EXECUTIVE SUMMARY

Everyone wants to contribute to a more sustainable world and is looking for examples and advice to improve sustainability performance at home and at work. Leading companies can offer both: examples of how to run businesses in a sustainable way as well as solutions and advice for their customers to achieve the same. Serving as an enabler of efficient business processes, the IT industry plays a key role in improving the sustainability performance of businesses and consumers. As IT vendors develop their strategies and solution portfolios, they will tap into the multibillion-dollar market of sustainability solutions and turn sustainability into profitability. Earlier this year, SAP announced its new sustainability-related strategy. In this case study, Forrester highlights the key elements of SAP’s new direction, providing an example of an IT vendor’s transformation and successful engagement of the sustainability solutions market.

SUSTAINABILITY IS BOTH A MORAL IMPERATIVE AND A BUSINESS IMPERATIVE

Sustainability is all around us. If you are sensitive to the topic, you see it in every aspect of daily life, from what you consume to what you produce. If you are not, then you at least hear other people talking about it. Of course, the concept of sustainability is not new; it’s just getting growing attention since all of us are faced with the consequences of nonsustainable actions in the form of increasing environmental, economic, or political disasters. With increasing awareness of the issue, people are asking what they can do to contribute to a more sustainable world. The answer is not always as easy as saving energy or reducing waste in private life. Consumers are seeking guidance for their product decisions, and producers can offer this help — if equipped with the right tools and strategy.

Sustainability Is An IT Vendor Market

Already, sustainability is a huge market, which is estimated at $355 billion for the very broad lifestyle of health and sustainability (LOHAS) sector and includes personal health products, alternative energy and transportation, green buildings, the natural lifestyle market, and other consumer market segments. But sustainability is more than products and services. In the public’s mind, it is a moral imperative that increasingly has business implications, as buyers consider prospective producers’ environmental policies, business practices, and production processes along with the characteristics of the final product.

Business focus on sustainability has several IT implications:
Case Study: SAP’s Sustainability Transformation
For Vendor Strategy Professionals

• **IT is a key enabler of corporate sustainability.** IT is the key for business transformation and business process efficiency. With the right IT tools and strategy, companies can make their processes, products, and services more sustainable and prove it in the market.

• **Green IT is a subset of the sustainability challenge.** The term green IT usually refers to energy efficiency in corporate data centers. Although energy saving is an important element of sustainability and the data center is a significant energy consumer in many industries, sustainability as a concept embraces three key aspects — environmental, social, and economic — and IT can help address them all.

• **Sustainability offers huge opportunities to IT vendors.** The IT industry represents just 2% of the overall global carbon footprint. But it can significantly help reduce the other 98% with the right tools and solutions that measure and improve the environmental, social, and economic impact of energy-intensive business processes (e.g., manufacturing; transportation; building heating, ventilating, and air conditioning [HVAC]). This is a multibillion-dollar IT market that provides new opportunities for IT vendors that are ready to get engaged.

How can you successfully tap into the IT market for sustainability? Since sustainability is such a comprehensive concept, it is certainly not sufficient to throw some sustainability-branded products or services into the market — your customers will not recognize you as a serious player in the sustainability market. In order to be successful, IT vendors need to establish a comprehensive internal program that drives sustainability throughout the entire company as well as set and track progress toward ambitious sustainability goals. They also need to define/redefine their portfolio of sustainability services and products as well as enable their sales force to communicate the (new) corporate policies and the customer benefits of the new offerings.

**A CASE STUDY: SAP’S SUSTAINABILITY JOURNEY**

In March 2009, SAP announced its new sustainability strategy, complete with a new organizational structure, an increased focus on internal operations, and a new go-to-market strategy with solutions that help customers increase their sustainability performance. The topic was not new to the company, and for many years, SAP offered sustainability-related solutions. However, it took some time until the desire for more corporate social responsibility, paired with the pressure to identify new market opportunities in an economically challenging time, convinced the newly structured board to fully embrace sustainability. At that point, it became a central part of the corporate strategy that resulted in the creation of a new organizational unit and a completely new approach to the topic.

**Organizing To Drive Sustainability In A Global IT Company**

In many other companies, internal sustainability goals are the responsibility of the chief financial officer (CFO) or chief operating officer (COO), and external sustainability goals (when the company has identified this as a target market) belong to sales. SAP took a different approach by:
• **Naming a chief sustainability officer.** SAP has placed both internal and external aspects under the new role of chief sustainability officer (CSO), who reports to the board regarding solutions and technology. A sustainability council including the CSO and several board members continuously reviews SAP's sustainability position and jointly decides on projects and budgets.

• **Placing sustainability leads across the organization.** In order to drive the aspect of sustainability throughout the whole company, SAP has implemented a very lean CSO-headed department. In addition, it has also created an “organization within the organization” with employees in every major business unit who are 100% dedicated to the topic and whose managers have a dotted reporting line to the CSO unit.

• **Allowing employees to commit time to sustainability projects.** In addition, employees can voluntarily sign up as sustainability champions and dedicate 10% of their time and personal objectives to support the change management process as it relates to more sustainable behavior — with the blessing of their managers who carry sustainability-related goals. The organizational approach resonates well. People like to work for a bigger picture, and with more than 150 champions currently overall, SAP has two to three champions in every larger office location worldwide.

**Reporting Internal Sustainability Progress**

In order to be successful in the sustainability market, IT vendors need to prove their own capabilities and adoption of sustainability principles to their business. SAP has taken a very transparent approach to its internal sustainability goals and operation, allowing customers and other stakeholders to see how seriously SAP is taking the subject. To this end, SAP has:

• **Published its first sustainability report.** In November 2008, SAP published its first sustainability report, which was updated in May 2009 and is available as an interactive online tool. The report combines a wide range of internal sustainability measures such as the overall corporate carbon footprint as well as the energy consumption of the company's buildings and SAP's internal IT data centers. The interactive reporting, which uses SAP's Xcelsius tool, allows interested users to drill down into specific aspects such as corporate jet emissions or electricity consumption per facility, per region, or per employee. The challenge of sustainability reporting is mainly to get the data, which is often hidden across several systems and applications. SAP is in the enviable position of owning most of this data in its own software systems. The company is currently considering how and when to make its internal sustainability reporting solution available for enterprise customers.

• **Set corporate carbon-emission-reduction targets.** Regarding its carbon footprint, SAP has set a goal of reducing the value from 2007 to 2020 by approximately 50%, returning to its 2000 level (see Figure 1). In its progress reporting, this goal is linked to information on one or more
initiatives SAP is running to drive emissions reduction. For example, an interested user can see that SAP has invested in a high number of videoconferencing systems, is increasing the share of green energy consumption at its headquarters from 17% to more than 60%, has built solar energy facilities at several locations, has achieved an internal server virtualization of 60% of all new servers, and much more.

**Figure 1** SAP's Sustainability Reporting

![SAP's Sustainability Reporting Figure](source: Forrester Research, Inc.)

Source: SAP’s Web site

55036

Source: Forrester Research, Inc.
Mapping Potential Markets For Sustainability Software

Of course, sustainability has to contribute to profitability in order to be widely adopted by companies. Like many other information and communication technology (ICT) suppliers, SAP has realized the potential market for IT sustainability solutions. But now with its new strategy, it has pulled many elements, and sometimes-isolated solutions, together into a consistent portfolio. Like its industry solution maps, SAP used input from customers, partners, and non-governmental organizations (NGOs) to create a sustainability map that offers a complete overview of the company's portfolio of solutions, which address many different aspects of corporate operations (see Figure 2). Although influenced by SAP's currently available solutions and built from a specific software vendor point of view, the map is one of the first tools in the market that offers a comprehensive overview of the multidimensional challenges of corporate sustainability, with relevant software solutions to address them.

![Figure 2 SAP’s Sustainability Map](image)

**Source:** SAP
The map reflects the whole sustainability software market, independent of current product offerings of SAP. Each box on the map offers a drilldown to see the business processes and the solutions SAP (or its partners) offers to support the sustainability aspect of each process. For example, the bottom layer of the map addresses IT infrastructure — not one of SAP’s native business areas — and the corresponding solution behind the green-IT box is a joint initiative among SAP, IBM, and other partners called Green Sigma.

**Sustainability Requires Ongoing Investment**

Many of the existing solutions that are positioned within SAP’s sustainability map have been developed over time, without the bigger picture of an integrated sustainability portfolio in mind. To bring these disparate elements together into an integrated portfolio and fill in gaps in its map coverage, SAP is investing in areas like:

- **Integrating across products.** This represents the integration of individual sustainability solutions for customers that might want to include various elements on the map — such as labor compliance with occupational health, product safety, as well as strategy and risk — in a seamless sustainability performance management solution.

- **Acquiring an EHS product.** SAP acquired all of the IP of TechniData’s environmental, health, and safety (EHS) solution, which is a central piece of SAP’s sustainability portfolio and has been sold and branded by SAP for many years already. As a development partner, TechniData will continue to deliver services and enhance the now SAP-owned solution.

- **Screening the portfolio for opportunities.** SAP’s supplier relationship management (SRM) and other elements of SAP’s portfolio are currently screened for their potential to increase sustainability performance, and brand-new solutions are developed from scratch as well. The current investment focus is on sustainability performance as well as energy and carbon management solutions.

- **Acquiring a carbon management product.** In May 2009, SAP acquired Clear Standards, a solution provider for carbon management solutions. The investment reconfirms SAP’s dual strategy, which is key to being a successful vendor of sustainability solutions: It will significantly help improve SAP’s internal sustainability performance and enrich the portfolio the company offers to its customers to help build end-to-end sustainable business.
WHAT IT MEANS

SUSTAINABILITY OFFERS A HUGE OPPORTUNITY FOR IT VENDORS

However, to be successful, IT vendors need to be an exemplar as well as an enabler of sustainability performance for their customers. Sustainability goes to the core of a company’s strategy. It requires the buy-in of the whole organization, with the right strategy and organizational setup, significant investments in internal operations, as well as transparency to the outside regarding goals and current performance.

For customers, IT vendors need to structure their solutions into a consistent sustainability portfolio. They also need to provide seamless integration and build or partner for new solutions that leverage a customer’s existing investments.

At the end of the day, vendors’ and customers’ investments in sustainability need to deliver solid return on investment (ROI). Profitable sustainability is the simple equation.

ENDNOTES


2 For a discussion of the different aspects of sustainability and green IT, see the March 5, 2009, "Mapping IT’s Green Opportunities" report.


4 The SAP 2008 Sustainability Report is available online. Source: SAP (http://www.sapsustainabilityreport.com).