

Sustainability: A Customer Priority and Provider Imperative

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Initiatives: [Product Development](#)

Organizations are making aggressive and strategic sustainability goals to improve their brand reputation, ensure regulatory compliance and improve resource efficiencies. Technology product managers must prioritize investments in sustainability to drive product and service adoption and growth.

Overview

Key Findings

- Almost all organizations have increased investments in sustainability initiatives over the past three years and plan to continue increasing sustainability investments through 2023.
- Organizations anticipate the benefits derived from sustainability programs will include increased company brand and reputation, improved resource efficiency, innovation and new products, and improved customer satisfaction.
- The drive for sustainability comes from multiple constituencies including customers, investors, regulators and employees, as well as public policy.

Recommendations

For product managers developing product and service offerings that include specific sustainability benefits in product and service offerings:

- Capitalize on the increasing investments in sustainability made by customers and prospects by prioritizing the inclusion of sustainability benefits during the product development phase — and not as an afterthought.
- Showcase sustainability benefits and features in product offerings by exposing sustainability features and metrics in product and service interfaces.

- Assist each customer constituency to achieve and communicate the sustainability benefits that are important to them by documenting sustainability outcomes produced through the use of product offerings.

Analysis

Sustainability is a multifaceted topic touching every aspect of an enterprise. Each role within an organization will view sustainability according to their unique perspective and aspirations, leading to multiple priorities and desired benefits from sustainability initiatives. Regardless of perspective, sustainability is about enabling the organization to achieve long-term viability. Organizations invest in sustainability in pursuit of enduring business and operating models across environmental, social and economic factors, as defined by the United Nations' 17 Sustainable Development Goals. ¹ Organizations that prioritize sustainability recognize its importance to the longevity and enduring potential of the business and its ability to grow while both consuming and contributing resources in a virtuous and symbiotic cycle.

Figure 1. Sustainability Is Multidimensional

Sustainability Is Multidimensional



Source: Gartner
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Sustainability is an objective that guides decision making by incorporating economic, social and environmental impacts:

- Economic – Impacts to human communities and economic systems.
- Environmental – Impacts to the earth's resources.
- Social – Impacts to people and human rights.

Sustainability is not something that can be outsourced and requires both providers and customers to implement sustainability practices. Providers and customers both have responsibility for sustainability outcomes in a type of shared responsibility model. However, technology and service providers play a key role in enabling sustainability outcomes.

- Providers must develop and deliver products and services that help organizations achieve their desired sustainability outcomes.
- Customers must consume and operate product and service offerings using sustainability best practices.

Environmental, Social and Governance

Environmental, social and governance (ESG) is a key measure of sustainability performance and is commonly used to measure key dimensions of sustainability practices. Where sustainability is primarily about the outcomes that manifest in society and the natural environment, ESG represents a sustainability reporting dimension. Organizations use ESG criteria to measure and communicate their performance on sustainability principles, including environmental and social impacts, as well as corporate governance. Investors use ESG as a measure of the long-term risks and opportunities that may affect the company's performance as an investment. The ESG criteria, in turn, drives corporate boards and management teams to factor sustainability into business strategy – which results in the growing importance of creating products and services that deliver sustainability benefits.

Customers value technology and service providers that uphold sustainability principles and are more likely to select providers that operate sustainably than those that don't, or those with unclear or unstated positions on sustainability principles. Many organizations explicitly consider sustainability in their sourcing practices and in vendor selection. For long-term success, technology and service providers must demonstrate commitments to sustainability to gain the confidence of their customers and remain relevant in an increasingly digitalized world.

Customers and prospects are more likely to make investments in products and services that help them achieve their sustainability goals.

Investments in Sustainability Are Increasing

In Gartner's 2020 Sustainability Survey, 92% of respondents indicated investments in sustainability programs increased – compared to three years ago (2017). Also, 27% of respondents indicated that investments in sustainability programs increased significantly, by 20% or more.

In the same survey, 52% of respondents indicated they had reached higher maturity of sustainability activity. In response to the question, "What is the highest level of sustainability activity your organization has achieved?" respondents indicated:

- Sustainability is a strategic activity impacting new products/services/design and value chain (36%)
- Leading extensive partnerships up and down the value chain in order to drive industry/cross-industry sustainability performance (16%)

Organizations are setting more aggressive and strategic sustainability goals. Sustainable businesses are those that make a profit – the purpose behind any business endeavor – while improving the environmental and social ecosystems in which they operate. Sustainability investments are increasing to support practical outcomes such as growth, profitability, improved competitive position, stronger outside investment potential, employee retention, decreased costs, brand and reputation improvements, social standing and so on. ESG methodologies are used to measure performance against sustainability goals.

Increasingly, investments in sustainability will cascade from internal sustainability initiatives to sourcing and procurement. A good example of this is the recent announcement from data center operator Equinix, to become “climate-neutral” with explicit targets set for carbon emission reductions across its global operations and supply chain by 2030. ² To achieve these targets Equinix will be mandating specific sustainability standards from its suppliers. Likewise, Cisco has committed to net zero greenhouse gas emissions by 2040, including specific goals implemented in Cisco’s supply chain. ³

In contrast, some technology providers have been criticized for sourcing technologies from suppliers that do not meet sustainability standards across environmental, social and economic dimensions. The reputation of these technology providers on environmental and social issues was tarnished when this information became public. When products or services cannot be produced sustainably, other mitigation strategies can help, such as supporting initiatives to offset the impact of production, such as carbon offsetting.

This focus on sustainability outcomes, including the sustainability impacts of suppliers, will accelerate the focus on sustainability investments and drive increased scrutiny of providers and their offerings.

Recommendations

Product managers developing sustainability benefits in product and service offerings must:

- Demonstrate a commitment to sustainability principles in their product and service offerings by publicizing sustainability goals and current attainment against sustainability metrics.
- Account for sustainable practices in the delivery of products and services by demonstrating adherence to sustainability standards through the supply chain associated with their product and service offerings.
- Capitalize on increasing investments in sustainability by prioritizing and highlighting sustainability benefits of their specific product and service offerings.
- Make the sustainability value proposition explicit by documenting and demonstrating economic, environmental and social benefits of the product and service offerings.

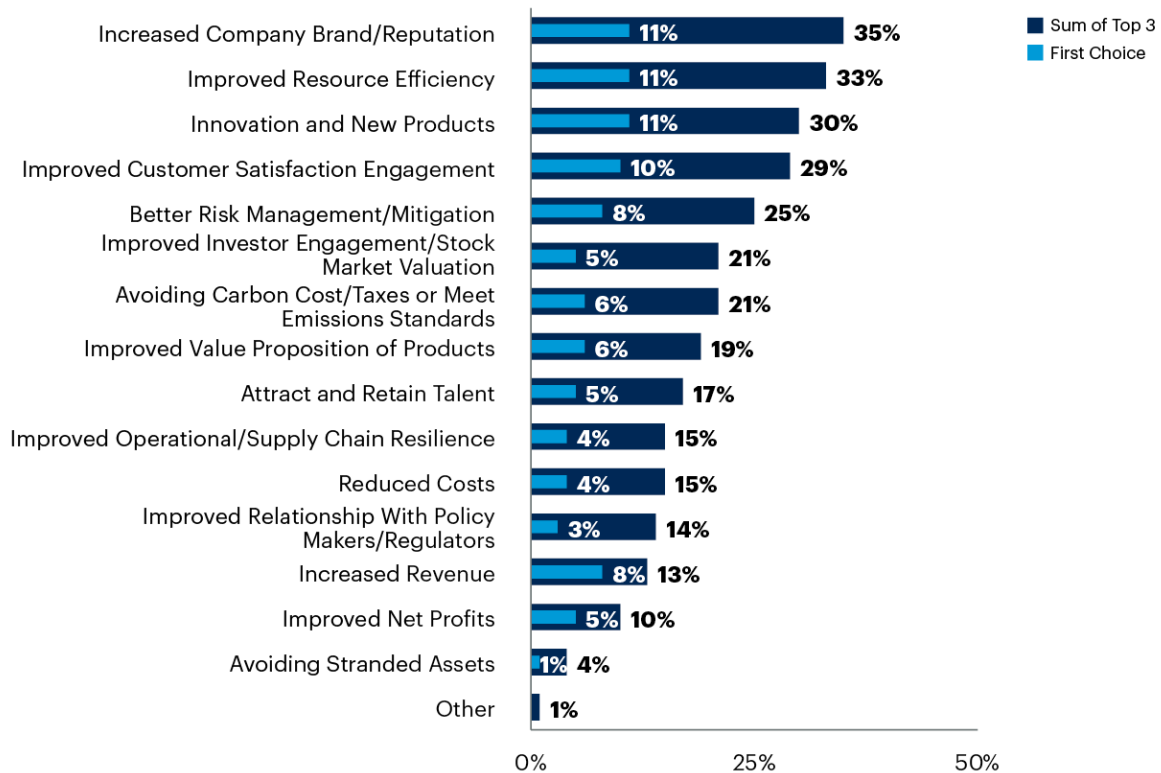
The Expected Benefits of Sustainability Are Multifaceted

While investments in sustainability are increasing, organizations expect practical outcomes for their investments. Sustainability outcomes may be explicit and measurable, but are often less tangible than other types of business outcomes.

Gartner survey data indicates the top benefits foreseen to be derived from sustainability programs by 2025 will include increased company brand/reputation, improved resource efficiency, innovation and new products, improved customer satisfaction/engagement and better risk management/mitigation (see Figure 2).

Figure 2. Top Three Benefits Foreseen to Be Derived From Sustainability Programs by 2025

Top 3 Benefits Foreseen to Be Derived From Sustainability Programs by 2025



n = 183; All respondents

Q. What are the top 3 benefits anticipated to be derived from your organization's sustainability program(s) in the next five years (2025)?

Source: 2020 Gartner Sustainability Survey

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Like any product development initiative, product managers must ensure products are developed specifically to deliver the value customers expect. In the case of sustainability, customers are highlighting benefits that extend beyond specific products, but which are supported by the products and services they consume. For example, if you have customers with aspirations to improve their company brand and reputation through sustainability practices, then your product and service offerings better deliver sustainability outcomes, and your development and delivery must support sustainability principles.

Recommendations

Product managers developing sustainability benefits in product and service offerings must:

- Help customers realize their sustainability ambitions by targeting the top benefits their customers want to achieve including improvements in the company brand and reputation, improved resource efficiency, innovation, improved customer satisfaction and improved risk management.
- Incorporate sustainability benefits into marketing campaigns to highlight the sustainability benefits of product and service offerings, as well as to help customers recognize the specific outcomes they can expect from their providers.
- Ensure product deliverables adhere to sustainability principles by enforcing sustainability standards through all suppliers associated with the product or service offerings.

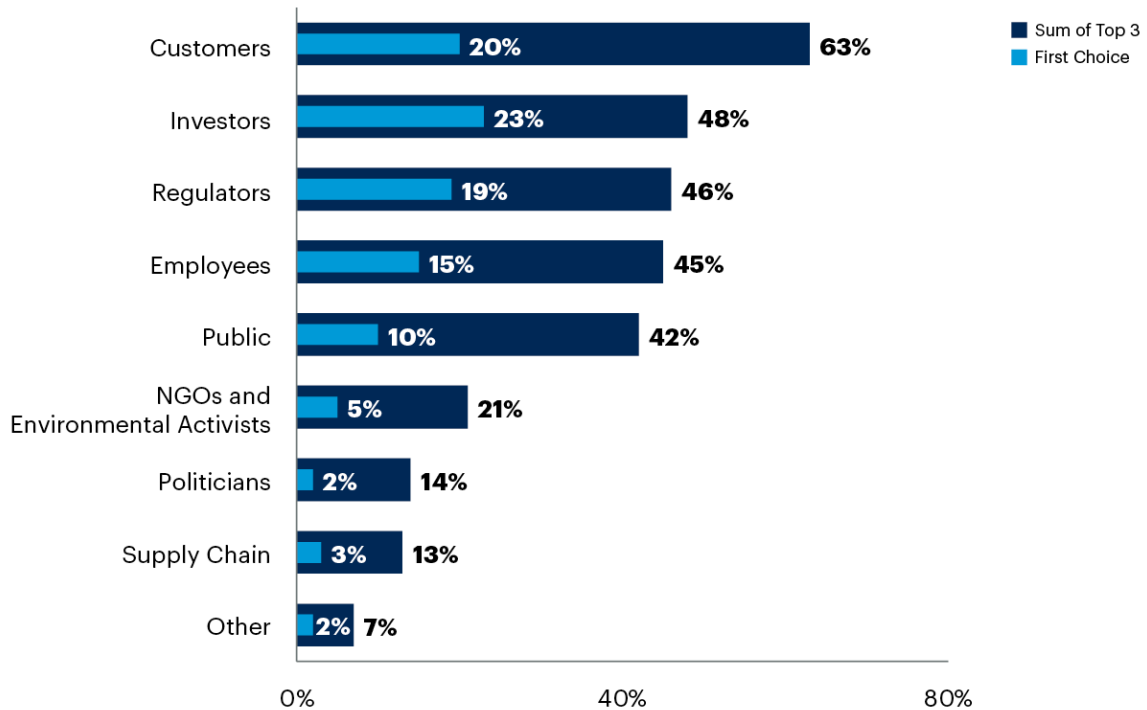
The Drive for Sustainability Comes From Multiple Constituencies

Organizations are holding themselves accountable for sustainability outcomes. They are also responding to pressure from customers, regulators, employees, executive leadership interests, investors and the public at large. The interests of these different constituents will often vary, but each is a potential force to be recognized and served.

Organizations operating in IT markets today will be influenced by these various entities and must be armed to demonstrate their sustainability commitments and outcomes, to each contingency (see Figure 3).

Figure 3. Top Three Stakeholder Groups Creating Pressure to Invest in Sustainability Initiatives

Top 3 Stakeholder Groups Creating Pressure to Invest in Sustainability Initiatives



n = 183; All respondents

Q. What are the top 3 stakeholder groups creating pressure for your organization to act on/invest in sustainability initiatives?

Source: 2020 Gartner Sustainability Survey

Note: NGO = nongovernmental organization

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Table 1 discusses how these stakeholders, as well as certain other relevant groups, affect product managers’ work. The stakeholders have been grouped under six categories that all act as distinct sources of pressure, with their own dynamics. The final column provides summarized advice to product managers on how to best act on these pressures.

Table 1: How Stakeholder Pressures Force Product Managers to Act on Sustainability
(Enlarged table in Appendix)

Source of Pressure	Overview of Dynamic	Advice to Product Managers
Civil Society	Civil society puts pressure on companies and governments to give sustainability a higher priority. Methods involve voting, boycotts, protests and media/social media.	Work with product marketing to communicate the product's sustainability story transparently, avoiding risky greenwashing.
Governments	Governments set laws and regulations that define legal sustainability requirements. These act as the floor of what is required from companies.	Monitor regulatory developments and policy shifts to anticipate how the legal requirements may shift over the product's life cycle.
Investment Community	Investment community rates ESG risks and opportunities when allocating capital. This pushes companies to go above and beyond current regulations.	Work with finance to understand how investors' ESG priorities may affect the product in both the near and the long term.
Ecosystem Partners	Ecosystem partners demand sustainability from players they work with. This gatekeeping role aligns efforts among companies that rely on ecosystems.	Factor partners' sustainability considerations into product strategy to align it with what is expected within the ecosystem.
Workforces	Workforces shape strategies through employees' personal ideals. This makes purpose an additional sustainability driver, beside legal or economic ones.	Factor sustainability benefits into product offerings to help both internal teams and customers strengthen their employer brand to attract and motivate talent.
Customers	Customers use sustainability as a criterion in buying decisions. Thereby, customers' own sustainability pressures are passed on to their suppliers.	Build sustainability benefits into products and highlight sustainability benefits to enable customers to use the product as evidence of a commitment to sustainability.

ESG = environmental, social and governance

Source: Gartner (September 2021)

Recommendations

Product managers developing sustainability benefits in product and service offerings must:

- Help customers meet the requirements of their most important constituent groups by developing product features that meet the requirements of each group.

- Deliver a value proposition that customers can use to communicate the benefits of the product/service and how the needs and requirements of different constituencies are addressed by the offering.
- Deliver product/service documentation highlighting the sustainability benefits, in addition to product/service reporting to feed corporate ESG measures with pertinent sustainability metrics.

Evidence

Gartner's 2020 Sustainability Survey: The 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 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 2020 through December 2020 among 183 respondents from North America, Europe, Asia/Pacific across all industries except energy and utilities, with \$250 million or more in annual revenue.

Respondents were screened at director level or above and for 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 was screened out.

The study was developed collaboratively by Gartner analysts and the Research and Data Analytics team.

Disclaimer: Results of this study do not represent global findings or the market as a whole, but reflect the sentiment of the respondents and companies surveyed.

¹ [The 17 Goals for Sustainable Development](#), UN, Department for Economic and Social Affairs.

² [Equinix Sets 2030 Global Climate-Neutral Target](#), Equinix, 16 June 2021.

³ [Cisco Commits to Net Zero Greenhouse Gas Emissions by 2040](#), Cisco, 9 September 2021.

Recommended by the Authors

Some documents may not be available as part of your current Gartner subscription.

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

[Leading Sustainability Ambition, Goals and Technology in the 2020s](#)

[Emerging Technologies: Top Sustainability Trends for Technology and Service Providers](#)

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