

IDC Analyst Connection

THE EVOLVING ROLE OF IT IN ENABLING SUSTAINABLE TRANSFORMATION

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Q&A prepared for Logicalis by Bjoern Stengel, Global sustainability research lead

Q: What are the current market trends and adoption strategies around sustainability and IT?

Corporate sustainability has become more than a “nice to have”. We see more and more organisations realise the urgency to act because of regulatory pressure, but also because they see sustainability as a way to drive business benefits. In fact, according to IDC's Future Enterprise Resiliency & Spending Survey, when asked what business value has been experienced or is expected as a result of implementing sustainability into your operations, 34% of IT professionals cited improved business innovation, while 34% cited improved operational efficiency. Other business benefits cited by survey respondents included enhanced brand value, improved employee retention, and improved financial performance. As enterprises begin to embed sustainability data into their business operations, IDC believes that organisations will utilise sustainability data as a lever to drive business value.

IT plays a critical role in enabling that transformation, and we see that IT buyers make more deliberate vendor selection and IT purchasing decisions around technologies that best fits their sustainability related needs. Organisations are adopting IT in two different ways: they are looking at the sustainability credentials of the IT infrastructure — its energy efficiency, carbon emissions, and vendors' circularity efforts — and they invest in IT that supports sustainability, for example from a data management perspective. “Greening IT” and solving the ESG data challenge are both important steps in moving up the sustainability maturity ladder, and they are high priorities for organisations worldwide.

Q: What are ways IT leaders can manage their carbon reduction targets?

Since IT is a critical enabler for organisations' sustainable transformation efforts, executives need to define a sustainability strategy that includes the business and IT sides. They also need to identify selection criteria for IT vendors and ways to assess vendors' sustainability performance. From a procurement perspective, it is important to define the ESG selection criteria for RFPs and processes to engage with vendors on these topics. Organisations need to lay out what they are going to measure and how. This is particularly important since carbon reduction targets usually include scope 3 emissions, therefore IT leaders need to know what they buy into when they select their vendors.

They also need to be able to compare and assess vendors based on the sustainability related credentials of the IT products. Depending on the industry, the carbon footprint of the IT can make up for a significant portion of the organisation's overall CO2 footprint and taking into

consideration the advantages of different digital technologies such as cloud and software-defined networking constitutes a critical factor in helping meet the organisation's overall goals.

Managed services play an increasingly important role in this context, as the process of implementing and managing IT-enabled, sustainable business processes is complex and talent is scarce. Services firms have been at the forefront of sustainable transformation enablement, and they can help ensure that the right IT is being used effectively to substantially improve organisations' sustainability footprint.

Eventually, IT vendors' role goes beyond the facilitation of carbon reduction, for example, by helping organisations reduce their ewaste through takeback programs and offering IT products that follow a more circular life cycle.

Q: How is the evolving ESG regulatory landscape impacting enterprises in their approach to and pace of ESG compliance enablement, and how can technology address these challenges?

There is an increasing complexity of the regulatory and reporting landscape and practitioners need to navigate an alphabet soup of reporting standards and frameworks and changing rules and regulations to stay compliant. It is important for IT leaders to find vendors that understand these challenges and provide the technology as well as the knowledge to support them in meeting their organisations' targets.

Data is at the heart of a successful sustainability strategy. Organisations must aggregate data from a variety of sources to understand their sustainability impact and effectively manage their ESG compliance management process. However, enterprises continue to view sustainability data collection processes as problematic, largely due to the fact that this data is siloed and typically dispersed throughout the organisation.

To address this challenge, there is also a growing variety of ESG data management platforms and other digital tools that allow organisations to collect and curate ESG data more easily in an automated way and quantify and report their ESG information in a more accurate manner. Doing this in a centralised way and reducing manual processes is critical for meeting the expectations of regulators, investors, ESG rating agencies, and other stakeholders.

Q: How are CIOs and IT leaders paving the way for the green transition and will CIO performance metrics be tied to the sustainability of the IT organisation?

Just a few years ago, IDC's survey data showed a clear split in terms of responsibilities for sustainability strategy and related purchasing decisions, with line-of-business practitioners leading sustainability and ESG efforts, and IT leaders taking a backseat. This has changed, and IT

leaders, especially CIOs, have more of a leading role now throughout the entire process. Of course, it also depends on where an organisation is in its maturity journey and if there has been an alignment of the necessary functions. Given the importance of IT for enabling sustainable transformation, it is also necessary for CIOs and other IT leaders to not just be involved in the ESG reporting process, but to strategically integrate IT into the overall process and to help operationalise sustainability across the business, which means leveraging IT to help other practitioners make better and more informed business decisions that will improve the organisation's sustainability performance.

According to IDC survey results, nearly 40% of enterprises say that IT plays an active role in integrating ESG to steer organisational performance and foster sustainability transformation, while 37% say that IT also plays an active role in analysing the relationship between ESG performance and operational efficiency. Given these business initiatives, the pressure to achieve net-zero commitments, and the sustainability impact of enterprise IT, IDC believes there will be a set of sustainable infrastructure KPIs that IT will be tied to. Some of the more common sustainability KPI metrics in practice today include power utilisation efficiency (PUE), greenhouse gas emissions, clean energy usage, take-back rates of IT reuse and recycle.

As financial and non-financial value drivers and their reporting increasingly converge, we also see more organisations tie their executive compensation to their sustainability goals. We expect this trend to continue, especially since many investors and other stakeholders not only assess companies on their financial performance, but also on their ESG scores.

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At Logicalis, we harness our collective technology expertise to help our clients build a blueprint for success, so they can deliver sustainable outcomes that matter.

Our lifecycle services across cloud, connectivity, collaboration and security are designed to help optimise operations, reduce risk and empower employees.

As a global technology service provider, we deliver next-generation digital managed services, to provide our clients with real-time visibility and actionable insights across the performance of their digital ecosystem including availability, user experience, security, economic performance and sustainability.

Our 7000 Architects of Change are based in 30 territories around the globe, helping our 10,000+ clients across a range of industry sectors, create sustainable outcomes through technology.

About the Analyst

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Bjoern Stengel is IDC's global sustainability research lead. His research focuses on how environmental, social, and governance (ESG) topics impact and shape business strategies and technology usage. He provides insights into market opportunities, adoption strategies, and use cases for sustainability-related technologies and services. Bjoern helps IDC's clients understand the impact of technology-enabled, sustainable transformation processes in the context of sustainable business strategies, operations, and products and services through research reports, news publications, and speaking engagements at industry events such as Climate Week NYC.

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