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A Sustainability Mandate Improves Employee Engagement and Retention



Summary

Supply chains with a sustainability mandate are rewarded with more engaged employees and increased progress toward sustainability goals. This research, conducted by Gartner and the Association for Supply Chain Management (ASCM), defines the supply chain sustainability mandate and guides Chief Supply Chain Officers (CSCOs) to secure its benefits in talent and goal achievement.

Key findings

- Supply chains with a sustainability mandate — defined by a strategic, concrete and connected approach to sustainability — report better talent outcomes and preparedness for ESG regulations.
- Supply chain sustainability strategies are less subject to deprioritization and more likely to advance goals when the connection to business value is clear.
- A significant portion of supply chains suffer from a “say/do gap.” Yet, supply chains that build connectedness with their supply chain employees through concrete governance mechanisms and clear communication see more progress (more “do”).

Recommendations

- Secure a sustainability mandate by embracing an approach that is strategic, concrete and connected.
- Make sustainability scalable and sticky by enhancing strategic alignment between supply chain sustainability targets and business goals.
- Coordinate sustainability across the supply chain by deploying concrete governance mechanisms and funding and connecting with employees across functions.

Introduction

The supply chain function is increasingly uncertain, dynamic and complex. In addition to trade barriers, rising costs and fatigued employees, CSCOs must navigate a sustainability strategy that meets a still ambitious (though softening) global legislative environment and skepticism in the U.S. Yet, our research finds that engaging supply chain employees deeply in environmental sustainability efforts improves the supply chain's ability to navigate these challenges.

Most supply chain employees care about their organization's impact and want to help. The latest Gartner ASCM Sustainability in Supply Chain Survey finds that 72% of supply chain employees report that climate change has had an obvious negative impact in their communities, and 74% say it is important that they work for a company that prioritizes sustainability.

While some supply chains are quieting their sustainability efforts in a challenging context, supply chains with a "sustainability mandate" are more likely to stay committed. These "mandate supply chains" report improved ESG and talent outcomes, leveraging strategic alignment, concrete governance, and a connection with employees to maintain focus and scale solutions. This research provides more detail on the key findings of a joint research project in which Gartner and ASCM collaborated to explore the state of supply chain sustainability and evaluate the impact of sustainability mandates.



A sustainability mandate unlocks ESG and talent benefits

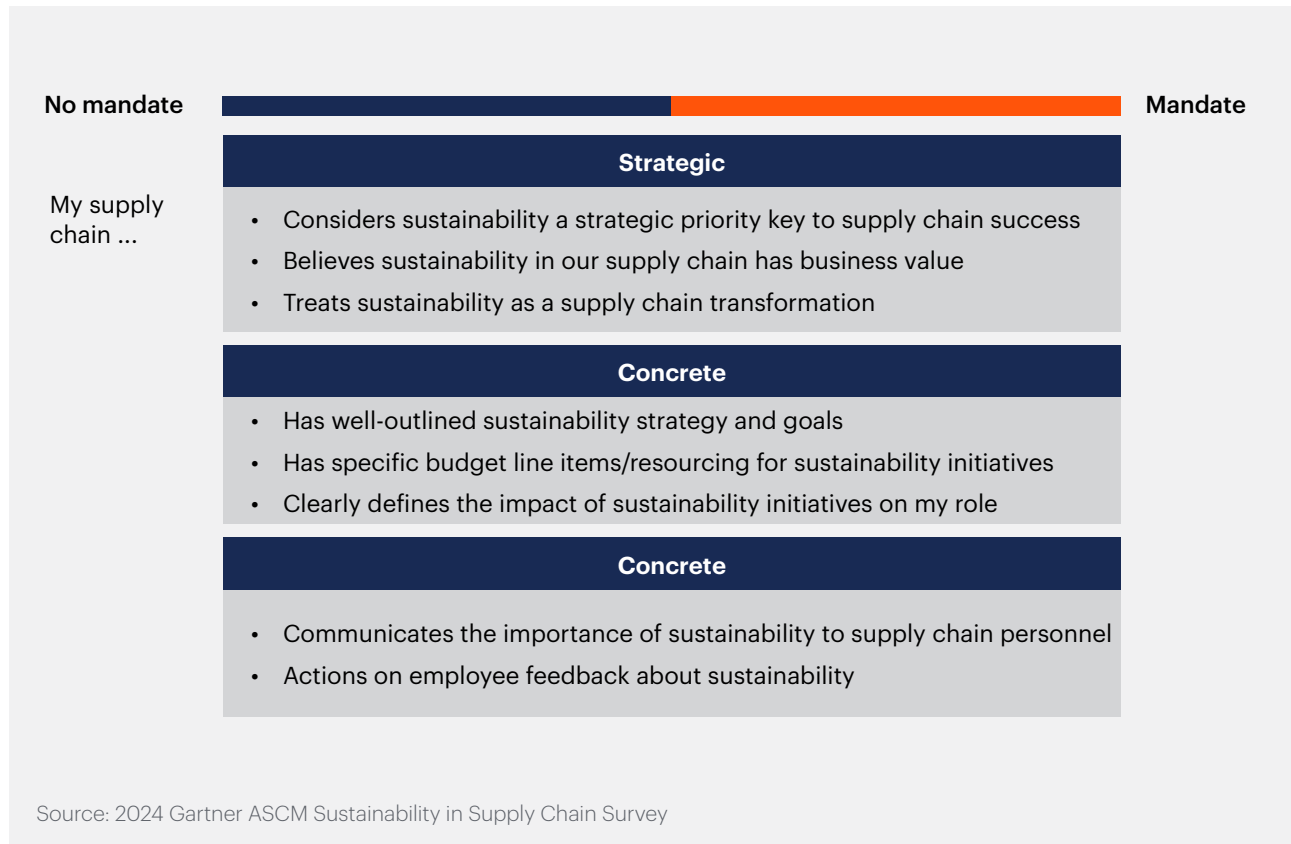
Our research considered a range of questions to determine supply chains with a “sustainability mandate.” Questions assessed the extent to which a supply chain’s sustainability approach was strategic, concrete and connected.

- **Strategic:** Mandate supply chains align sustainability efforts with business value creation. This means that their sustainability goals are viewed as key to supply chain success.
- **Concrete:** Mandate supply chains take concrete action in sustainability — applying clarity, funding and governance to advance goals.
- **Connected:** Mandate supply chains connect the sustainability work to employees across the supply chain with two-way communication. They communicate goals and concrete actions, and they listen to feedback from employees.

Figure 1 outlines all responses from supply chain employees to these questions. Those who responded most favorably to all questions were determined to have a sustainability mandate.

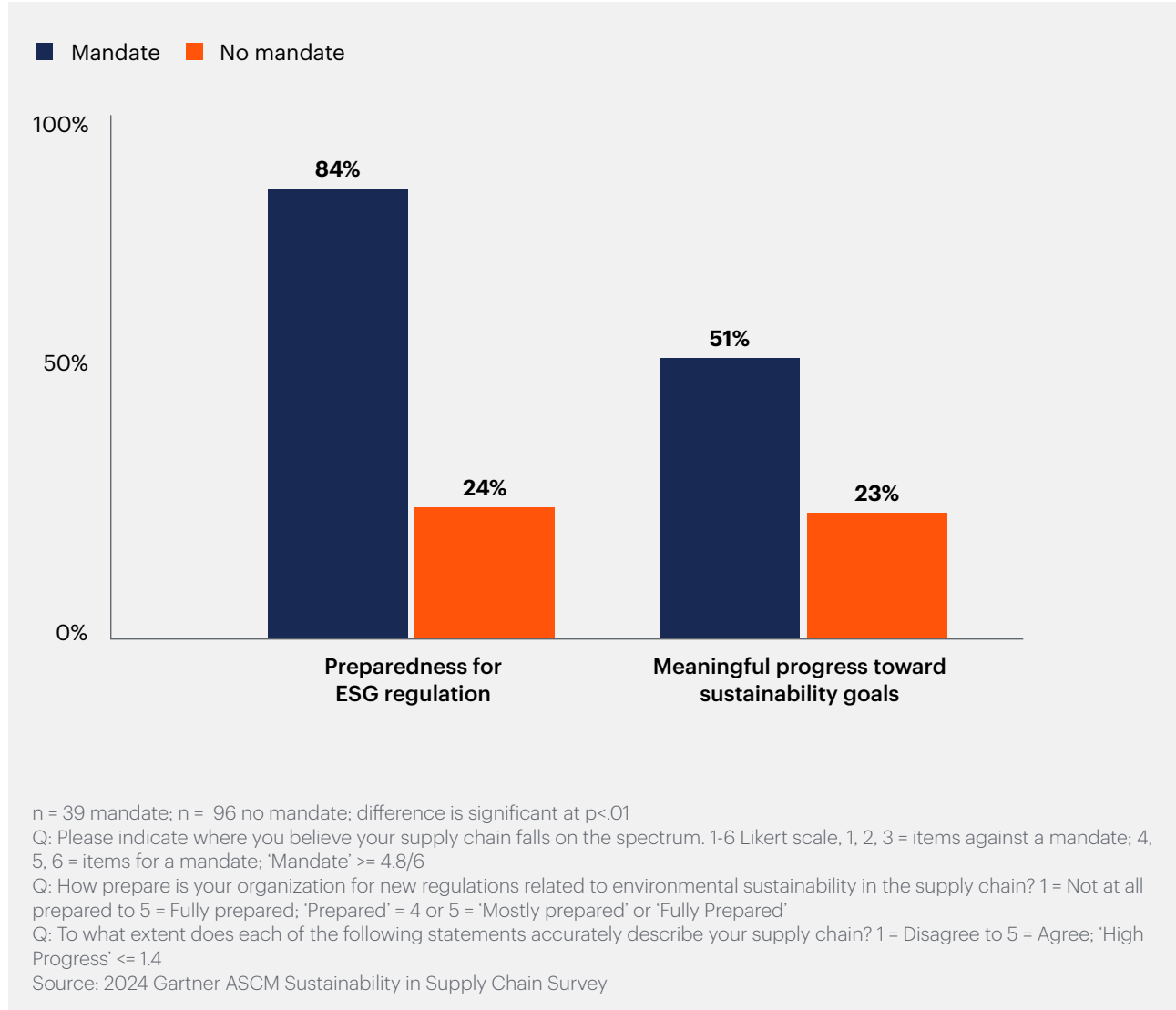
Figure 1: Mandate supply chains are strategic, concrete and connected

Supply chains which most agree with the following statements are determined to have a sustainability mandate.



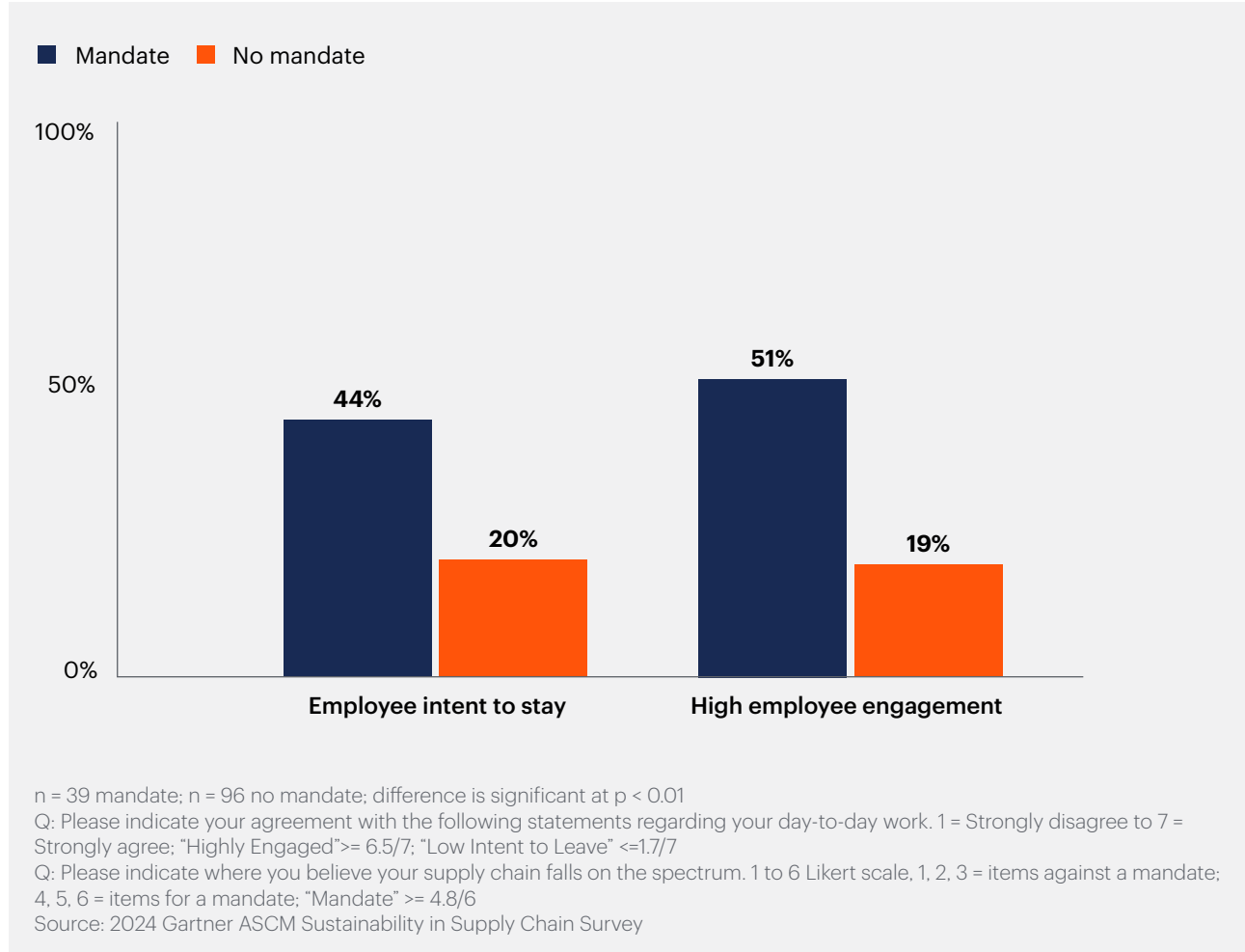
Mandate supply chains report better outcomes: They are more prepared for ESG regulations and make more progress toward sustainability goals (see Figure 2).

Figure 2: Mandate supply chains are more prepared for ESG regulations and make more progress toward sustainability goals



In addition, mandate supply chains report higher intent to stay at their employer and higher employee engagement (see Figure 3).

Figure 3: Mandate supply chain employees report higher engagement and intent to stay

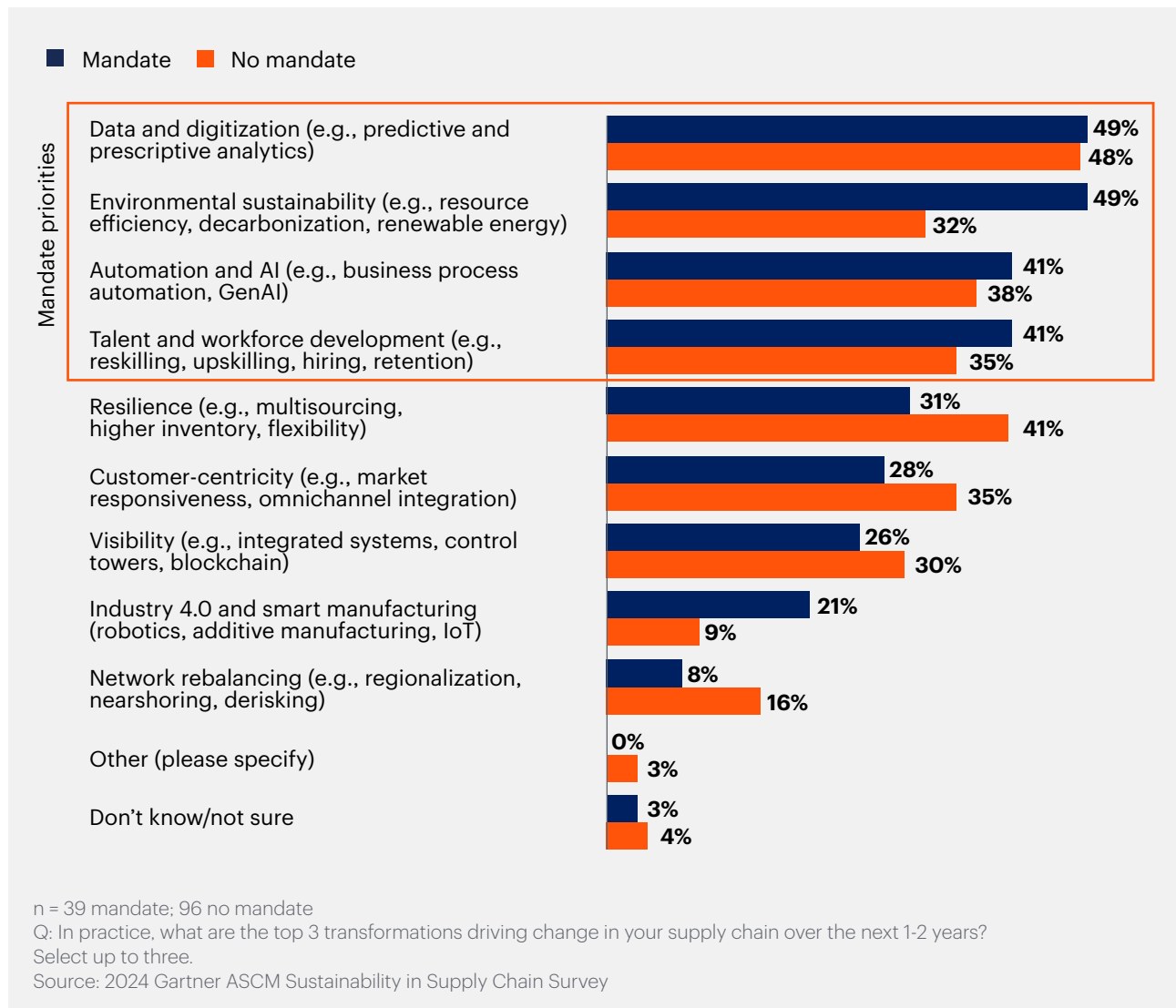


Strategic alignment makes sustainability scalable and sticky

In this volatile environment, supply chains face difficult trade-off decisions. Yet, supply chain sustainability strategies are stickier for supply chains with a sustainability mandate, which were much less likely to report that environmental sustainability often loses out in trade-off decisions with other supply chain objectives. Our research examined the top transformations driving change in supply chains. A host of priorities emerged, including automation and AI, environmental sustainability, and data and digitization (see Figure 4).

Figure 4: Top supply chain transformations

Top 3 transformations driving change in supply chain

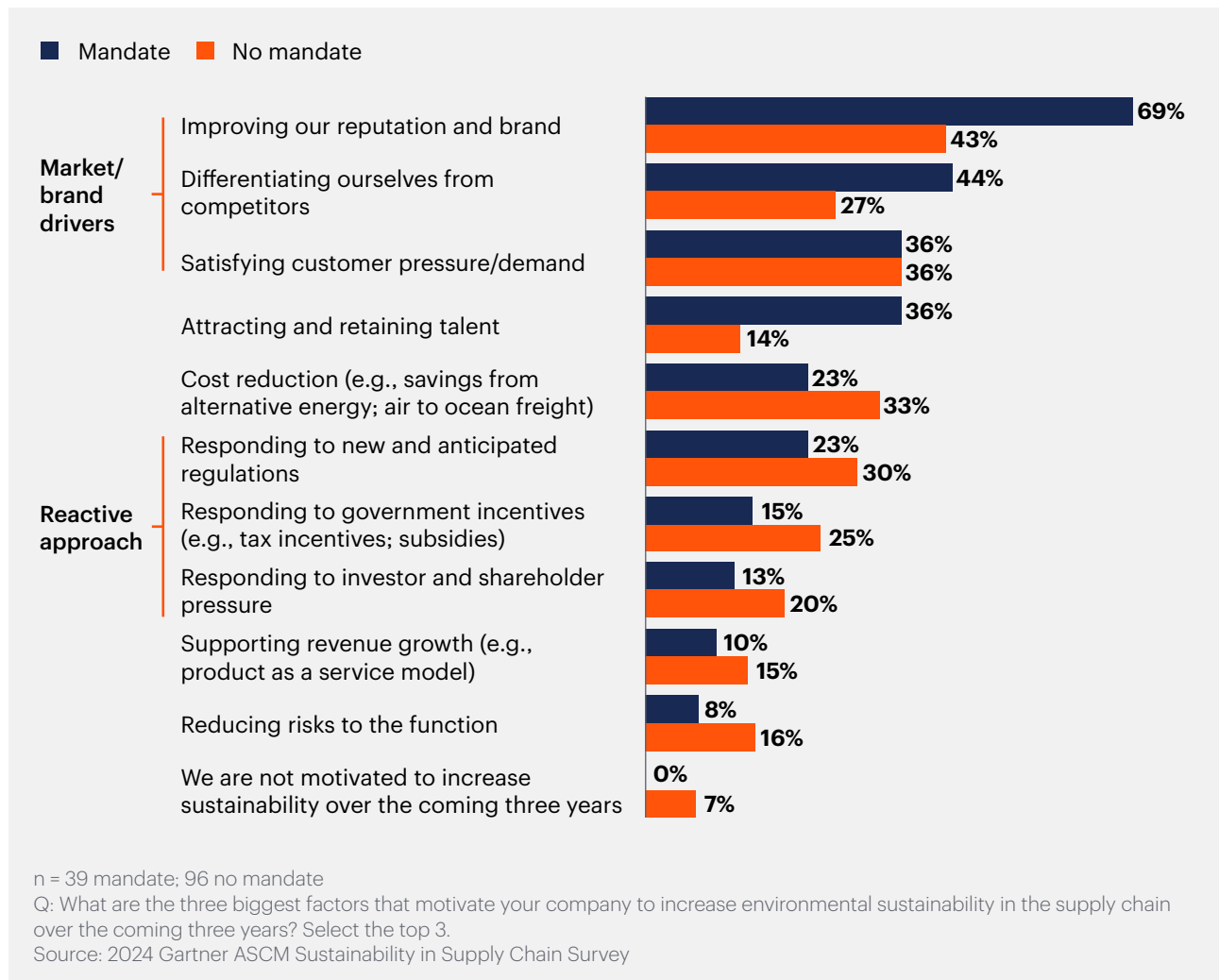


Still, significant differences emerged between mandate and nonmandate supply chains. Mandate supply chains were predictably more likely to include sustainability among their top priorities, whereas supply chains without a mandate were more likely to cite resilience as a key transformation. While we had expected to find companies deprioritizing sustainability in favor of AI, we found that mandate and nonmandate companies focused heavily on automation and AI, with slightly more mandate supply chains prioritizing automation and AI, suggesting that AI and sustainability can coexist, and even be complementary, in supply chains that consider sustainability a strategic priority.

Market differentiation, brand reputation and talent are key drivers of sustainability for mandate supply chains (see Figure 5). Given that growth is consistently a top priority among CEOs, these drivers align closely with key business priorities. Key drivers among nonmandate companies are less pronounced but broadly take a more reactive approach, with more nonmandate supply chains focused on responding to requests, requirements or government policy.

Figure 5: Top drivers of supply chain sustainability

Top 3 organizational motivators of environmental sustainability in supply chain



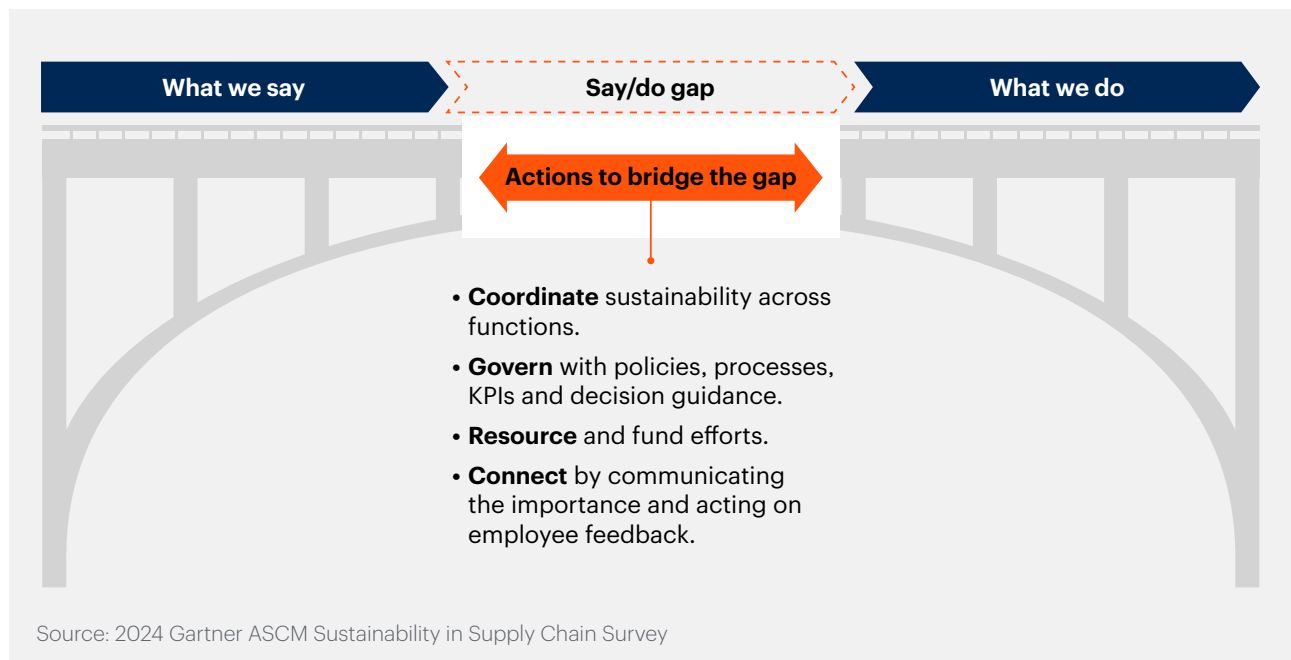
Strategic alignment may look different going forward, as the market differentiation benefits of sustainability are more volatile, given an ESG backlash in the U.S. and legislation around green claims and greenwashing in the EU.* Still, mandate supply chains will continue to connect their sustainability strategies to business value.

A concrete, connected approach bridges the say/do gap

A “say/do” gap is evident across the board. Nearly a quarter (22%) of respondents agree that their supply chain’s action on sustainability does not match its public-facing messaging. While the share was larger in nonmandate companies (27%), some respondents (13%) in mandate companies also questioned the authenticity of the sustainability mandate in their organizations. Some supply chain employees are equally skeptical of internal communications. Twenty-three percent of respondents report that their supply chain’s action does not match its internal messaging on sustainability. This is significantly higher for companies without a mandate (28%) but not insignificant (15%) in mandate supply chains. What makes it so hard for supply chains to take action?

Respondents point to the scale of change required as the top challenge to implementing sustainability. Delivering sustainability requires a whole-of-supply chain effort. Mandate supply chains more effectively meet this challenge by coordinating sustainability across functions (79%, compared to 19% of nonmandate supply chains), deploying governance mechanisms and funding to make sustainability concrete, and connecting with employees across the supply chain via 2-way communication (see Figure 6).

Figure 6: Actions to bridge the say/do gap



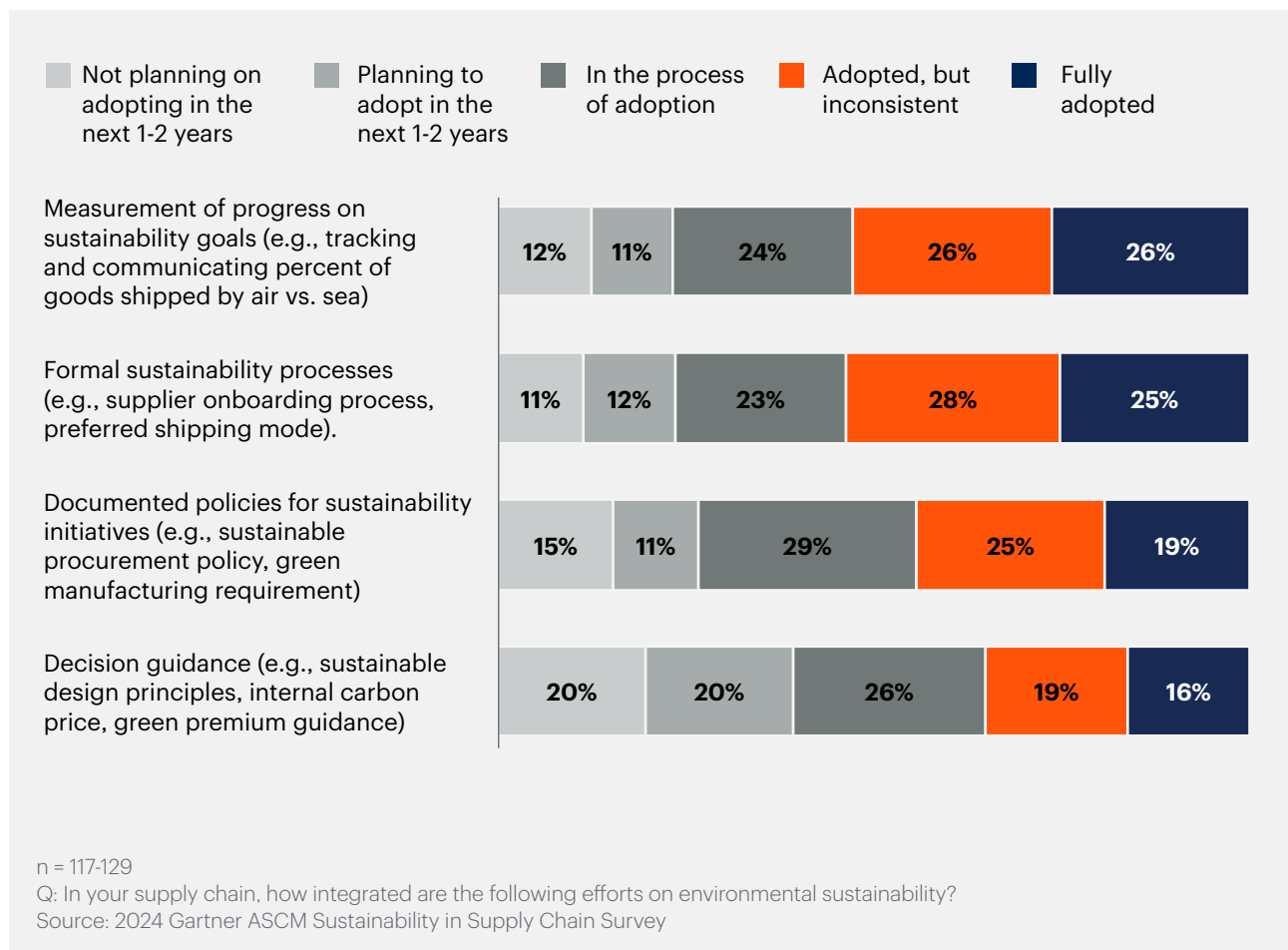
*EU Tackles Greenwashing, Reuters

This coordination is key to driving progress toward goals and ensuring supply chain employees are aware of sustainability efforts. Mandate companies connect with employees by communicating the importance of environmental sustainability to supply chain personnel and acting on employee feedback.

Governance to guide supply chain employees in sustainability is a key gap for most supply chains. A minority of supply chains have fully adopted key governance mechanisms, including formal sustainability processes (25%), documented policies (19%) and decision guidance (16%), as outlined in Figure 7. Yet, mandate supply chains are significantly more likely to have adopted these governance mechanisms (59% vs. 24%).

Figure 7: Concrete governance on sustainability is lacking

Level of adoption for efforts on environmental sustainability

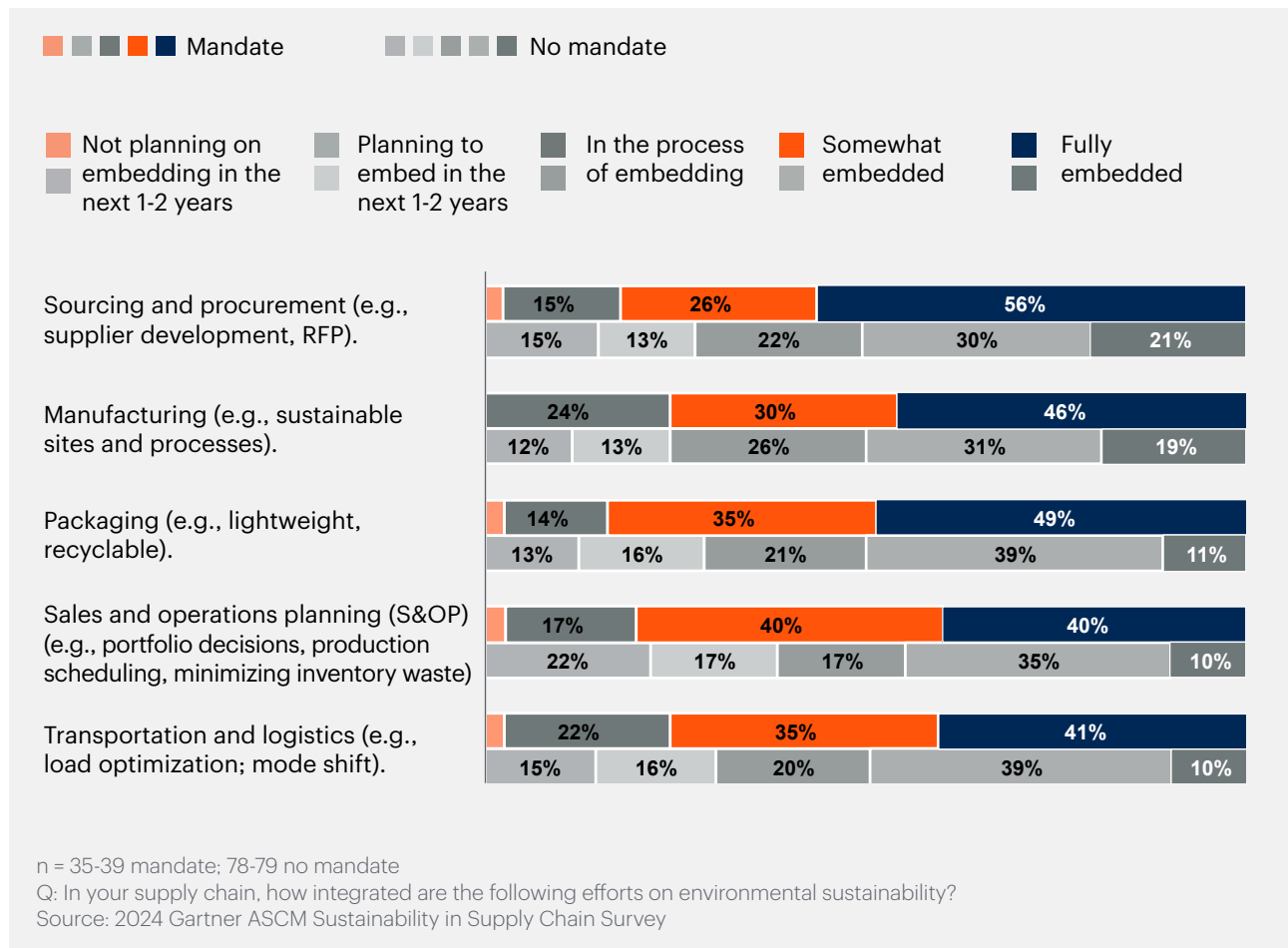


Our research dug deeper into the supply chains that have implemented governance mechanisms to assess the specific impact of governance on outcomes. The minority of supply chains with high adoption of governance are much more likely to report high progress toward sustainability goals. Forty-eight percent of supply chains with high adoption of governance mechanisms report high progress toward goals, compared to only 26% of low governance supply chains. These mechanisms equip employees across the supply chain with clear guidance around their expectations and their supply chain’s appetite for investment or change in service of sustainability goals.

In addition to governance mechanisms, supply chains make sustainability efforts concrete by embedding sustainability into supply chain functions and in various supply chain activities. Nearly all supply chains surveyed have embedded sustainability into supply chain functions or intend to do so in the next one to two years. This trend is clear across all supply chains, though it is more pronounced in supply chains with a sustainability mandate (see Figure 8).

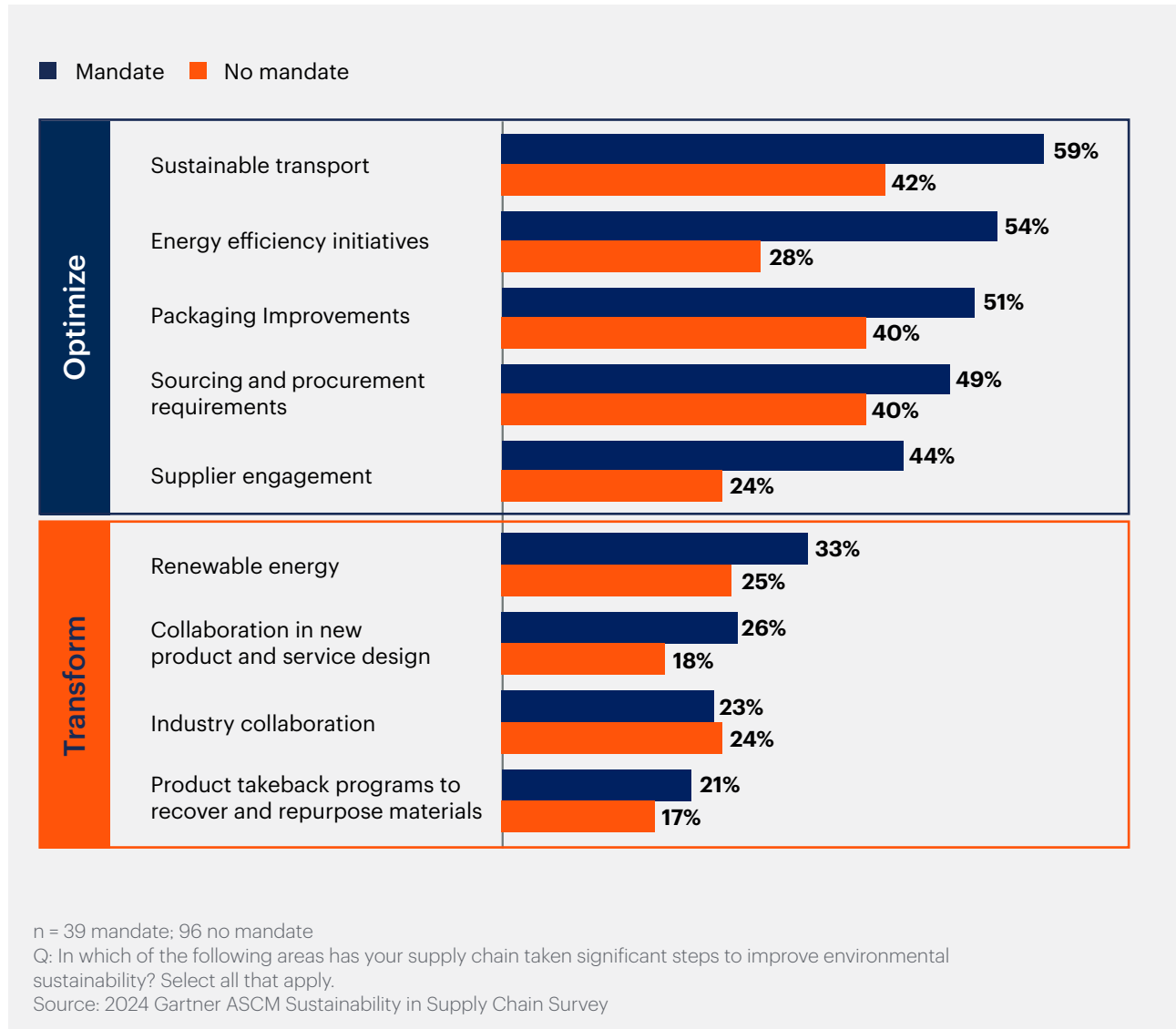
Figure 8: Sustainability is embedded into supply chain functions

Embeddedness of environmental sustainability in supply chain functions



Supply chains are taking significant steps to improve sustainability in a number of important areas, as outlined in Figure 9. While more supply chains are deploying optimization and efficiency approaches, transformational approaches are taking place in areas like product and service design.




Figure 9: Significant steps taken to improve sustainability



Taking it forward

In a volatile environment for supply chains, the specific actions supply chains take may shift. Still, climate risk, resource scarcity and energy availability are material business risks that must be managed. Our research shows that supply chain employees expect and value action in supply chain sustainability, and supply chains with a sustainability mandate more effectively deliver it. Review the questions in Table 1 to advance a strategic, concrete and connected approach to supply chain sustainability.

Table 1: Questions to advance a supply chain sustainability mandate

Secure strategic alignment 	Deploy concrete support 	Connect with 2-way communication 
<ul style="list-style-type: none"> • What sustainability targets and strategies support my core supply chain and business goals? • Where can sustainability contribute to mitigating urgent risks and challenges? 	<ul style="list-style-type: none"> • What are the key decisions that move the needle for the supply chain's environmental impact? • How are these decisions guided by processes, policies, decision principles and KPIs? • Where are there funding gaps? 	<ul style="list-style-type: none"> • What mechanisms are in place to communicate supply chain sustainability priorities and strategies? • What mechanisms exist to gather employee feedback?

Source: 2024 Gartner ASCM Sustainability in Supply Chain Survey



About the 2024 Gartner ASCM State of Sustainability in Supply Chain Survey

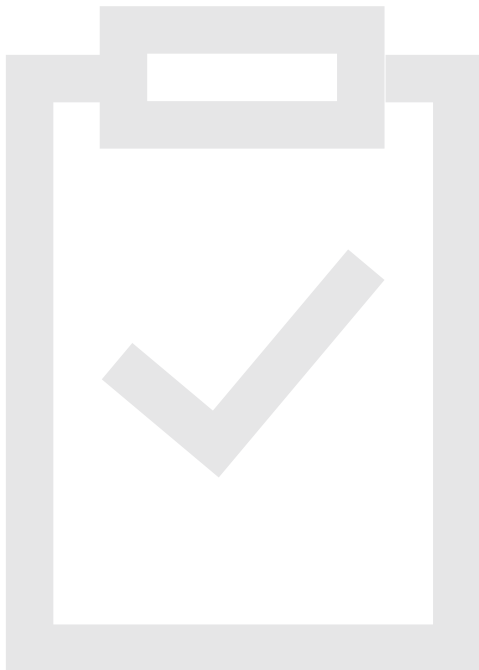
This survey explored supply chain leaders' and practitioners' views on sustainability and assessed meaningful indicators of progress toward sustainability goals in their supply chain organizations. The survey also assessed the relationships between key talent metrics on workplace engagement and retention, and organizational sustainability progress.

The survey was created in collaboration between Gartner and the Association for Supply Chain Management (ASCM), and the survey responses were provided by ASCM members who participated in the survey.

The data was collected online from 5 through 30 September 2024 across North America (n = 77); Europe, the Middle East and Africa (n = 41); Asia/Pacific (n = 30); and Mexico, Central America, the Caribbean and South America (n = 11). Of the respondents, 32 were early career professionals, 94 were managers, 24 were directors and nine were executives.

Respondents were asked a series of questions regarding their supply chain organization's sustainability mandate, such as having sustainability initiatives, outlined goals and an allocated budget. Questions regarding integration of sustainability processes, support from leadership and personal attitudes on organizational commitment to sustainability were asked to understand the adoption of and progress toward sustainability goals.

Disclaimer: The results of this survey do not represent global findings or the market as a whole but reflect the sentiments of the respondents and companies surveyed.



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