The ESG data conundrum

How IBM can help

With deep industry expertise, ecosystem partnerships, and proven methods, IBM Consulting Sustainability Services guides and advises clients on their journey to becoming a more sustainable enterprise. Through co-creation and sustainability strategic advisory services, we lead with ethical innovation and impact across all five business imperatives, from strategy and implementation to managed services.

IBM's end-to-end capabilities embed sustainability into an organization's operations and culture across key practice areas: ESG reporting and finance, climate risk assessment and adaptation, decarbonization and clean energy transition, responsible computing and green IT, and circular supply chains.

IBM solutions such as Envizi and Environmental Intelligence Suite (EIS) increase transparency and reduce the cost, time, and burden of reporting with a single system of record so clients can focus on delivering ESG strategic outcomes. For more information please visit https://www.ibm.com/sustainability

Key takeaways

ESG data can benefit your bottom line.

Unlock the value.

Our research reveals that mature ESG data capabilities can create business value.

Follow the path to profit.

New surveying suggests that ESG data and capability leaders are 43% more likely to outperform their peers on profitability.

Implementation lags.

While 95% of companies have operational ESG goals, only 10% have made significant progress toward meeting them.

Consumer skepticism is skyrocketing—especially about sustainability.

Only 2 in 10 say they trust the statements companies make about environmental sustainability—down from 5 in 10 just two years ago.

Uncertainty as opportunity

A strategic approach to the use of ESG data in business operations can deliver higher revenue and improved profitability.

ESG: It's all about the data.

Some think ESG is necessary to manage 21st century risks, while others say it merely obstructs business and adds costs. However, the companies we surveyed saw effective use of ESG data as a way to accelerate profitability and growth.

The IBM Institute for Business Value (IBV) analyzed the results of two in-depth surveys. In the first, we surveyed more than 20,000 consumers across 34 countries about their attitudes toward sustainability and social responsibility, and how these beliefs influence shopping, investing, and career decisions.

For the second, we surveyed 2,500 executives across 22 industries, delving into their organizations' ESG strategy, approach, and operationalization; what benefits they expect from ESG initiatives; and how they weigh ESG against other business objectives. (See Study methodology, page 26.)

The companies we surveyed told us that operationalizing ESG data and profitability don't have to be at odds. Top-performing companies don't make trade-offs between sustainability, social responsibility, good governance, and shareholder value; they achieve all these outcomes at once.

When that data is viewed as a vehicle for enhancing operations and driving business value, it generates insights that create opportunities and boost performance (see "ESG is more than you think," page 5).

Transparent data can open the door to new markets, business models, partnerships, and investments. In a tight labor market, transparency on ESG data can also help attract and retain top talent. It creates opportunities with sustainability-focused partners and fosters deeper engagement with certain consumers.[1]

Our research found that consumer commitment to sustainable development has intensified, even as economic challenges hamstring purchasing power. While more than half (51%) of our consumer respondents say cost of living increases have made environmentally sustainable and socially responsible decisions more difficult in the last 12 months, roughly 6 in 10 say at least half of their purchases were branded environmentally sustainable or socially responsible in the same timeframe. What's more, nearly half have paid a price premium for environmentally sustainable or socially responsible products in the last year.

And some companies are tapping into these opportunities, converting ESG efforts into tangible business value. They're seeing higher revenue, improved profitability, deeper customer engagement—this list goes on—by approaching ESG as a transparency play that creates strategic business opportunities.

These findings build on recent IBV research, which outlined how sustainability can drive transformation for the enterprise. However, that research also showed a striking imbalance between ambition and action, with organizations struggling to operationalize sustainability.[2]

Our new research reveals that ESG—the capability for transparent reporting of environmental, social and governance performance—plays a critical role in enabling sustainability action. ESG data and insights can help leaders activate tangible performance improvements, especially in the environmental domain (see Celestica embeds sustainability across operations, page 6).

With a clear line of sight into core operations, leaders can optimize ESG performance while reducing costs. But only a few companies have reached this level. Rather than strategically harnessing ESG data—using it as a tool for identifying opportunities to innovate and improve—many organizations are narrowly focused on meeting immediate compliance demands. To deliver better business results, business leaders need to see ESG transparency through a new lens.

And the need for change is urgent: consumers are increasingly skeptical of ESG claims. Only 20% of consumers say they trust the statements companies make about environmental sustainability, down from half just two years ago (see Figure 1).[3]

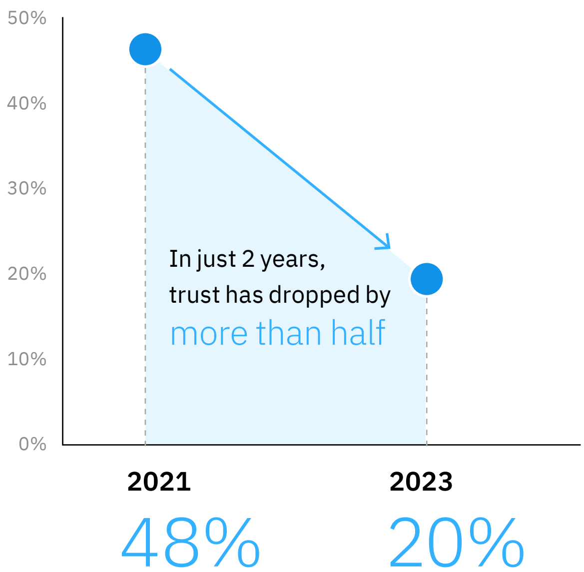
What's causing this decline? A lack of progress is partly to blame. Our survey found that, while 95% of organizations have developed operational ESG propositions, only 10% have made significant progress toward their goals. Executives name inadequate data as the greatest obstacle—even more of a hurdle than regulatory barriers and inconsistent standards.

This might be why about 6 in 10 executives say they make tradeoffs between financial and ESG objectives. Without the ability to access, analyze, and understand ESG data, they can't accurately predict which plans will both improve outcomes and deliver high ROI. Without data transparency, sustainable development remains out of reach.

FIGURE 1

A time of distrust

Consumer trust in corporate sustainability statements has plummeted.



Source: 2023 Consumer survey Q26.4: I trust statements companies make about environmental sustainability (yes or no); 2021 Consumer survey Q16.1: I trust statements companies make about environmental sustainability (Extent you disagree/agree, 1-5, 4&5=agree).

Perspective

ESG is more than you think

In this paper, we're focused on ESG as a transparency-enabler: a capability that validates a company's ESG commitments. When executives have easy access to ESG data, they can improve business performance and unlock new value. They can convert insights into business results by embedding relevant data in operations to improve performance or by engaging with customers and stakeholders to drive transformational growth. Of course, how this is done will vary significantly between organizations and domains—with the environmental sphere offering many noteworthy opportunities.

Case study

Celestica embeds sustainability across operations

Celestica is a leader in design, manufacturing, hardware platform, and supply chain solutions. For the global manufacturing industry, ESG reporting can be complicated and cumbersome, given the extensive portfolio of international sites requiring monitoring and auditing. Global data for many of Celestica's facilities was gathered and captured in spreadsheets, where calculations had to be done manually.

Software has helped streamline the process. Celestica can now compile and transform data into usable outputs and help eliminate errors from manual data entry. Automation of complex calculations and reporting produces finance-grade, auditable data.

This data and analytics capability will also allow Celestica to embed sustainability across the organization. As noted by Jessica Peixoto, Sustainability Manager, Celestica Inc.: "This governance model will trickle down into each team, tying sustainability into all aspects of the business."

The business case for ESG

76% of executives say ESG is central to their business strategy.

Sustainability and ESG initiatives face heavy headwinds—from inflation to geopolitical upheaval. Some question whether good intentions will wither in the face of a looming global recession. But our survey shows that enterprises are doubling down.

Roughly three in four (76%) executives we surveyed now view ESG as central to their business strategy and more than 7 in 10 (72%) approach it as a revenue enabler rather than cost center. And while most ESG efforts focus on compliance and risk management, many now expect to see improved profitability (45%) and improved innovation (35%).

Consumer commitment remains steadfast as well. Roughly two-thirds of consumers say environmental sustainability (68%) and social responsibility (65%) are very or extremely important to them. And more than 7 in 10 agree that they would be more willing to apply for a job with a company they consider environmentally sustainable or socially responsible.

More than 40% even say they would be willing to accept a lower salary to work for an employer that is environmentally sustainable or socially responsible—and nearly one in four of those who changed jobs in the last 12 months say they did just that. Overall, the salary cut people say they would be willing to accept is close to 20%.

But individuals can't always assess how companies perform on the factors they care most about. While a broad set of ESG measures matter to consumers, roughly two in three executives say they must make trade-offs between different operational ESG objectives. Companies tend to focus on a narrower set of issues, often falling victim to carbon tunnel-vision (see Figure 2).

To deliver on consumer expectations, executives need to think more broadly about ESG. They must prioritize transparency, break down barriers to ESG data—and funnel key insights back into the organization.

FIGURE 2

The transparency mismatch

ESG reporting rarely addresses all the issues consumers care about.

Most important ESG information for consumers				Most reported metrics by organizations
Health and safety	**73%**	1	**50%**	Percent of women in workforce
Child labor and forced compulsory labor	**70%**	2	**46%**	Scope 1 GHG emissions, absolute
Human rights	**69%**	3	**45%**	Percent of women in leadership (C-suite)
Air pollution	**68%**	4	**41%**	Scope 2 GHG emissions, absolute
Water consumption and treatment	**66%**	5	**38%**	Scope 1 GHG emissions intensity

Source: Consumer survey Q19: Importance of the following sustainability information to you when making decisions to engage with an organization (1-5, 4&5= very important); Executive survey Q15: ESG metrics organization is currently using.

Three big roadblocks

ESG goals are meaningless if they aren't tied to real performance data.

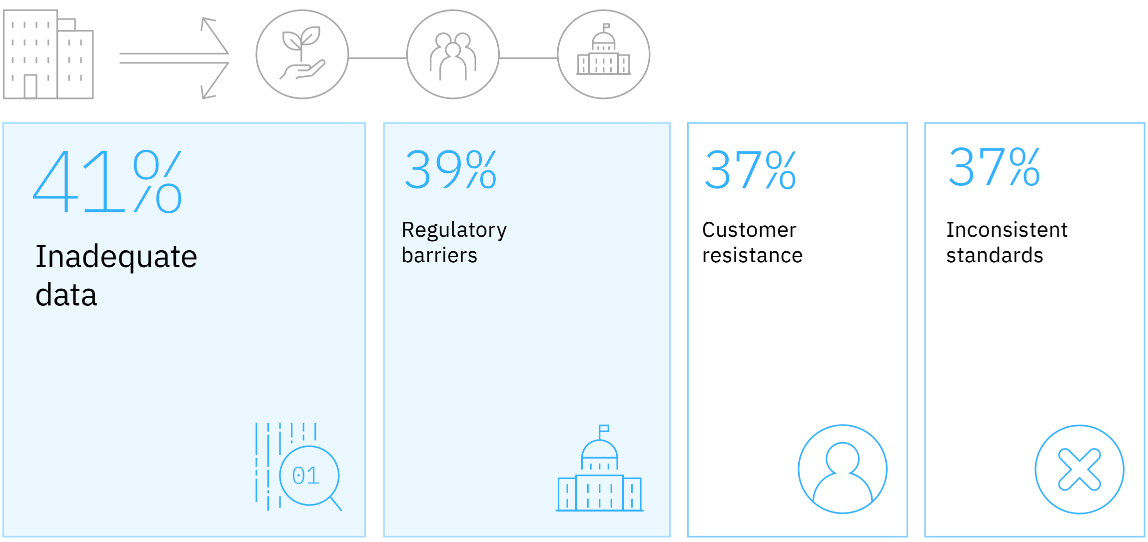
Organizations face big barriers to operationalizing ESG.

Almost three in four (72%) of our business respondents agree that ESG needs to be a higher priority in their organization. Yet, getting there requires a major mindset shift—and a commitment to overcoming the barriers holding efforts back (see Figure 3).

FIGURE 3

Double threat

Data and regulations are the top business challenges ESG efforts face.



Source: Q24: What are your organization's biggest challenges in advancing its ESG agenda?

Here are the three top obstacles organizations must address to deliver more value with ESG:

1. Bad intel

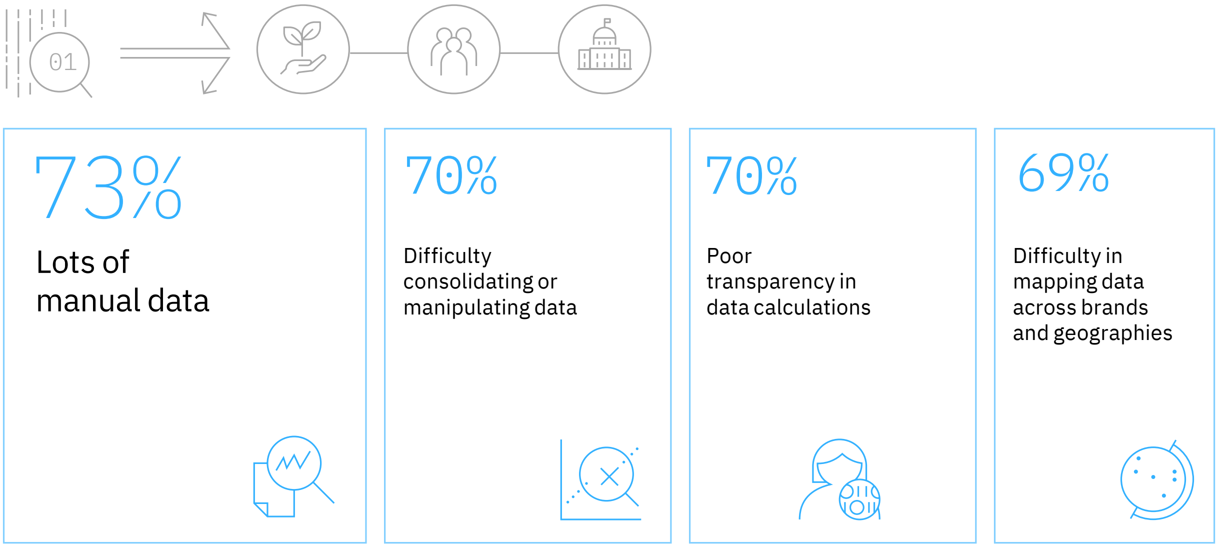
Data is the lifeblood of ESG. It provides visibility into an organization's operations, letting leaders see where the business is reaching the bar—and where performance has fallen behind. ESG goals for the future lose their significance if they aren't tied to current performance data. And without the right information, it's impossible for executives to assess the company's impact, identify improvement opportunities, or showcase successes.

Whether they're assessing the carbon footprint of operations, labor practices across the supply chain, or compensation practices, leaders need reliable, real-world information to set achievable targets—and measure meaningful progress (see Large European chemicals company uses an analytics platform to advance ESG goals, page 12). Yet, most of our executive survey respondents say their organizations struggle to manage, manipulate, and map data (see Figure 4).

FIGURE 4

Operational opacity

Executives say a host of data difficulties hold ESG efforts back.



Source: Q36: Extent to which the organization's ESG reporting and performance efforts are held back by following challenges.

2. Too many standards

The ESG reporting environment is littered with acronyms. From the International Sustainability Standards Board (ISSB) and the Global Reporting Initiative (GRI) to the Task Force on Climate-Related Financial Disclosures (TFCD) and the EU's Corporate Sustainability Reporting Directive (CSRD), it's difficult to keep up with the ever-expanding list of ESG disclosure standards, frameworks, and requirements. In fact, there are more than 600 reporting provisions globally, each offering its own interpretation of sustainability and social responsibility—and how companies can prove they are meeting the bar.

This proliferation is creating confusion. When companies report on a variety of KPIs that assess ESG performance from different angles, it becomes harder for leaders to execute. Executives say that regulatory barriers and inconsistent standards are two of the top challenges holding ESG efforts back.

Stakeholders are frustrated that ESG goals are not connected to credible action plans.

3. Lack of stakeholder visibility

The executives we surveyed say they're being pressured from business partners, board members, investors, and creditors to provide greater transparency around ESG initiatives. There is growing frustration that ESG goals are not connected to credible action plans and clearer signs of progress.

Our survey shows that consumers are also demanding more:

- Only one in three say they have sufficient ESG information to make sustainable investing decisions.
- Roughly 4 in 10 say they have enough data to make environmentally sustainable purchasing (41%) or employment (37%) decisions.
- 36% say they have sufficient information for making socially responsible investment decisions.
- 38% have enough information to make socially responsible employment decisions.

This offers some insight into the drop-off in trust.

While most organizations have laid out aspirational ESG plans, few are succeeding where the rubber hits the road. Our survey revealed that almost all (95%) organizations have developed operational ESG propositions, but only 41% have made progress against them. Just 1 in 10 say their progress has been significant.

Case study

Large European chemicals company uses an analytics platform to advance ESG goals

A large European specialty chemicals company was struggling with fragmented and complex data of the product portfolio due to data silos and manual processing of sustainability and emissions information. In addition, the company lacked accurate and verified data, efficient data management, and a consistent methodology for calculating and allocating carbon emissions. This significantly hampered ESG reporting efforts and the ability to manage progress.

Turning the challenge into opportunity, the company is creating an advanced analytics platform for transparent sustainability data management across value chains. The platform provides a single point of truth for sustainability analysis data, creates greater transparency, and provides faster insights from automation and analytics. Through these insights, the company can not only meet reporting requirements, but also take informed action for tangible improvements.

Looking forward, the company is looking to tap the platform to drive deeper sustainability transformation. It plans to focus on planning, forecasting, and managing ESG KPIs and building informed scenarios for how to advance the company's top sustainability goals.

Four pillars of success

ESG data and capability leaders are 43% more likely to outperform on profitability—and 52% more likely to say ESG efforts have a huge impact on profitability.

ESG is more than compliance and reporting. Business leaders that elevate its role and can handle the data can drive engagement, inspire innovation, improve operations—and unify ecosystem partners around shared strategic goals.

To do this, organizations should funnel data in two directions. Looking internally, embedding ESG data into operations to drive performance improvements. For example, integrating emissions data into core operational or enterprise asset management systems can help leaders reduce the company's carbon footprint.

Sharing transparent insights with others can help organizations strengthen relationships as well. It can build trust with customers, employees, and partners, create new market opportunities, and support innovation and engagement. For example, transparency about labor conditions across the enterprise and supply chain can engage discerning consumers and talent pools.

Similarly, showcasing trustworthy successes in gender parity and diversity can be a boon. Recent IBM Institute for Business Value research found that organizations identified as gender equity leaders report a 19% higher rate of revenue growth than others.[4]

Meanwhile, clarity on corporate governance can attract responsible investment funds or impact investors. By opening the door to these opportunities, the ESG capability can become a platform and catalyst for driving transformational growth and producing better outcomes (see Figure 5).[5]

To understand how ESG—framed within wider sustainability efforts— can facilitate enterprise-wide improvement, it's useful to look to those businesses that are making progress in practice. Their leadership offers a roadmap that companies across sectors can follow.

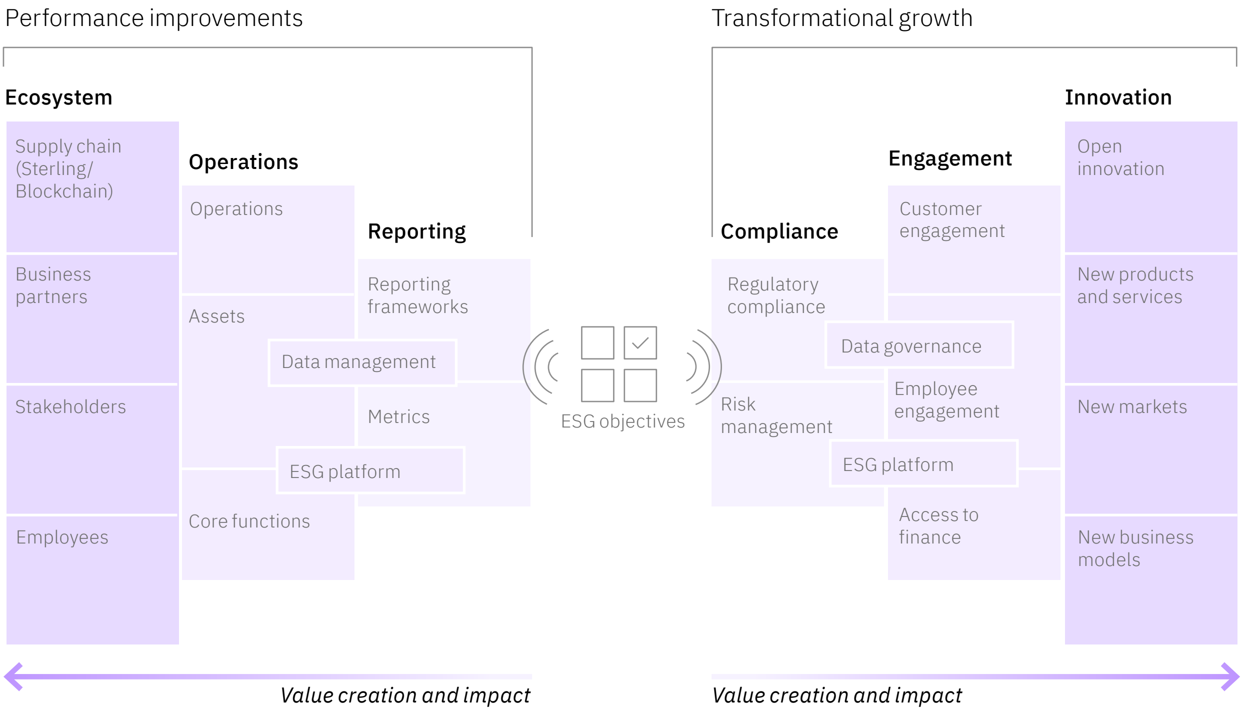
IBV research has identified a cohort of organizations with higher maturity in four key areas that enable them to convert ESG to business value:

- *Data and ecosystems:* The sourcing and management of relevant ESG data across the organization and the partner ecosystem
- *Digital tech:* Enterprise architecture for ESG and the availability of ESG data in a clear dashboard
- *Process and business integration:* Embedding ESG metrics across functions
- *Skills and decision-making:* Adoption of new practices and availability of relevant ESG and sustainability skills

FIGURE 5

Extracting business value from ESG data

Insights can drive both performance improvements and transformational growth.



We found that organizations with greater maturity in these four ESG capabilities financially outperform their peers. They have an annual rate of revenue growth more than 10% higher than laggards and generate 5% higher shareholder return.

ESG data and capability leaders are 43% more likely to outperform their peers on profitability—and 52% more likely to attribute a very great impact of their ESG efforts on profitability. More of them point to ESG as a driver of better risk management (+90%), greater access to finance (+85%), and a 21% greater improvement on their weighted cost of capital (see Figure 6). They also say ESG has a bigger impact on customer engagement (+70%), ability to attract talent (+83%), and innovation (+72%).

In terms of ESG outcomes, the group distinguishes itself on a broad set of goals: they report higher reductions in greenhouse gas emissions, are 34% more likely to outperform on corporate social responsibility, and are 51% more likely to outperform on diversity than their peers.

So how do they do it? Let's explore the four pillars that underpin a successful, mature ESG operating model.

Data and ecosystems

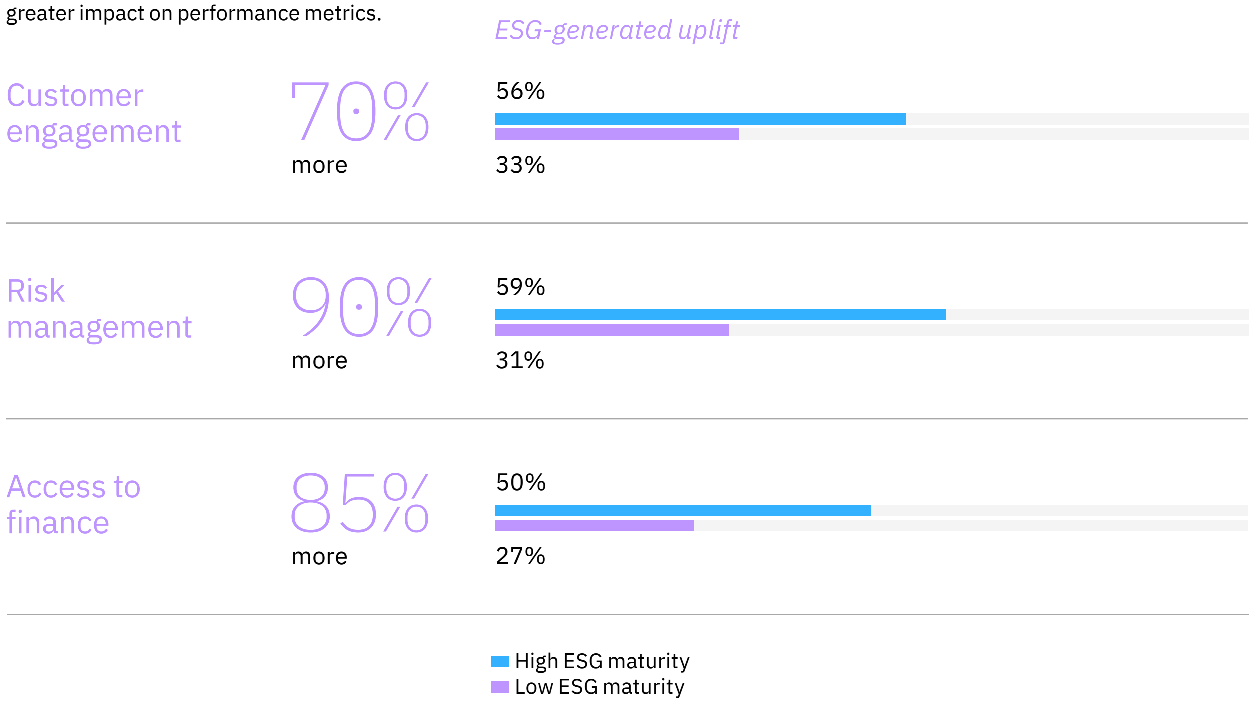
With the right data framework in place, companies can assess current ESG goals, credibly estimate the ROI of ESG initiatives, and manage compliance—even when reporting requirements shift. Having a clear line of sight into core operations is a lot more valuable than simply checking off compliance boxes. Take energy consumption as an example. With clear data on when, where, and why the business is using energy, leaders can optimize consumption and reduce costs without disrupting essential business activity.

ESG data and capability leaders are more than twice as likely than laggards to have made significant progress on establishing enterprise-wide data governance for ESG and putting in place an enterprise-wide data warehouse. In addition, they're 66% more likely to have made significant progress in creating an enterprise-wide system of record for ESG.

FIGURE 6

The amplifier effect

Business leaders say operational ESG has a greater impact on performance metrics.



Source: Q23: Extent ESG generated improvements over the past 3 years.

These capabilities facilitate a shift in the nature and role of ESG data, positioning it as a central resource for business value. Moving from past averages to real-time actuals—from reactive analysis to proactive modelling—enables greater transparency and can boost performance across the organization and the ecosystem.

Leading organizations are actively collaborating with their partners on ESG. Shared data governance and common definitions let these companies source ESG data more successfully from their partners.

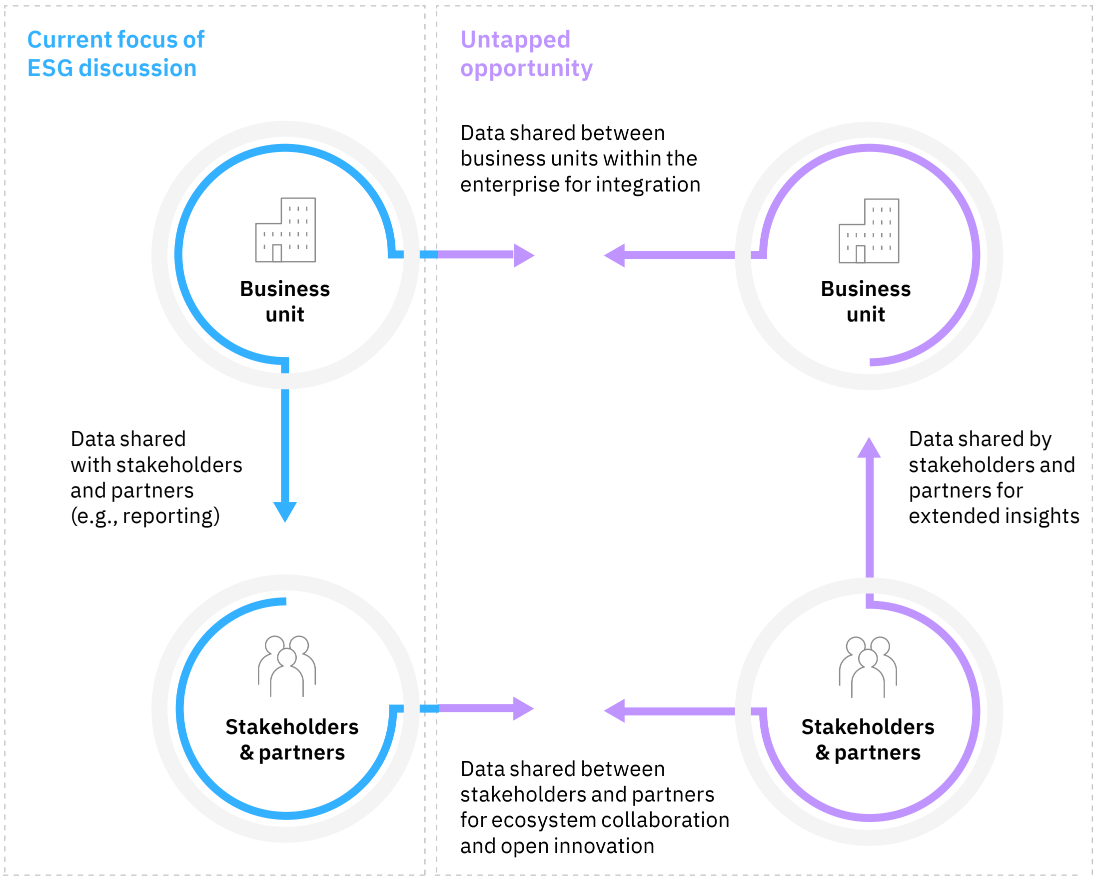
In addition, as many as 60% of leading organizations have integrated their ESG efforts with their partner ecosystem.

To follow in the footsteps of ESG data and capability leaders, organizations must stop solely extracting and channeling data for reporting purposes and start viewing ESG data as part of a platform-enabled loop. This circular approach provides the foundation for continued performance improvement and transformation. It makes ESG data and metrics part of the feedback loop that triggers adaptation and guides change. And it facilitates engagement with ecosystem partners on sustainability action (see Figure 7).

FIGURE 7

A platform-enabled feedback loop

Sharing data transparently triggers transformation and guides change.



Digital tech

Leading organizations are far more likely than others to have made substantial progress in advancing their technology for ESG transparency. They've made more significant strides in furthering the overall enterprise architecture and integrating their ESG data into a dashboard—and they're 54% more likely to have developed a digital strategy that enables their ESG efforts.

Leaders have also embraced the opportunities for scaling, accelerating, and augmenting ESG with exponential digital technologies. For example, leaders are 58% more likely than laggards to have developed the hybrid cloud capabilities for ESG, 33% more likely to have made significant progress with AI for ESG, and more than twice as likely to have progressed significantly with the use of advanced analytics for ESG. They are also 79% more likely to have made progress in the use of automation for ESG.

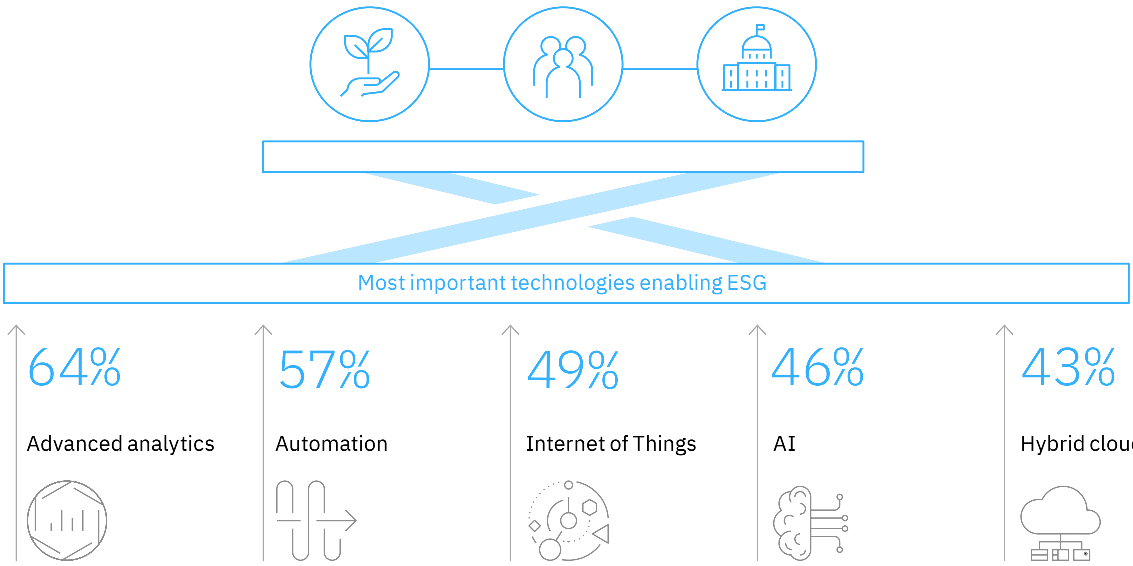
When asked which technologies are most important for ESG, executives highlight the role of advanced analytics in delivering ESG insights, and automation in boosting the efficiency, accuracy, and scaled impact of ESG efforts (see Figure 8). For example, automating manual data processes can make it faster and cheaper for companies to achieve transparency. Applying advanced analytics can also pinpoint improvement opportunities and support modelling that informs more sustainable decisions.

These technologies don't operate in isolation but complement each other in driving improved performance. If executives look through a particular technology lens, rather than focus on how they can create the greatest impact, immense potential is left on the table. Interactions among several technologies—and with other organizational capabilities—enable and drive the improvements needed for moving the needle on ESG and sustainability.[6]

FIGURE 8

Exponential tech elevates ESG

Innovations work in concert to boost performance.



Source: Q32: Most important technologies in advancing the organization's ESG.

Moreover, sustainability is a team sport. Tapping insights across the ecosystem is essential to making meaningful performance improvements—and that requires an open technology architecture. Interoperability and open standards aren't just buzzwords. They're crucial for digital technology to provide the greatest lift for ESG transparency and sustainability improvements.

Process and business integration

To drive real improvement, ESG data and metrics should be embedded into core operations, processes, functions, and workflows. Such integration is key to weaving sustainability into day-to-day tasks and activities.[7]

ESG data and capability leaders are far more likely to have ESG metrics incorporated into their innovation and digital transformation efforts and integrated into finance functions. The latter echoes recent IBV research highlighting the important role of finance in supporting an organization's sustainability efforts.[8]

Across all organizations, the integration of ESG metrics into core functions is limited, mostly focused on risk management (44%), brand strategy (40%), and customer service/engagement (39%). Only 20% are integrating ESG metrics into supply chain operations; 26% into procurement and sourcing; and just 11% into real estate and facilities management.

This offers a window into huge, missed opportunities. Companies pursuing value-driven sustainability must look for change opportunities that will create a ripple effect. Their view should cut across traditional functional silos and processes—unlocking opportunities for rapid improvement at scale.

Skills and decision-making

ESG data and insights need to filter through the organization to inform real-time decision-making. And the decision rights on sustainable action need to be distributed across the organization rather than centralized at the top.

Change starts at the task level. For example, some organizations use internal carbon pricing as a mechanism to help justify investments that may have an impact on carbon emissions, a practice that is, at least to some extent, being adopted by 24% of the organizations surveyed. Furthermore, as noted in our latest CEO study, some companies tie executive and non-executive compensation to meeting ESG targets.[9]

Using ESG data and metrics to inform daily decisions can have an exponential impact on performance. But for employees to actively use ESG data to advance sustainability, they need to be both empowered and enabled. People also need sustainability skills to translate ESG data into sustainable action.

Executives we surveyed say more than 30% of the workforce require sustainability skills today. And as the demand continues to grow, defining pathways for developing, accessing, and retaining relevant sustainability skills becomes critical. More than half (56%) of executives cite high attrition of employees with sustainability skills as holding back their sustainability efforts.

ESG-enabled sustainability must be facilitated from the top down—with each executive understanding their role.

While the shift toward ESG-enabled sustainability is driven by people—from the bottom up—it must be facilitated from the top down through appropriate governance. This requires collaboration and commitment across the organization's leadership, with each executive understanding their role.

In the context of ESG, the Chief Sustainability Officer (CSO) acts as the source of continuity across the different areas of responsibility, working with different C-level colleagues as appropriate (Figure 9). While the CSO role is often in flux, focusing on different priorities at different organizations, many are moving into an orchestrating position. Whatever goals the company aims to achieve, the CSO will be critical in pushing sustainability forward.

FIGURE 9

Many parts to play

Ownership of ESG cuts across the C-suite.

Responsible C-level executive	1st most cited	2nd most cited	3rd most cited
ESG strategy	CEO	CSO	COO
ESG targets	COO	CEO	CSO/CIO
ESG budgeting	CFO	COO	CSO
ESG performance	CSO	CCO	CMO
ESG reporting	CSO	CIO	CCO

Note: CSO = Chief Sustainability Officer, CIO = Chief Information Officer, CCO = Chief Compliance Officer, CEO = Chief Executive Officer, COO = Chief Operating Officer, CMO = Chief Marketing Officer.
Source: Q31: C-suite responsible for the following ESG areas.

People make the difference

Operational ESG success is defined by the choices employees and partners make every day.

What will it take to move the needle on ESG transparency and sustainability performance? And how can leaders build on those successes to boost the bottom line?

It starts with changing human behavior. It is through thousands—or millions—of daily actions that an organization's sustainability strategy is brought to life. No CEO statement or glossy report can make the same impact, regardless of how informed, reliable, and compliant it may be.

Not all operational ESG decisions are tied to functions and rank. Many are tied to the choices individual employees and partners make every day—choices that are influenced by the information they have at hand.

As much as ESG data needs to be delivered by enterprise operations for reliable reporting, it needs to flow back throughout the organization for improved performance. Employees should be trained to access and understand ESG data and empowered to adjust their daily decisions based on their insights.

And this only becomes more important as environmental and social issues grow more urgent. According to the World Economic Forum, most of the risks business leaders expect to face in both the short- and long-term fall under the ESG umbrella.[10]

From pollution and resource consumption to social displacement and diversity pay, organizations need to be ready—and able—to prove they're doing what they say. Businesses that build the right ESG capabilities will be prepared to update their practices to meet shifting expectations and report on the metrics that matter most.

With the right information—and transparency about progress—businesses can be part of the solution to the world's most pressing problems. Executives can stop making tradeoffs between ESG and profitability and start finding ways to drive sustainable growth.

Action guide

Driving sustainability through ESG transparency is a journey of continuous improvement. Organizations with more mature capabilities should not view their position as an end-state but rather as a platform for amplifying business value. Here's how enterprises can improve their situations and better prepare for the marketplace of tomorrow.

01

Start moving.

- Clarify your ESG objectives and what you are trying to achieve. Align your ESG efforts to your business strategy and goals.
- Map data needs against ESG requirements. Determine what information you need and for what purpose.
- Identify immediate and pragmatic opportunities to make progress.

02

Be transparent.

- Source and migrate data from across your enterprise into a single system of record for ESG.
- Create a data platform and integrated ESG dashboard for shared visibility and performance management.
- Share performance without cherry-picking results. Be clear about data sources, quality, and calculations underpinning ESG KPIs.

03

Be direct.

- Report on what is relevant from a materiality point of view, as well as what is required, without obfuscation.
- Specify an action plan and interim goals for meeting ESG targets. Be honest about where the organization needs to improve.
- Activate the use of ESG data and insights for improved performance across the enterprise and ecosystems. For example, use pricing, budgeting, and incentive mechanisms based on sustainability metrics and data.

Action guide

04

Scale, automate, and augment with abandon.

- Create APIs from enterprise systems to accelerate ongoing data delivery to the ESG platform.
- Automate ESG processes and reporting capabilities to keep data current.
- Tap AI for enhanced insights into performance, predictive analysis, and scenario development.

05

Orchestrate the ecosystem.

- Align with ecosystem partners on ESG definitions and standards.
- Don’t wait for others to lead. Proactively establish ESG data governance principles with stakeholders.
- Share ESG data and KPIs with ecosystem partners and stakeholders for collaboration and co-creation.

06

Capitalize on trust.

- Define, build, and manage organizational capabilities and skills for ESG reporting and performance.
- Make change management and stakeholder engagement an integral part of your ESG journey.
- Use your enhanced ESG posture to build trust with consumers and employees, unlock new market opportunities, and grow revenue through partnerships.

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The 2021 CEO Study

"The 2021 CEO Study: Find your essential." IBM Institute for Business Value. February 2021. https://ibm.co/c-suite-study-ceo

Sustainability as a transformation catalyst

"Sustainability as a transformation catalyst: Trailblazers turn aspiration into action." IBM Institute for Business Value. January 2022. https://ibm.co/sustainability-transformation

The sustainability imperative

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Study methodology

The IBM Institute for Business Value (IBV) analyzed the results of two in-depth surveys. In the first, we surveyed more than 20,000 consumers across 34 countries about their attitudes toward sustainability and social responsibility, and how these beliefs influence shopping, investing, and career decisions.

We also went directly to business leaders, surveying 2,500 executives across 22 industries, delving into their organizations' ESG strategy, approach, and operationalization; what benefits they expect from ESG initiatives; and how they weigh ESG against other business objectives.

In addition to descriptive statistical analysis, we segmented the organizations surveyed based on their maturity in key ESG capabilities: Data, ecosystems, digital technology, processes and business integration, and people and skills. This yielded three distinct groups.

- One group stands out in their maturity on all key capabilities.
- A second group have yet to make significant progress on any of the key capabilities but are placing a relative focus on advancing processes and people.
- The third group lags the leaders on all capabilities but is relatively more focused on the data and technology levers. This group is also extending the ESG data capabilities into ecosystems, albeit far less than the leader group.

By comparing the performance and practices of the higher maturity organizations against the other groups we were able to identify the capabilities and activities that distinguishes this group. These findings were just to ascertain the key pillars of progress for generating business value from ESG.

Notes and sources

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2 Balta, Wayne, Manish Chawla, Jacob Dencik, and Spencer Lin. "Sustainability as a transformation catalyst: Trailblazers turn aspiration into action." IBM Institute for Business Value. January 2022. https://ibm.co/sustainability-transformation

3 In the 2023 survey, respondents were asked to answer categorically if they trust the environmental statements made by companies. In 2021, the respondents were asked to answer on a scale (1-5) whether they disagreed or agreed with the statement that they trust the environmental statements made by companies (4 being somewhat agree and 5 strongly agree). We have compared the % of respondents answering 4 or 5 in 2021 with the % giving a categorical affirmative answer in 2023.

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