



Deep Green

How data, technology and
collaboration will drive the next
phase of sustainability in business





Executive summary

As the world grapples with the urgent need to combat climate change and resource depletion, a new breed of business is emerging. These organizations will be sustainable to the core—not just green but deeply green, with sustainability encoded in their DNA.

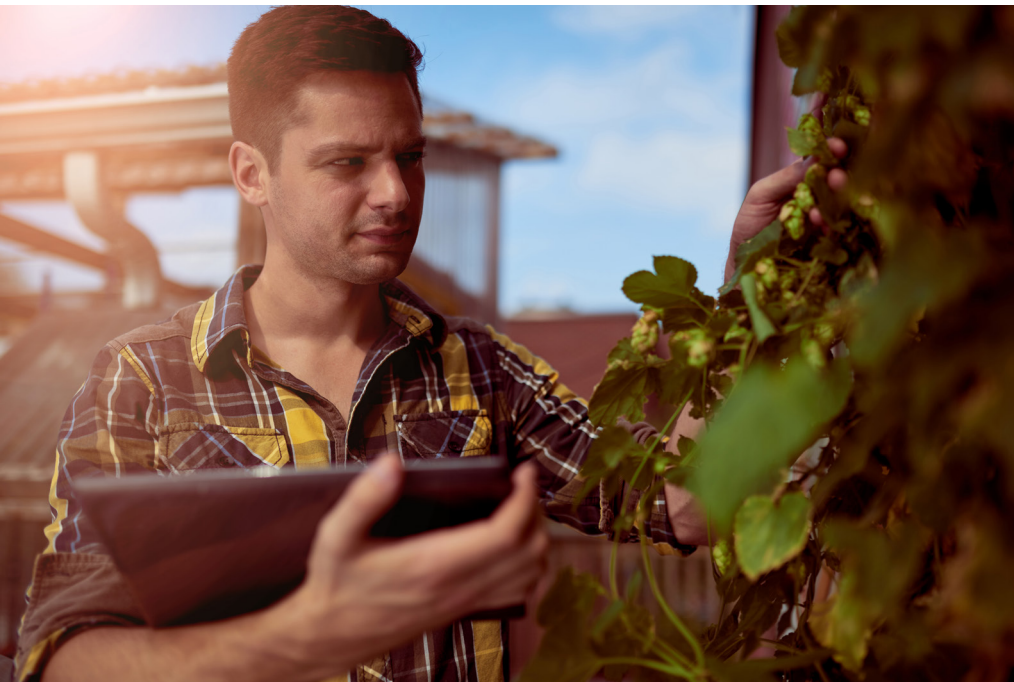
Sustainability thinking will influence everything these businesses do—affecting their entire sphere of control—from how they get and use their energy and materials to how they develop products and services. Moreover, this type of thinking will impact areas and entities previously outside of these businesses' control, including their suppliers, distributors, customers and partners, in pursuit of a better tomorrow.

What will drive this new breed is a growing conviction that sustainability can reveal new opportunities for those who respond to environmental, social, business and regulatory pressures with a radical and far-sighted rethink of how to operate.

Rather than just tending to the sustainability of their internal operations, deeply green businesses will collaborate in entirely new ways across their value chains—coordinating their vision, actions and decisions with other players and partners in their ecosystem. At the same time, they'll create products and offerings that go beyond mitigating environmental issues, to helping to solve them. Operating in this manner, these businesses will not only shrink their own environmental footprint and those of their stakeholders—they'll also discover entirely new ways to secure resilient growth.

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We see glimmers of this future state materializing now: It's the beer manufacturer that not only meticulously tracks the journey of its barley from the field to the bottle using blockchain but also helps its farmers adopt more sustainable agricultural practices.



It's the fintech that puts its money where its mouth is, offering up to 10% cash back when customers buy from its socially responsible business partners.

And it's the apparel company that has built new links between its supplier, production and retail systems, allowing customers to see a garment's manufacturing location, materials used

and conditions in the production facility. These companies are leading the charge toward a sustainable future, and they're doing it with urgency, purpose and transparency.

But this level of transparency and interconnectedness requires an expanded understanding of what it means to be sustainable. In a future-ready business, sustainability is made possible with the speed, automation and intelligence of advanced technologies, modernized ways of operating, and new collaborative models within and across value chains.

It's a big lift, but the opportunities are as great as the consequences of inaction are severe. On the one side are the greenfields that can arise from productive partnerships and market-changing, planet-saving products and services; on the other side are disrupted supply chains, dissatisfied consumers and employees, costly regulatory penalties and negative public perception.

Meanwhile, the ticking of the clock is deafening. With planetary, economic and societal signals growing more apparent every day, business leaders cannot hide in this age of radical visibility.

To find out more about the future of sustainability in business, we worked with Oxford Economics to survey 3,000 executives—across every market and sector—on their sustainability plans, challenges and vision. Through our analysis, we’ve devised five recommendations for how leading enterprises can out-perform their markets with enduring and differentiating growth by embedding sustainability at their core:

1 **Boost sustainability investments to realize full business value**

There are two compelling sides to the sustainability coin: a need to invest on the one side, and financial rewards at the other. Our survey reveals a rapidly accelerating willingness to spend over the next few years. Between 2020 and 2025, the percentage of respondents increasing their sustainability spending by 10% or greater nearly doubles (from 26% to 51%). By 2030, the percent of respondents grows again, to 62%.

Meanwhile, survey respondents firmly tie financial performance to the sustainability actions they take. This conviction only grows over time. The number of respondents who expect their sustainability efforts to drive stronger financial performance doubles between now and 2025 (from 31% to 65%). And by 2030, the vast majority (80%) are convinced their sustainability initiatives will positively or very positively impact their financial performance.

2 **Elevate your internal sustainability initiatives for even greater return**

Unsurprisingly, respondents’ sustainability initiatives are primarily focused on their internal operations—including what’s commonly referred to as Scope 1 emissions—and less so on the supply chain or the impact of their products and services once they are sold and consumed.

While everyone will ultimately need to get more ambitious and expand their sustainability purview beyond what’s directly in their control, there’s substantial work to be done on improving the sustainability of their internal operations. Within the next two years, according to our research, the pressures of carbon abatement and climate adaptation will cause a marked shift toward more sophisticated, data-driven efforts, such as virtual simulations and advanced analytics. These will be more disruptive to the operational status quo.

Further, as businesses revisit their sustainability strategies, they’ll also need to improve the granularity, accessibility, reliability and flexibility of the data on which those targets and plans are based. These are not linear endeavors. In a complex and fluid landscape, strategy must always be regarded as organic. Companies will have to continuously redefine their baselines, targets and plans as new regulations, new technologies and new challenges emerge.

66%

Of all respondents are focused on the sustainability of their internal operations

3 Expand your sphere of influence, upstream and downstream, to secure greater business benefits and impact

Many businesses have yet to focus on sustainability initiatives outside of their direct control, including Scopes 2 and 3 emissions. Why? Because it's an enormous undertaking. Imagine increasing communication and collaboration not just within your own company but also with your partners, suppliers, distributors, communities and customers.

To function at a deeply green level, businesses will have to be genuinely connected to their wider ecosystems. They'll use data and technology to acknowledge, address and solve for environmental challenges up and down the value chain. By leaning into this opportunity, they will innovate differently. That change will unlock new, revenue-expanding services and open new commercial opportunities, generate early-warning insights for risk mitigation and management, and establish new relationships to transform delivery and production.

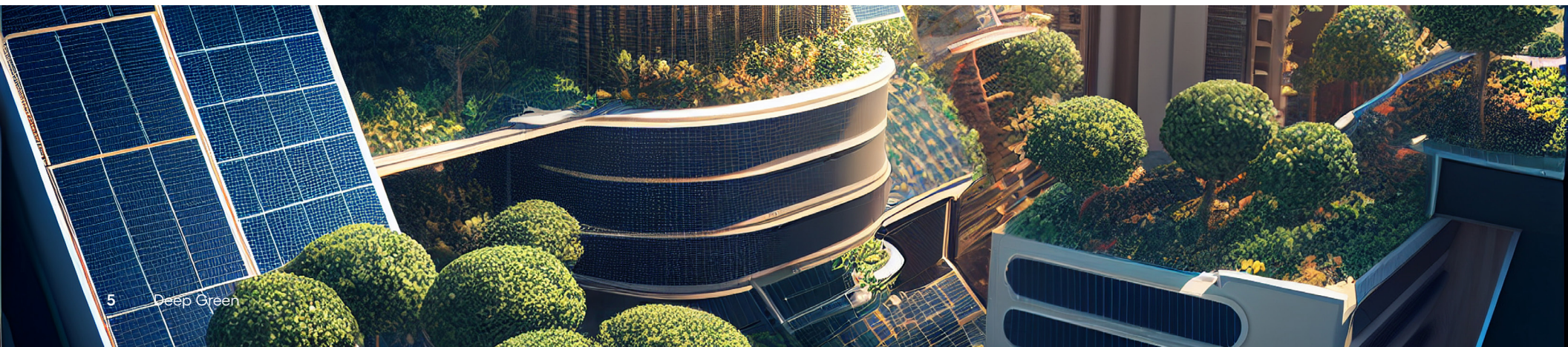
Expanding your sphere of influence means treating suppliers like partners and seeing the sustainability journey as a shared one. It also means looking more creatively up and down the value chain to find atypical partners that help you reconceive products and services that can be developed, integrated and deployed for sustainable growth.

4 Explore the deeper application of emerging and maturing technologies, and commercially creative ways to deploy them

To expand sustainability initiatives beyond what can be directly measured, audited and improved, businesses need to boldly explore technology-driven solutions. In our survey, core technologies such as cloud, IoT and automation rank highly for both the extent to which they are deployed and their perceived effectiveness.

Now it's time to capitalize on technology that, at first, may not seem relevant in your industry.

Artificial intelligence, machine learning, advanced analytics, digital twins and blockchain—such cutting-edge technologies are necessary to expand sustainability into the larger ecosystem and create products and services that help solve environmental problems rather than just mitigate issues. Only the confident adoption of these technologies will accelerate the enterprise's impact and outcomes.



5 Evolve power structures to allow for necessary shifts in culture and accountability

Given the organizational challenges noted by respondents, no progress will happen without getting your internal house in order, from sharpening strategies, to investing in and upskilling talent and preparing the ground for the profound organizational change that's likely to come.

Most importantly, leadership models must evolve to correct what our research reveals as an imbalance between power and accountability. Respondents report that CEOs usually develop sustainability strategies and control the funding for these strategies, while the chief sustainability officer or other senior managers are held accountable for progress or rewarded for success. This power equation needs to be balanced if companies are going to achieve expected results.

Further, talent shortages threaten to mar sustainability progress. Becoming deeply green calls for new talent and skills in the enterprise that can often be found through reskilling of the existing workforce.

Workforce demographics and dynamics have forever shifted. Even with charismatic ambassadors and change agents leading the charge, businesses need to ensure everyone is motivated to play their part in business sustainability, and for building, sharing and monitoring baselines, targets and plans.

Leadership models are out of balance

55%

Of respondents say the CEO is responsible for allocating budget for sustainability

8%

Say the CEO is accountable for delivering on the sustainability strategy





Cognizant Research

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