

Closing the sustainability gap

Organizations are enthusiastic about sustainability and they think they're excelling. In fact, they have barely started. The Fujitsu Uvance research report explores this gap between their perception and reality, and we look into how technology can close it.



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The sustainability gap

“Sustainability is now a major disruption. Business as usual is no longer an option.” That’s the assessment of Ioannis Ioannou, Associate Professor of Strategy and Entrepreneurship at London Business School.

Organizations agree with him. Sustainability is now top of the agenda, and they are trying to improve their impact on the world across three pillars of Sustainability Transformation: environmental, economic and societal.

But our new research has uncovered a problem: organizations’ enthusiasm for sustainability is not being matched by real progress. This is the sustainability gap.

A disappointing reality

For example, 61% of organizations say they’re advanced on their sustainability journeys, but in reality less than one in 10 have completed major sustainability imperatives such as developing sustainable supply chains (9%), achieving net zero status (2%) and preparing for environmental emergencies (7%).

That’s not all. While 77% of organizations say they think being sustainable is the right thing to do and is ultimately good for business, 18% believe that sustainability is just a fad that will pass.

These are some of the findings from our flagship research into Sustainability Transformation, which we designed to understand what sustainability really means to organizations today and what issues they are grappling with.

Technology accelerates progress

Our research shows that there is a key accelerator of progress that acts to bridge the sustainability gap: technology. It identifies a small group of leading organizations, which we call the Change Makers, that have made real progress on their sustainability goals by powering their efforts with innovative technology. They lead the way on both sustainability imperatives and technology transformation.

As a result, the Change Makers find Sustainability Transformation easier to complete, they’re more likely than the rest to smash their profit targets, and their brand reputations are more likely to be performing above expectations.

How are the Change Makers doing it? And what can other organizations do to emulate their success? In this report, we analyze the sustainability gap and explore how the Change Makers bridge it with technology.

What is Sustainability Transformation?

Sustainability Transformation means to transform your organization using digital innovation to drive positive, lasting change for our environment, economies and society. It's about contributing to a more sustainable world while simultaneously ensuring business growth.

About the research

The data in this Fujitsu Uvance research report comes from a survey of 1,000 business and public sector leaders commissioned by Fujitsu and conducted by FT Longitude, a Financial Times company, in August 2022.

The respondents represent a mix of respondents from the public sector and businesses. Within companies, a range of functions are represented: business leadership, sustainability, HR, line of business, finance, research and development, and IT (transformation, technology and security). And they represent 15 countries: Australia, Canada, China, Finland, France, Germany, Japan, Korea, New Zealand, Philippines, Singapore, Spain, Thailand, the UK and the US.

Their organizations come from a range of sectors – architecture, banking and financial services, healthcare, life sciences, manufacturing, media, mobility (transport and automotive), the public sector, retail, and technology and telecoms – and have revenues of \$2 million to \$1 billion+.



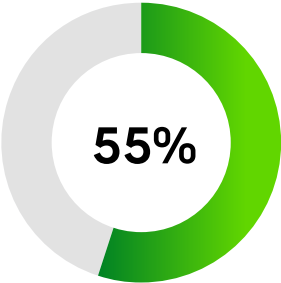
Organizations have the sustainability feel-good factor

Company sustainability reports, green advertising campaigns, new sustainable products and services – organizations understand the importance of sustainability. And it's not just talk. More than three-quarters (77%) of our respondents believe that being more sustainable is the right thing to do and that it's good for business.

That's correct: data from Deloitte¹ shows that more and more consumers are adopting a sustainable lifestyle. They're buying only what they need, repairing items, spending money on longer-lasting products, and are choosing low-emission modes of transport.

1. <https://www2.deloitte.com/uk/en/pages/consumer-business/articles/sustainable-consumer.html>

This is a sustainability-led culture. And the majority of leaders (55%) know that if they don't act, they will not have a successful organization in a decade's time.

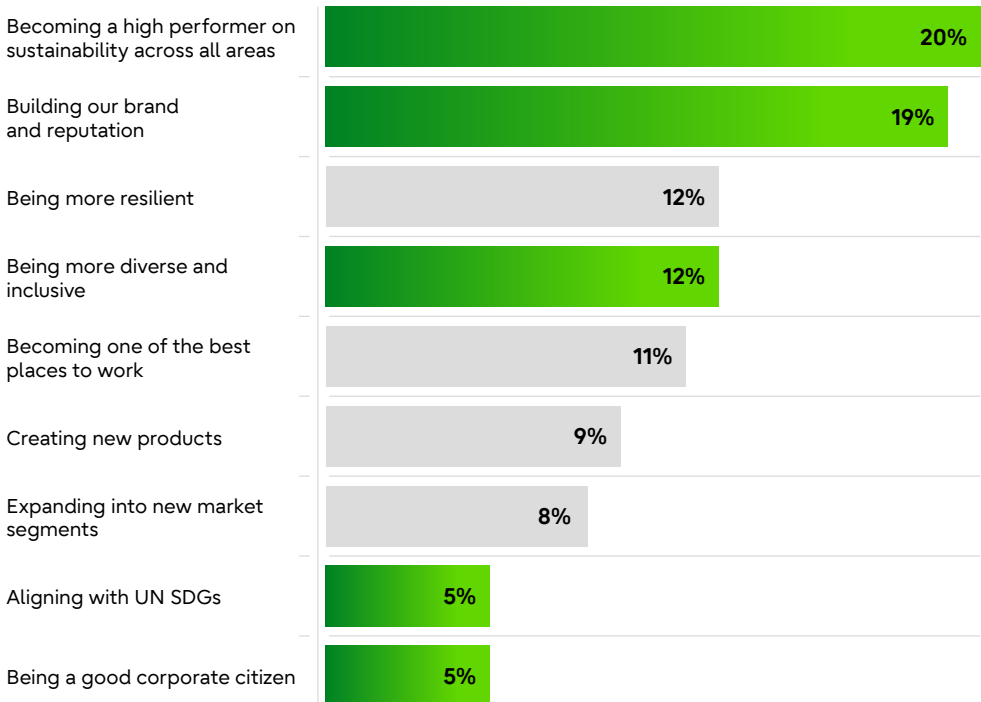


of respondents know that if they don't act, they will not have a successful organization in a decade's time

That knowledge is translating into strategy. Being a high performer on sustainability across all areas is organizations' top priority over the next five years, ahead of other pressing issues such as being more resilient and building a good brand.

Sustainability has become organizations' most important business objective for the next five years, after meeting financial targets

● Sustainability initiative ● Other type of initiative



Sustainability in action

Sustainability Transformation is high on organizations' agendas, but what does it mean in practice? Organizations have priorities across our three pillars of Sustainability Transformation: environmental, economic and societal.

Organizations' top sustainability goals

● Environmental ● Economic ● Societal

1	Responding to and complying with sustainability regulation	18%
2	Developing sustainable supply chains and ecosystems	18%
3	Creating better health and wellbeing initiatives for employees	12%
4	Empowering our people and customers to respond to social issues	11%
5	Creating or using carbon-neutral products	10%
6	Responding to consumer demand to be a more sustainable organization	8%
7	Driving equality in the workplace	7%
8	Developing products that improve the health of broader society	7%
9	Preparing for environmental emergencies	5%
10	Ensuring that the physical locations we operate from are environmentally friendly	5%

Knowing where to start with Sustainability Transformation can be difficult because of the breadth and depth of its scope. Melanie Kubin-Hardewig, Vice President, Group Corporate Responsibility at Deutsche Telekom, explains that organizations must look at sustainability in the round.

"We have a long history of working on sustainability challenges – we started more than 20 years ago," she says. "We interpret sustainability across all metrics: E – environmental, S – social, and G – governance. Whatever framework you choose to address sustainability, you will always need to focus on these three aspects. We've been doing this since our sustainability agenda began."

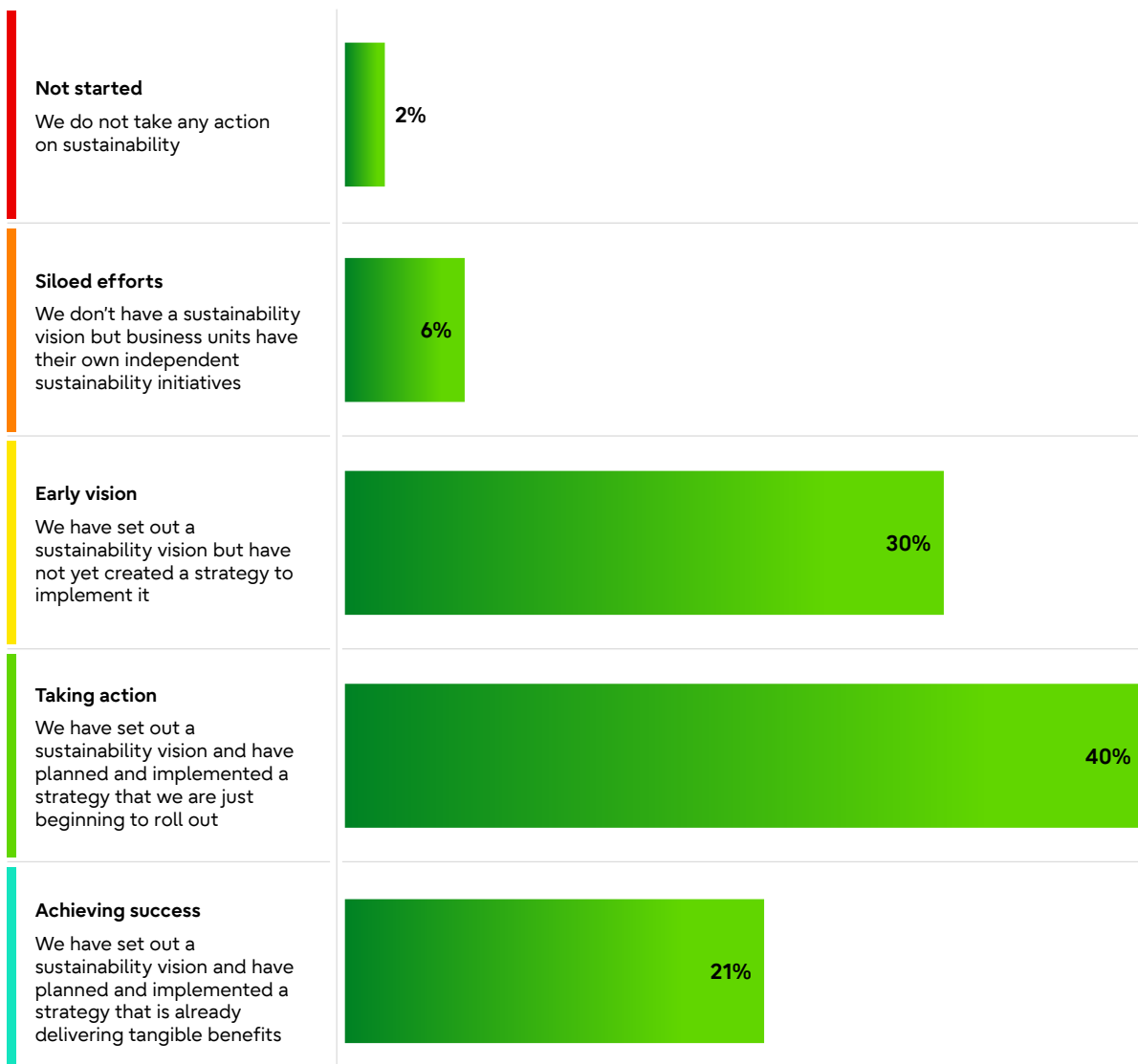
Progress is happening

Organizations have come a long way on sustainability. No longer a “nice to have,” it is now a strategic imperative.

“Sustainability is the mother of all disruption,” says London Business School’s Ioannis Ioannou. “Over the past decade we have seen huge pressures on businesses around sustainability, and we’re at a point now where the world is demanding a new model of corporate leadership.”

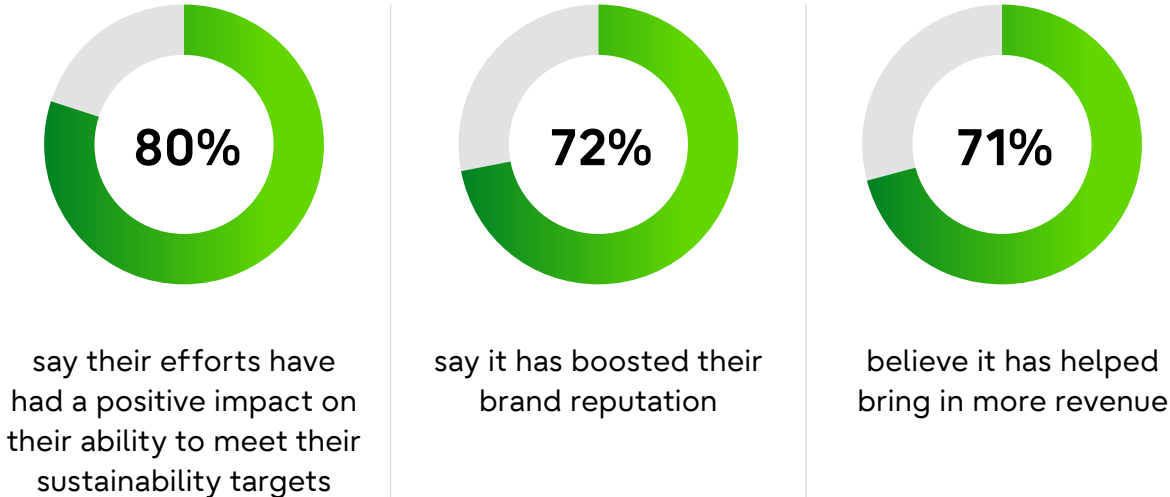
And organizations are making progress: 61% are already rolling out sustainability strategies or are seeing successful results from them. Just 2% say they have not taken any action at all.

How far have organizations got on Sustainability Transformation?



Not only do organizations believe they're fairly advanced when it comes to Sustainability Transformation, they also say that their initiatives are very successful.

Of the organizations that are most advanced on Sustainability Transformation:



So organizations are feeling positive about Sustainability Transformation. But Anna Rahikainen, Sustainability Director of Finnish restaurant chain Kotipizza, explains that the key to real Sustainability Transformation is active change. "Active sustainability is a prerequisite for making your business and all its operations future-proof," she says.

Our research shows that while the feel-good factor is strong, when it comes to the specific issues – improving the environment, economy and society – organizations are struggling.

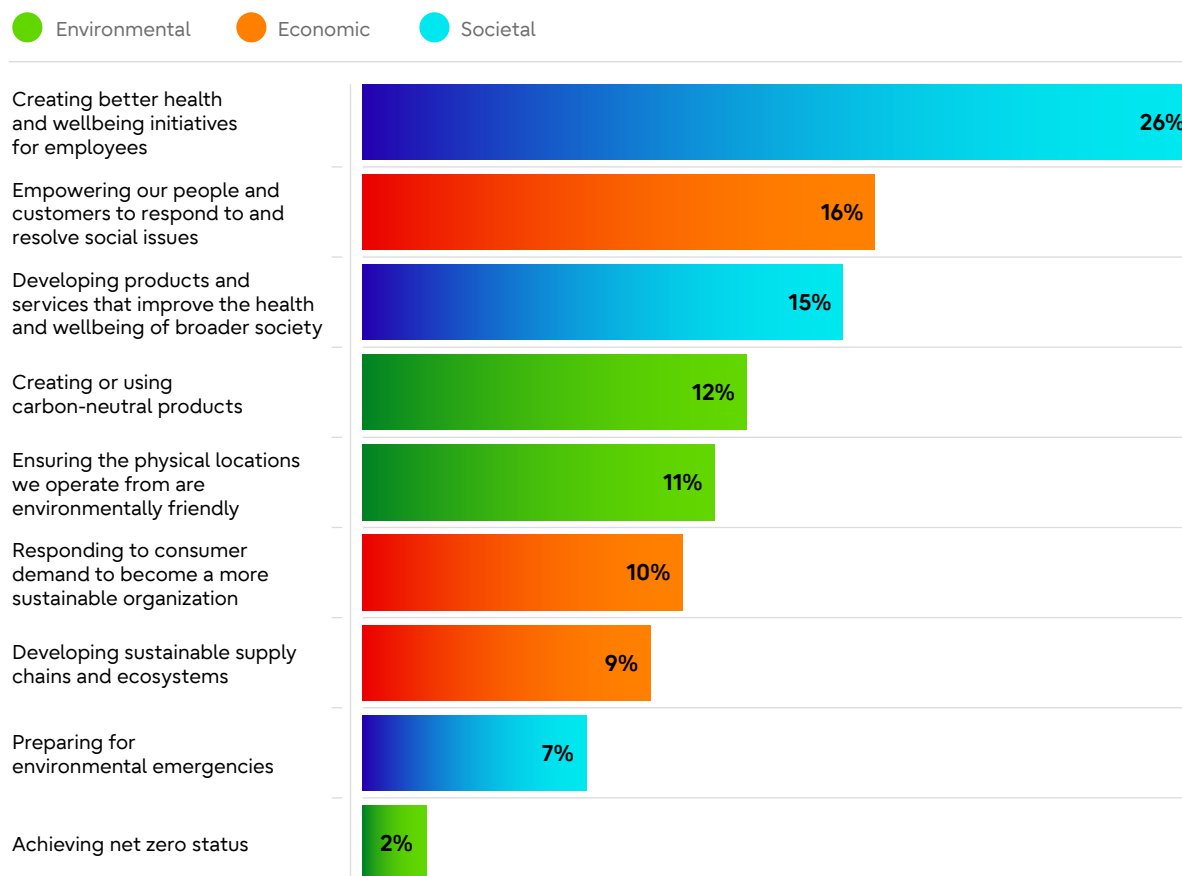


The feel-good factor isn't translating into progress

"If a company has a sustainability plan, then I want to see evidence that the plan is being put into action," says Seb Henbest, HSBC's Group Head of Climate Transition. "What are the projects, the pilots, the partnerships, the acquisitions – what are the real things that organizations are doing?"

Our research shows that organizations are failing to do those "real things." A quarter (26%) of might have created health and wellbeing initiatives for their employees, but only 2% have achieved net zero status. And less than 10% have completed other essential sustainability activities, such as preparing for environmental emergencies and developing green ecosystems.

Very few organizations have completed important Sustainability Transformation initiatives



Why are these organizations so slow to act? In part, it's because making meaningful change is difficult, and a sustainability mindset might not be felt across the entire organization. For instance, 18% of organizations believe sustainability is just a fad that will pass, 27% are not clear whose responsibility it is to drive sustainability, and 25% are still being challenged on sustainability investments if they don't offer a clear return on investment.

Helge Muenkel, Chief Sustainability Officer at DBS Bank, says that culture and a collective sense of purpose can remedy these issues.

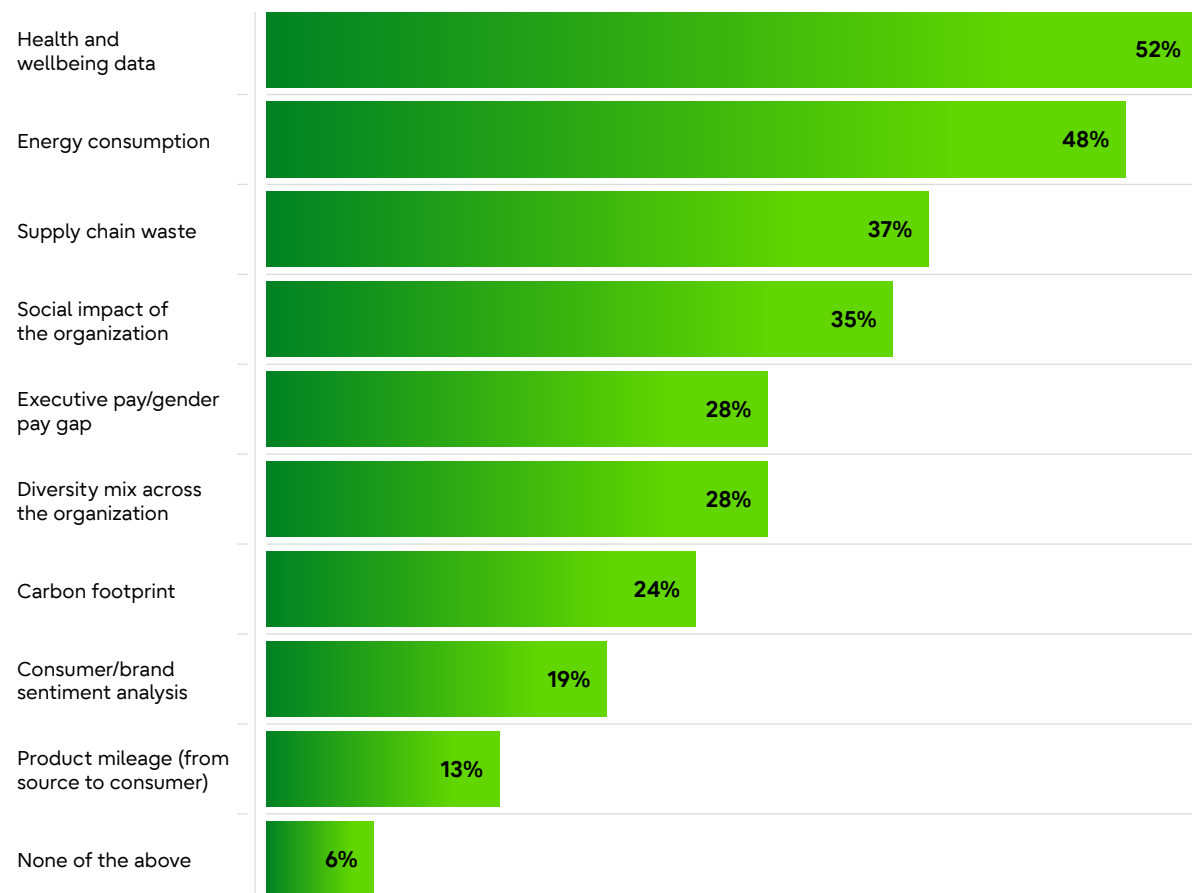
"At DBS we have a wonderful vision, which is to be the best bank for a better world," he says. "And the latter part encapsulates our approach to sustainability. And the beautiful story behind this vision is it wasn't the brainchild of one individual, it was actually built ground up by our 350 or so senior leaders in a conference, when they asked themselves, 'Why are we doing all of this?' So purpose is extremely important. And continuously nourishing the culture associated with that is instrumental, as it is fundamentally the most important step we need to take."

Success should be measured

Every strategy needs goals that are measurable. But when it comes to Sustainability Transformation, organizations are not yet putting the right targets and measurement strategies in place at the start.

Organizations are not actively tracking the trickier sustainability metrics

Chart shows organizations that are actively tracking the following sustainability metrics



Half of organizations are tracking health and wellbeing data and energy consumption, but these data sources are readily available. Metrics that need deeper expertise, such as carbon footprint and supply chain waste, are largely overlooked. Most concerning? Six percent of organizations are tracking nothing at all.

And that's a big problem, according to HSBC's Henbest. "If you can't measure it," he says, "You can't manage it."

Gender pay gaps are tracked inconsistently



Executive pay and the gender pay gap are only being actively tracked by **28%** of organizations, which is surprisingly low given recent publicity around this data.

In France², organizations whose pay gap exceeds a certain threshold must propose an improvement plan, and failure to improve pay disparity within three years can result in financial penalties of up to 1% of their total payroll.

In the US state of Massachusetts³, meanwhile, employers are not allowed to ask applicants about their salary history. Instead, they have to make them an offer based on what their skills are worth to them. This aims to stop low pay from following women and minorities through their career.

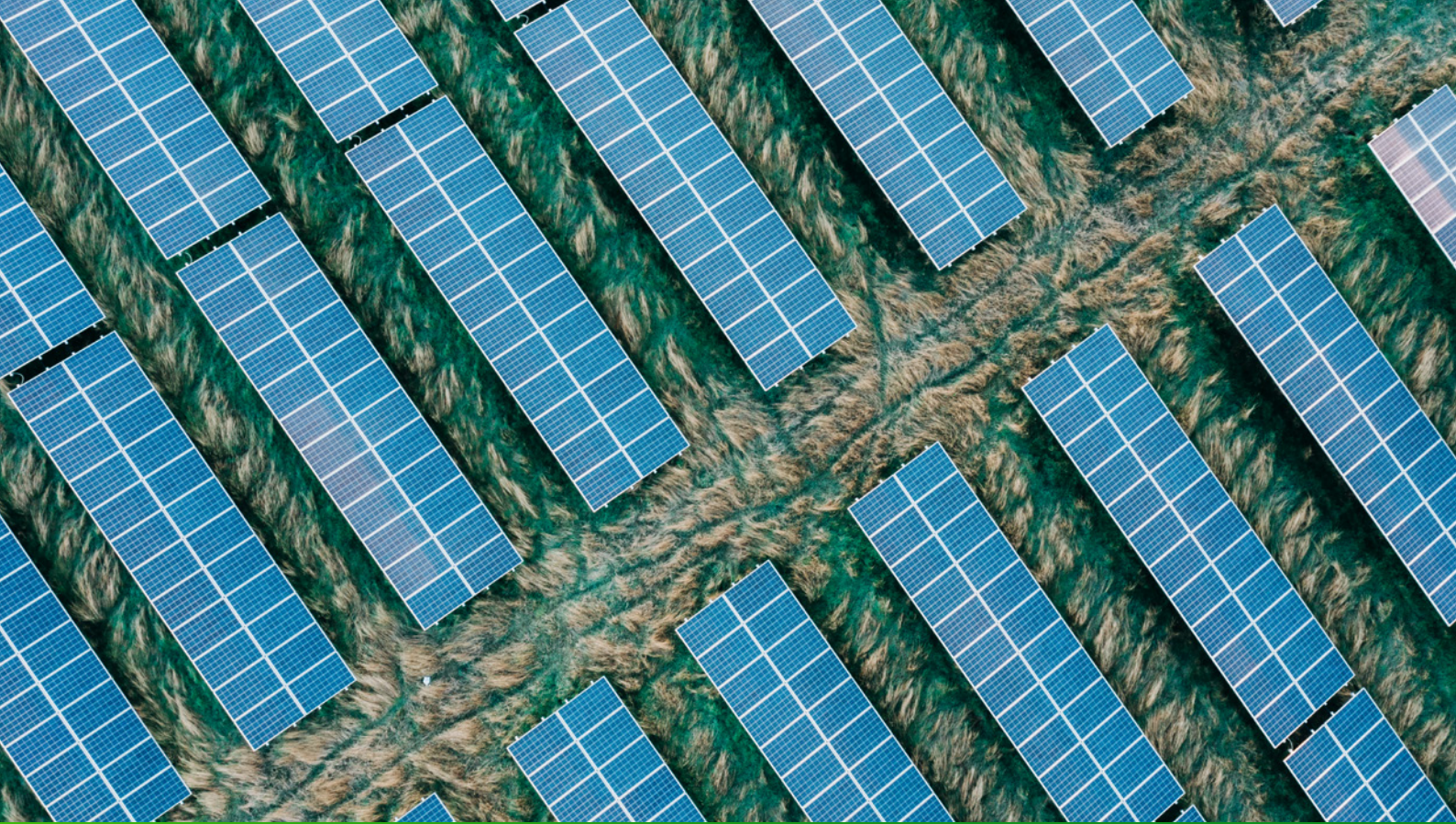
And in Japan⁴, from next year, some organizations must disclose their gender wage gaps on their websites.

So our research suggests that while organizations talk the talk about sustainability, real action is simply not a reality for many. They're not making tangible progress, and they lack the culture and the hard data to make things happen. But there is something that can help bring organizations' sustainability goals to life: technology.

2. <https://www.internationallaborlaw.com/2018/11/27/countries-implement-new-gender-pay-gap-measures/>

3. <https://www.nytimes.com/2016/08/03/business/dealbook/wage-gap-massachusetts-law-salary-history.html>

4. <https://www.shrm.org/resourcesandtools/hr-topics/global-hr/pages/japan-gender-wage-gap.aspx#:~:text=The%20Organization%20for%20Economic%20Cooperation,of%20OECD%20countries%20in%202020.>



Technology is the great Sustainability Transformation accelerator

More than two-thirds (68%) of organizations say that Sustainability Transformation will not be a success without significant investments in technology.

Before Sustainability Transformation came digital transformation, and Kotipizza's Anna Rahikainen says the two major movements are linked.

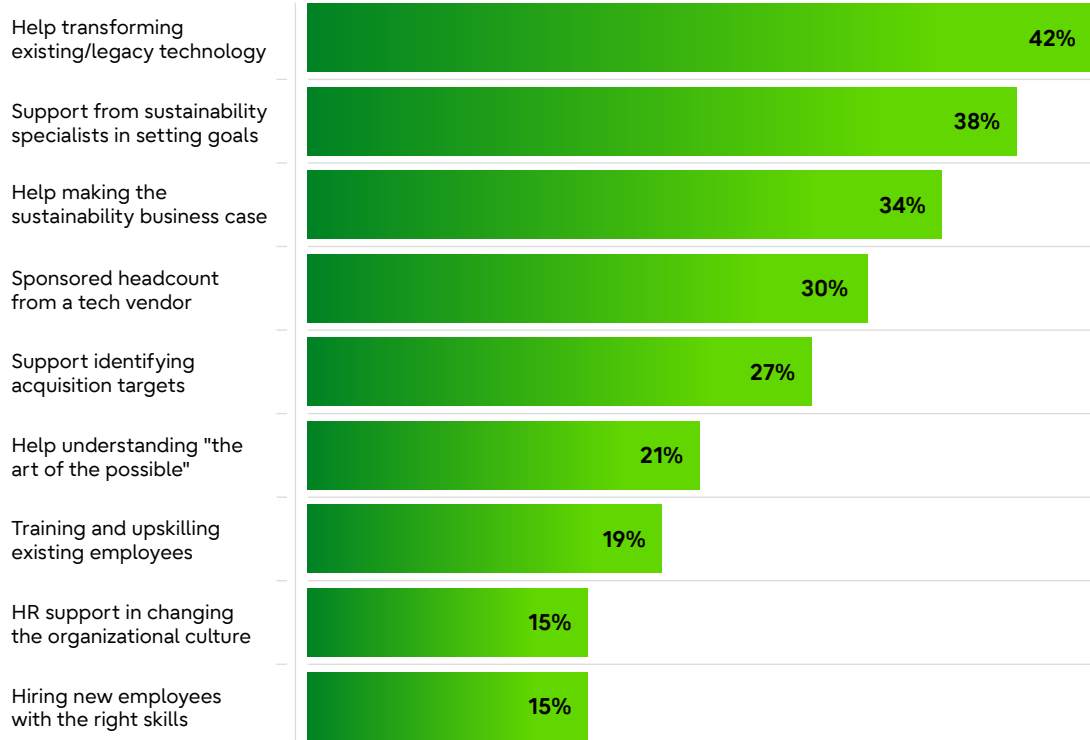
"Digital transformation and Sustainability Transformation feed off one another," she explains. "To a very large extent, Sustainability Transformation is enabled by digital transformation. It's a prerequisite. In the past, the narrative was very much about digital, but now it's shifting toward how digital can make sustainability happen. It's all about how we can use technology to make Sustainability Transformation happen."

London Business School's Ioannis Ioannou agrees. "A lot of sustainability challenges are problems of inefficiency," he explains. "So technologies can come in and really help us take optimization to a whole different level. Technology plays an absolutely integral and fundamental role in Sustainability Transformation."

The two transformations should go hand in hand, but it's not always easy to make that happen. In fact, transforming technology is the biggest area organizations need help with when they pursue Sustainability Transformation.

Organizations need support to achieve their Sustainability Transformations, and technology is top of their lists

Chart shows the support that organizations say they need to drive Sustainability Transformation from a technology point of view



But those that can get this right and connect their digital transformations to their Sustainability Transformation goals are in the best position to succeed.



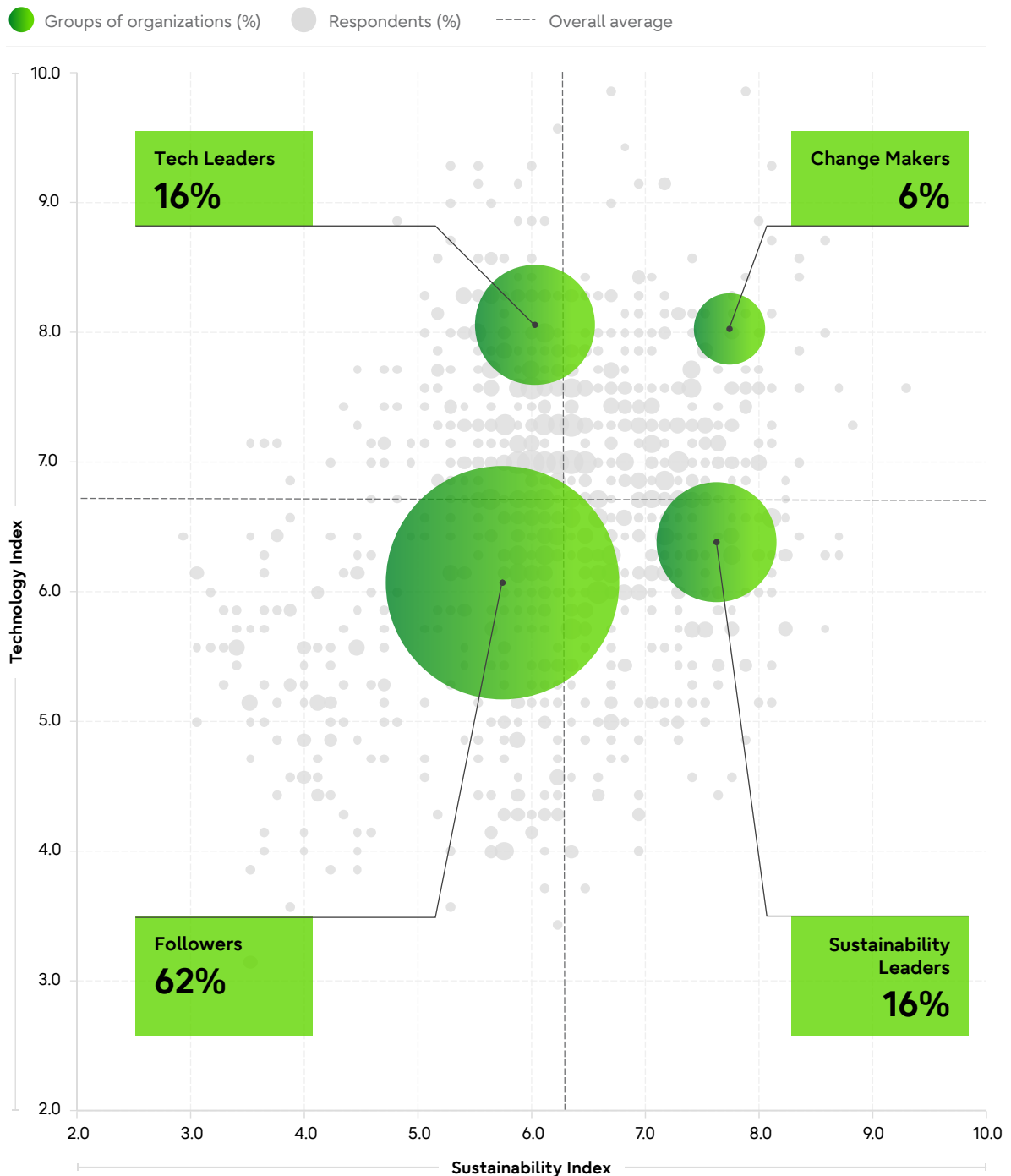
Technology + sustainability = true Sustainability Transformation

Our research shows that Sustainability Transformation needs sustainability and technology to be considered together. Focusing on one without the other will not work in the same way.

Meet the Change Makers

A small group of organizations in our research are doing just this, and they have better business outcomes as a result. Just 6% of our respondents, we call these the Change Makers.

Where organizations fall across the Sustainability Transformation index



How we identified the Change Makers

We analyzed our respondents' answers to questions covering a range of factors:



Sustainability

- Performance against external sustainability targets
- How far advanced they believe they are on their Sustainability Transformation journeys
- Cultural traits regarding sustainability
- Specific sustainability initiatives being undertaken
- Means to achieve Sustainability Transformation, e.g. finances, skills



Technology

- Understanding of how to use technology to drive Sustainability Transformation
- How far advanced they believe they are on their overall digital transformation
- Level of technology support needed to complete Sustainability Transformation
- Maturity and success so far on using technology to drive Sustainability Transformation

Scores were assigned to organizations based on their answers. High scores were given to organizations which performed well against each factor, and lower scores were assigned for poorer performance.

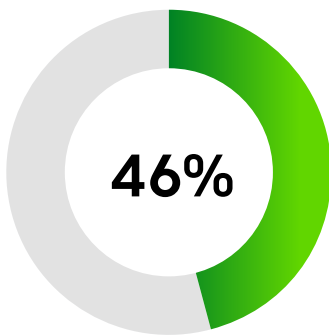
We have named the organizations that score highest on the sustainability factors the **Sustainability Leaders**, and the ones that lead on the tech scores the **Technology Leaders**. When an organization scores highly across both areas, it is one of our **Change Makers**. The rest, which lead in none of the categories, are the **Followers**.



Change Makers have the power to make an impact

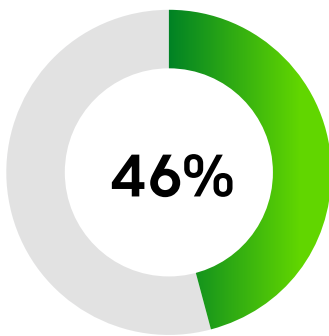
Our research shows that the way the Change Makers combine technology with sustainability leads to major competitive advantages.

Competitive advantages



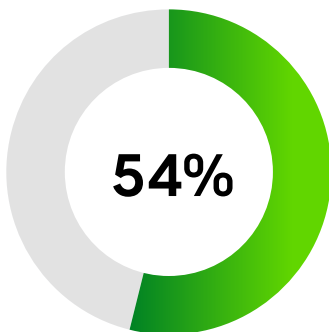
Higher profits

The Change Makers are more likely to smash their financial goals: **46%** of the Change Makers say they are enjoying profits that are exceeding their expectations, compared with just **29%** of the Followers.



Better brands

The Change Makers are more likely to enjoy better brand performance than the rest: **46%** say their brand reputation is better than they expected, compared with **37%** of the Followers.



Simplicity

The Change Makers find it easier to achieve Sustainability Transformation: **54%** say that using technology to power Sustainability Transformation has been easier than they thought, and they've reached key milestones earlier than planned. This compares with just **38%** of the Followers.

But that's not all. Conventional business metrics will always be important to organizations, but in this new sustainability-driven world, they need to show they are truly making an impact on the world. The Change Makers do that: 93% of them feel confident they can meet their Sustainability Transformation goals on time, compared with just 58% of the rest.

And the Change Makers are expecting to make an impact. More than a quarter (27%) of Followers say they expect to see no real benefits of Sustainability Transformation within the next decade. But only 16% of the Change Makers think this, signaling that they have higher expectations of the positive impact they can have on the world.

Sustainability Transformation in action: Deutsche Telekom

Deutsche Telekom has been committed to Sustainability Transformation for more than 20 years, and is currently aiming to become climate neutral on all scopes of emissions by 2040.

How will it do it?

By sorting out the supply chain

Ensuring that Deutsche Telekom's extensive supply chain of companies is on the same page in terms of sustainability is a key goal for the firm. Potential partners are scored, among other things, on their sustainability credentials in terms of energy efficiency and circularity. Today, these sustainability criteria account for about 20% of the scoring weighting.

But the ideal scenario is that all suppliers are so sustainable, this process is no longer required, explains Vice President, Group Corporate Responsibility Melanie Kubin Hardewig. "It will take us all a few years to get there," she explains. "But that should be the vision for us all."

By reducing e-waste

"Waste often does not have a value," says Kubin-Hardewig. "But we need to learn that it can." This is the mantra behind the organization's focus on reducing e-waste by reusing and repurposing telco equipment.

On the consumer side today, about 60–70% of equipment can be reused in some way, and are, through leasing and renting models.

"But we now have to transfer this to the mobile communication equipment and the technology which is used in our network," says Kubin-Hardewig. "And this is a big challenge."

By giving back to society

Sustainability objectives can have multiple benefits, Kubin-Hardewig adds. She says that reusing and recycling technologies can have a positive knock-on impact for consumers that are struggling with the increasing cost of living.

"We all know the challenges European economies are facing right now, and it is consumers who are bearing the brunt. Affordability is a big concern, but reusing and recycling helps here. It really plays into that challenge by helping us create better commercial offers."



For Sustainability Transformation success, act like a Change Maker

The Change Makers are an enviable group of organizations that find Sustainability Transformation easy. Here are five characteristics they share.

Five characteristics of Change Maker organizations



1. They are communicative

Culture and communication are at the core of all major transformation projects, including Sustainability Transformation. If an organization is seeking to make major changes to the way employees think and behave, it has to back it up with something concrete from the very top of the organization.

The Change Makers understand this. They are almost twice as likely as the Followers to have an organization-wide sustainability strategy set by the CEO and senior leaders – 23% of the Change Makers have this, compared with just 13% of the Followers. But that 23% shows that even the Change Makers have more work to do here.

“The first step to Sustainability Transformation is embedding it within the culture,” explains Eloise Cotton, UK and Ireland Sustainability Lead at Schneider Electric. “It needs to sit right at the top with those decision-makers. Once you’ve done that, the strategy comes. One of the mantras we have at Schneider Electric is that first we set a strategy or a target, then we commit to it, measure it based on real science and transparency, then continue to act and improve upon it. Then you repeat. It is a cyclical process.”

“The first step to Sustainability Transformation is embedding it within the culture. It needs to sit right at the top with those decision-makers.”

Eloise Cotton
UK and Ireland Sustainability Lead
Schneider Electric



2. They measure success

Sustainability Transformation is a huge challenge for organizations. So it's essential that they break the challenge down into smaller parts and set a range of KPIs to measure against. And because Sustainability Transformation is so broad – it covers the environment, economic growth, and wellbeing – they need to put discrete goals in place.

“Humans are oriented toward targets: they're essential to steering success.”

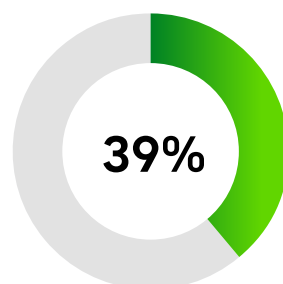
Melanie Kubin-Hardewig
Vice President, Group Corporate Responsibility
Deutsche Telekom

Thirty-nine percent of the Change Makers have financial KPIs in place to drive sustainability (e.g. investment levels, revenue targets), compared with just 25% of the Followers.

“Humans are oriented toward targets,” says Deutsche Telekom’s Melanie Kubin-Hardewig. “They’re essential to steering success, and it helps culturally to move people in the right direction. It also creates transparency on where you are compared with where you started.”

Deutsche Telekom has gone a step further than most by tying sustainability targets to employees’ remuneration packages. All employees who have a portion of their salary that is variable – which accounts for the majority of the workforce – are covered by the scheme.

“It speeds up the process of getting people involved and drives our target achievement,” says Kubin-Hardewig.



of the Change Makers have financial KPIs in place to drive sustainability



3. They are innovative

Digital transformation helped organizations to create an innovative culture by driving agile methodologies, “fail-fast” mentalities and an appreciation of the business outcomes that technology can encourage. But innovation is even more central to Sustainability Transformation.

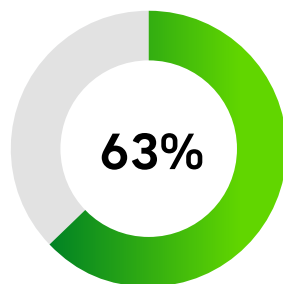
The Change Makers are significantly more likely than the Followers to understand this: 38% of them believe that digital innovation is at the very core of their organization, and that they’ve always been an early adopter of digital tech and IT, compared with just 3% of the Followers.



4. They are investing in technology

Digital innovation is the foundation of Sustainability Transformation, and technologies are the building blocks. The Change Makers know this, and their investments in tech outpace those of the Followers.

For example, 63% of these organizations expect to increase their investment in network technologies in the next two years, compared with just 38% of the Followers. It’s a similar story with AI (73% vs 46%) and data and security (71% vs 48%).



of the Change Makers expect to increase their investment in network technologies in the next two years

Digital technologies play a major role in keeping Kotipizza running smoothly, according to Anna Rahikainen. She says that technology helps with food safety by monitoring and optimizing the performance of refrigerators and freezers, measuring emissions through the supply chain, and helping the chain keep on top of its many franchised operations. “It’s all being digitized,” Rahikainen explains. “E-commerce is also our key sales driver.”



5. They are skilled

To happen, Sustainability Transformation needs people with the right skills. Some 39% of the Followers believe they have great ideas to become more sustainable, but admit they don't actually have the skills to make it happen. Only 16% of the Change Makers say that this is the case.

HSBC is tackling this challenge by creating a Center of Excellence for Corporate Sustainability. The initiative brings together people from across the organization with a range of skills to share knowledge and tackle common goals. Outside expertise is also brought in to complement the bank's existing skills.

"We need to bring people together," says Seb Henbest, Group Head of Climate Transition at HSBC. "And get them up to speed on the new world we're trying to engineer and finance together."



Securing a successful and straightforward Sustainability Transformation

Sustainability Transformation is hard. Organizations think they're doing a great job, but in reality they're only scratching the surface. More needs to be done to make their goals a reality.

A small group of organizations get this and are rising above the rest. We call them the Change Makers. What makes them different? They're focusing on technology and sustainability at the same time. One without the other does not create results.

And the Change Makers are reaping rewards. They find Sustainability Transformation easier than most, they're more profitable and their brands are booming.

How have they done it?

1. They're communicative
2. They measure success
3. They're innovative
4. They invest in technology
5. They're skilled

The Change Makers are on the right track, but there's more to do. All organizations, regardless of where they are on their Sustainability Transformation journeys, need to embody these characteristics in order to thrive. As with digital transformation before, only the strongest will survive. And this time, it's not just organizations that could suffer – it's the environment, economies and people's wellbeing at stake too.





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