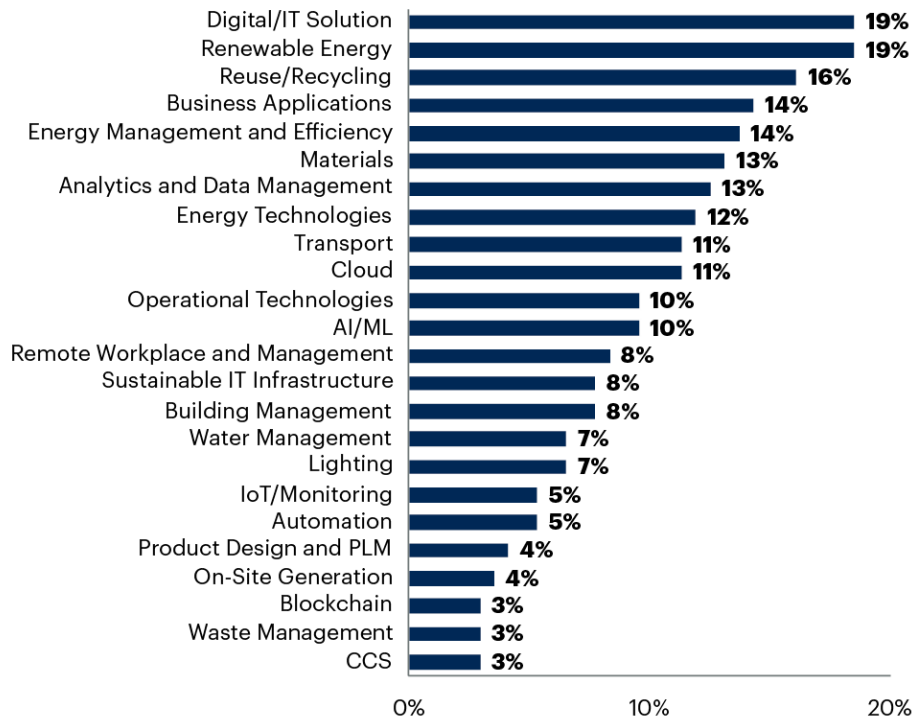
Digital and Renewable Energy Are the Most Used Technologies

“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



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

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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.

Figure 11. Sustainability Isn't Driving Revenue Growth

Sustainability Is Not Driving Revenue Growth

Top Three Benefits Achieved From Sustainability Programs in 2020



n = 183; all respondents

Q: What are the top three benefits that have been already achieved from your organization's sustainability program(s) in 2020?

Source: 2020 Gartner Sustainability Survey

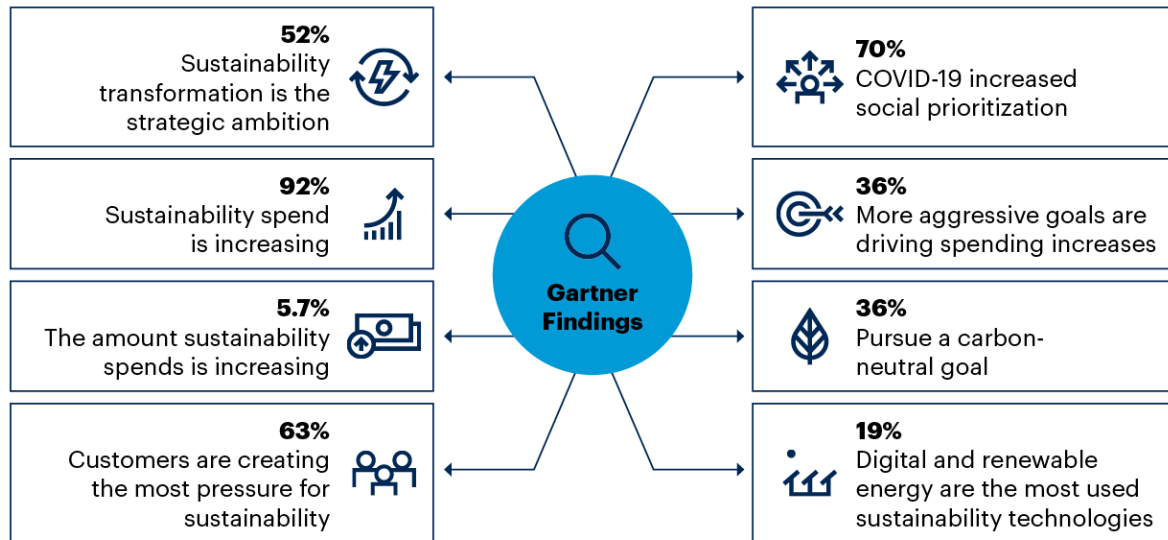
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Summary

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.

Figure 12: Sustainability in the 2020s

Sustainability in the 2020s



Source: Gartner (April 2021)
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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.

³ [Can China's New Carbon Market Take Off?](#), The Economist.

⁴ [Scope 1 and Scope 2 Inventory Guidance](#) and [Scope 3 Inventory Guidance](#), United States Environmental Protection Agency.

Acronym Key and Glossary Terms

ET	energy technology
IT	information technology
OT	operational technology

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Available only to Gartner clients and depending on subscription.

[Define Sustainability and Leverage Materiality to Drive More Effective Strategy](#)

[Apply Digital Business to Sustainability](#)

[Sustainability: What to Do When Stakeholders Want You to Save the World](#)

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