How to make sustainable maintainable

5 things ERP professionals should be doing today

A research study into sustainability attitudes surrounding ERP, including things you can do today that will improve our planet's chances of survival tomorrow.

Resulting it

Introduction

Global warming and our environmental impact is the number one problem facing the planet.

Numerous studies have shown that large enterprises are responsible for a massive proportion of the damage being done to the environment.

All those big enterprises run ERP – which means ERP has a critical role to play in making the enterprise sustainable.

In this report we uncover how serious the ERP industry is about driving sustainability, and if enterprise sustainability claims match up with how ERP is being used in the wild.

Demographics

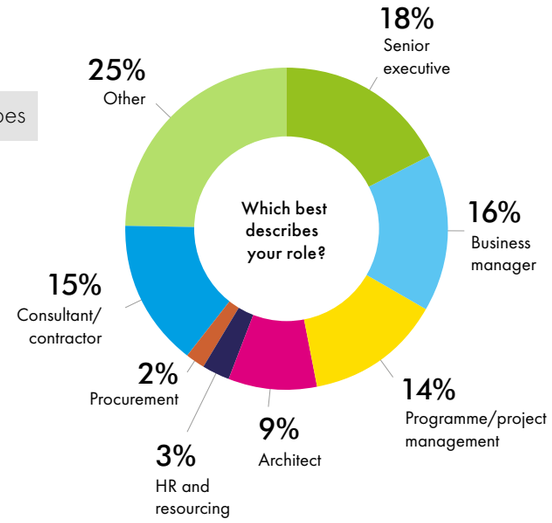
Since 2018, our research projects have focused on the same seven core personas. The 104 respondents to this research survey focus on those responsible for defining ERP strategy and delivering ERP programmes.

The respondents come from a mix of both IT and business backgrounds, providing balance in the research. The research is UK-centric (63%), although a control segment from Europe and North America provides us with global sentiment.

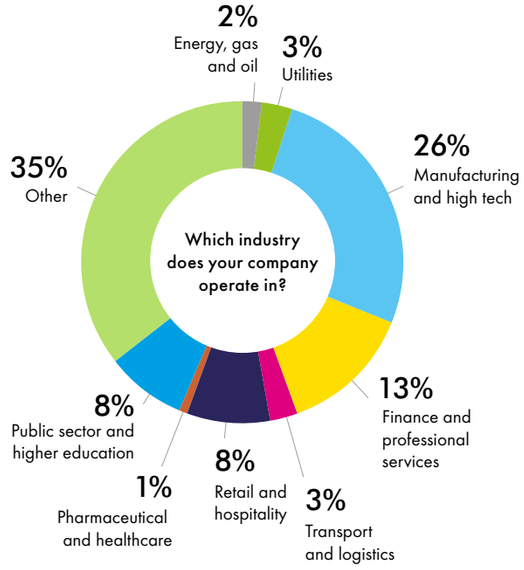
Respondents to the research comprised attendees at the UK and Ireland SAP User Group Connect Conference (November 2021) as well as people who chose to take part through social media promotion – primarily on LinkedIn.

In some sections of this report, we segment the results of a question by this demographic information. As this reduces the sample size of these segments, these deep dives should be viewed as an interesting indication of trends – not empirical facts.

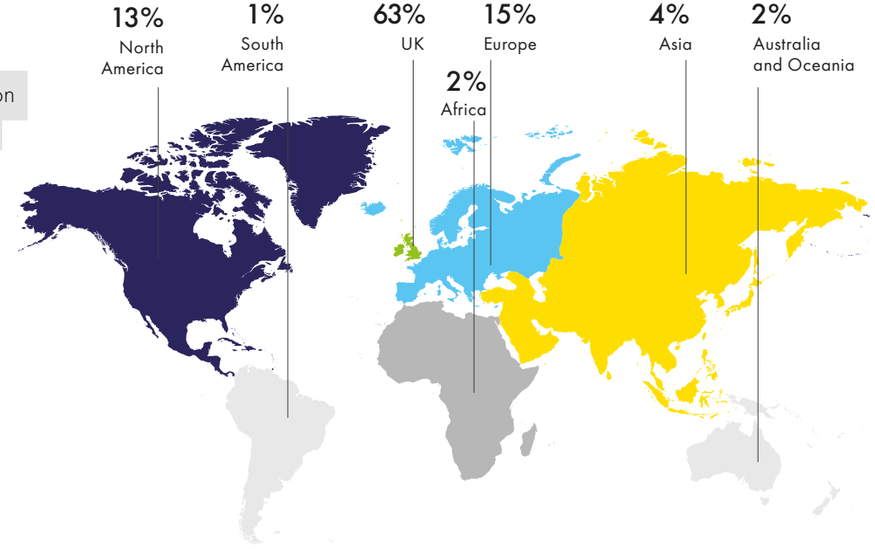
Which best describes your role?



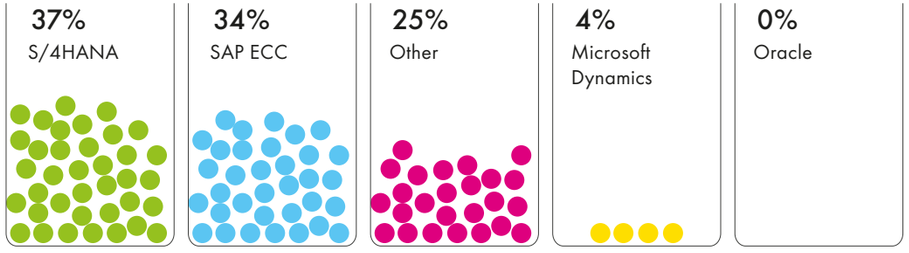
Which industry does your company operate in?



Where did you work on your last ERP project?

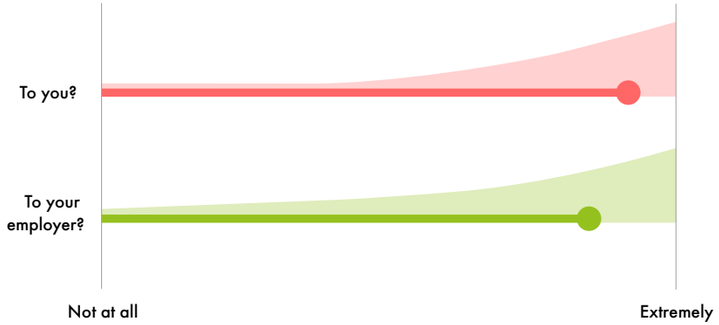


What is your core ERP platform?



Sustainability

How important is sustainability...



Read any fortune 500 company report and you'll see that sustainability is the burning issue. But it's easy to be cynical when it comes to the green credentials of big business – especially when you work for them.

So we were pleasantly surprised to see that respondents thought that sustainability was important to their employers.

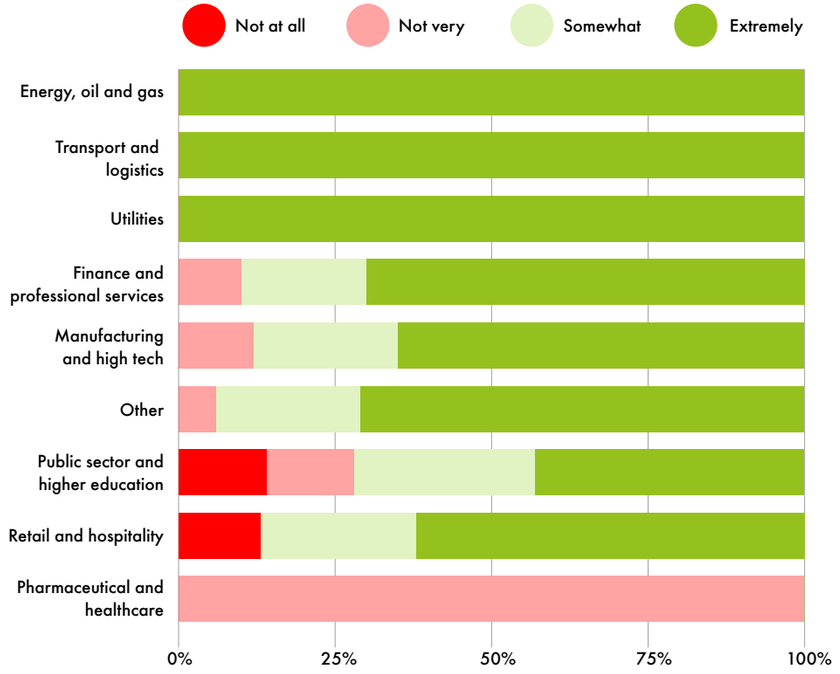
> **"Our client discussions continually reveal that individuals are expecting and pushing managers at their employer to do more when it comes to sustainability. They know that green business is good business, which is both right for their organization and critical to the health of our planet."** *Dr Derek Prior, Former Gartner Research Director, Non-Executive Director Resulting IT*

However the devil's in the details.

When we break this answer down by vertical we see that it's the big, energy consuming, "dirty" industries that are the most serious about sustainability.

This isn't good enough. Just because you work in a "clean" industry there's still lots you can do to improve. Sustainability is something that needs to be top of every business and CXOs agenda – not just companies with an image problem. If there isn't a sustainability consideration in your ERP Roadmap it's time to add one.

How important is sustainability to your employer?



NO SUCH THING AS A SELFLESS GOOD DEED?

While the optimist in us wants to celebrate the altruism of businesses going green – there might be something else going on here.

Becoming more sustainable typically means reducing your total energy consumption – energy-hungry industries have more to gain from becoming more sustainable. This could explain why "dirty" industries do well in this question.

Perhaps so-called "clean" industries could learn from this and create enthusiasm for sustainability by linking it to cost reduction. Understanding the cost and environmental impact of your business processes is key to this.

But let's not get carried away. Deep sustainability results require big investments and changes to ways of working – and you might only recoup the costs many years down the line.

While there can be cost savings by reducing energy consumption, you need to be prepared to invest in sustainability to affect real change.

A comprehensive Business Process Framework will help you identify the processes that have a sustainability impact, and to analyse whether there's a cost-reduction incentive to making those processes more sustainable.

How carbon neutral is your business?

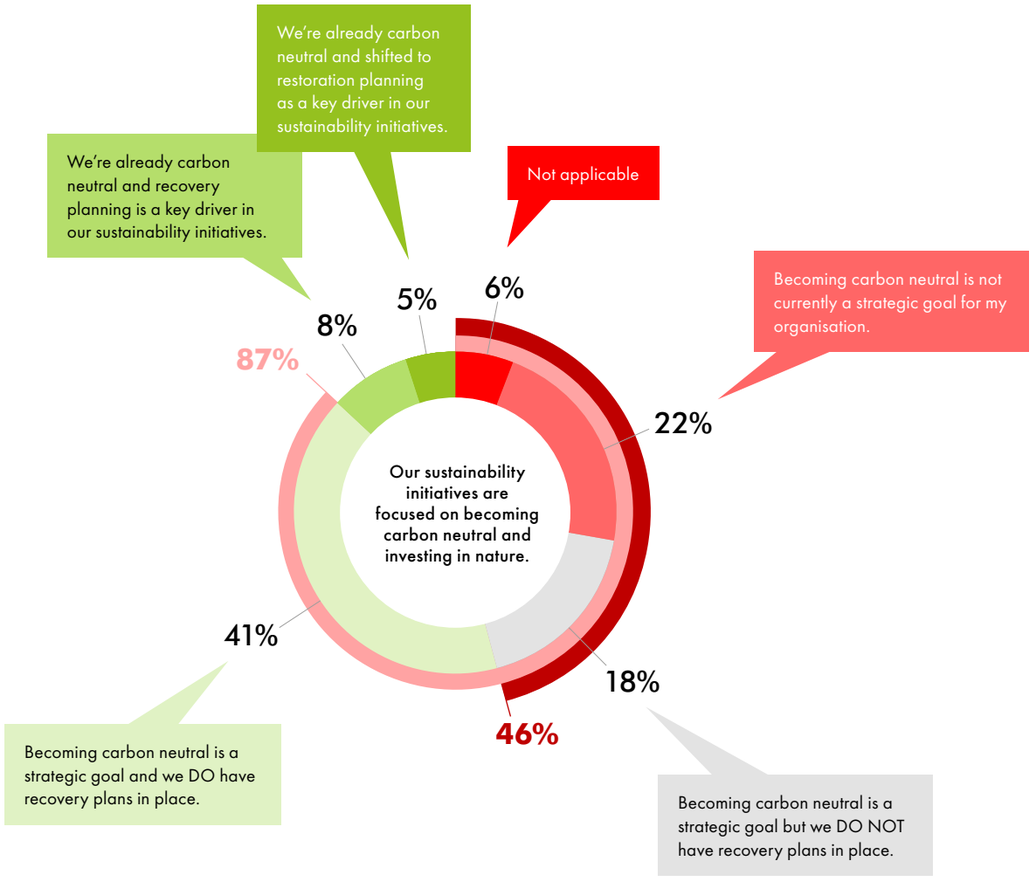
You'll often hear companies talk about becoming more sustainable, but what does that really mean? After all, switching to recycled coffee cups is a step towards sustainability, but it won't save the planet.

So to gain some clarity we asked our respondents if they were carbon neutral – and the results weren't great.

Overall 87% of respondents weren't yet carbon neutral. 46% didn't have a plan in place to become carbon neutral, and 28% stated carbon neutral wasn't a strategic goal or that this question didn't apply to them.

Given that in the previous question respondents said sustainability was important, we're already seeing a disconnect between optimism and real action.

> **It's surprising that 13% claim to be already carbon neutral, we think that is very high. The majority, 41%, say that becoming carbon neutral is strategically important and that they have plans to get there. This again is very high.**
>
> **It's good news if it's true, but the sheer amount of work involved is massive. For example, manufacturers need a lot of energy to make their stuff. Manufacturing is always carbon-intensive so carbon neutral is a real challenge for them.** *Dr Derek Prior, Former Gartner Research Director, Non-Executive Director Resulting IT*



JARGON BUSTER

We've already thrown out a few terms that could sound similar to the uninitiated. So let's break it down.

Carbon neutral

Carbon neutral means having a balance between emitting carbon (i.e. carbon dioxide equivalent in so-called greenhouse gasses) and absorbing carbon from the atmosphere.

Carbon negative

Carbon negative means absorbing more carbon dioxide from the atmosphere than you put in.

Restoration

Restoration is the process of deliberately working to remove more carbon dioxide from the atmosphere than you put in. It is closely linked to becoming carbon negative.

Recovery

Recovery is the process of working to become carbon neutral, typically through a process of reducing your own carbon emissions while engaging in projects like tree planting to absorb carbon from the atmosphere.

The challenge with all of these is proving it. All offsetting and carbon accounting must be completely auditable to be creditable and verifiable – which is why you should demand absolute clarity when it comes to any sustainability claims made by your suppliers.

You must also have a good understanding of the carbon cost of your own business processes. If you don't, your ERP roadmap should include plans for this.

How important is sustainability when choosing suppliers?

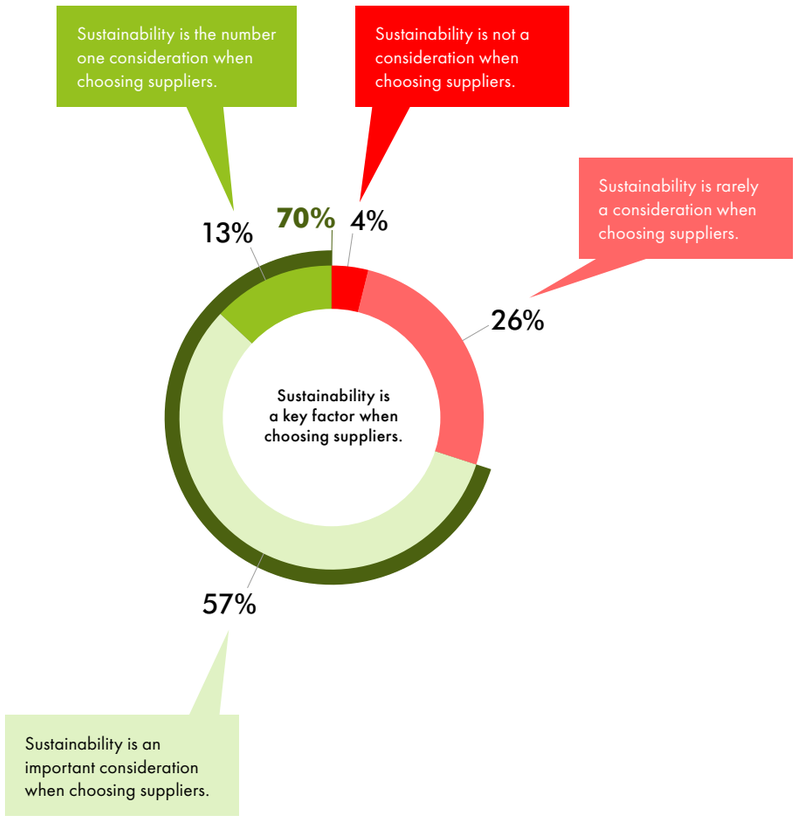
We've already talked about how so-called "clean" industries have a part to play when it comes to sustainability. Much of the gains to be made by these companies come from scope 3 emissions. Reducing your scope 3 emissions is all about your suppliers and your supply chain.

The responses to this question were overwhelmingly positive with 70% saying sustainability is important when it comes to choosing suppliers.

But let's take it with a pinch of salt. 13% say it's the most important factor? Would your procurement team feel the same way? Even with sustainability on the agenda it's likely price and performance will always be a critical factor in purchasing decisions.

Our conversations with clients confirm that they expect their suppliers to be taking sustainability very seriously. This is because carbon emissions across the supply chain usually exceed our own direct emissions. Scope 3 emissions are often the largest part of our emissions which is why we posed this important question.

There are many selection criteria for choosing a new supplier, but sustainability has recently leapfrogged onto it. *Dr Derek Prior, Former Gartner Research Director, Non-Executive Director Resulting IT*



JARGON BUSTER

Scope 1

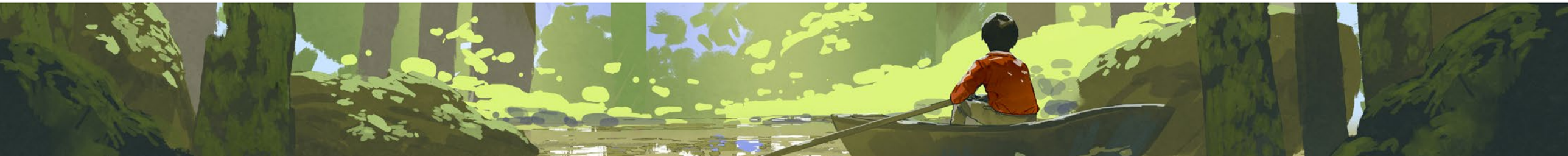
Scope 1 covers direct emissions from owned or controlled sources like manufacturing, or the fuel burned by an airline.

Scope 2

Scope 2 covers indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed by the reporting company.

Scope 3

Scope 3 includes all other indirect emissions that occur in a company's value chain including things like purchased goods and services or business travel. Consider how your procurement solution can track scope 3 emissions as part of your ERP Roadmap.



Sustainability and IT

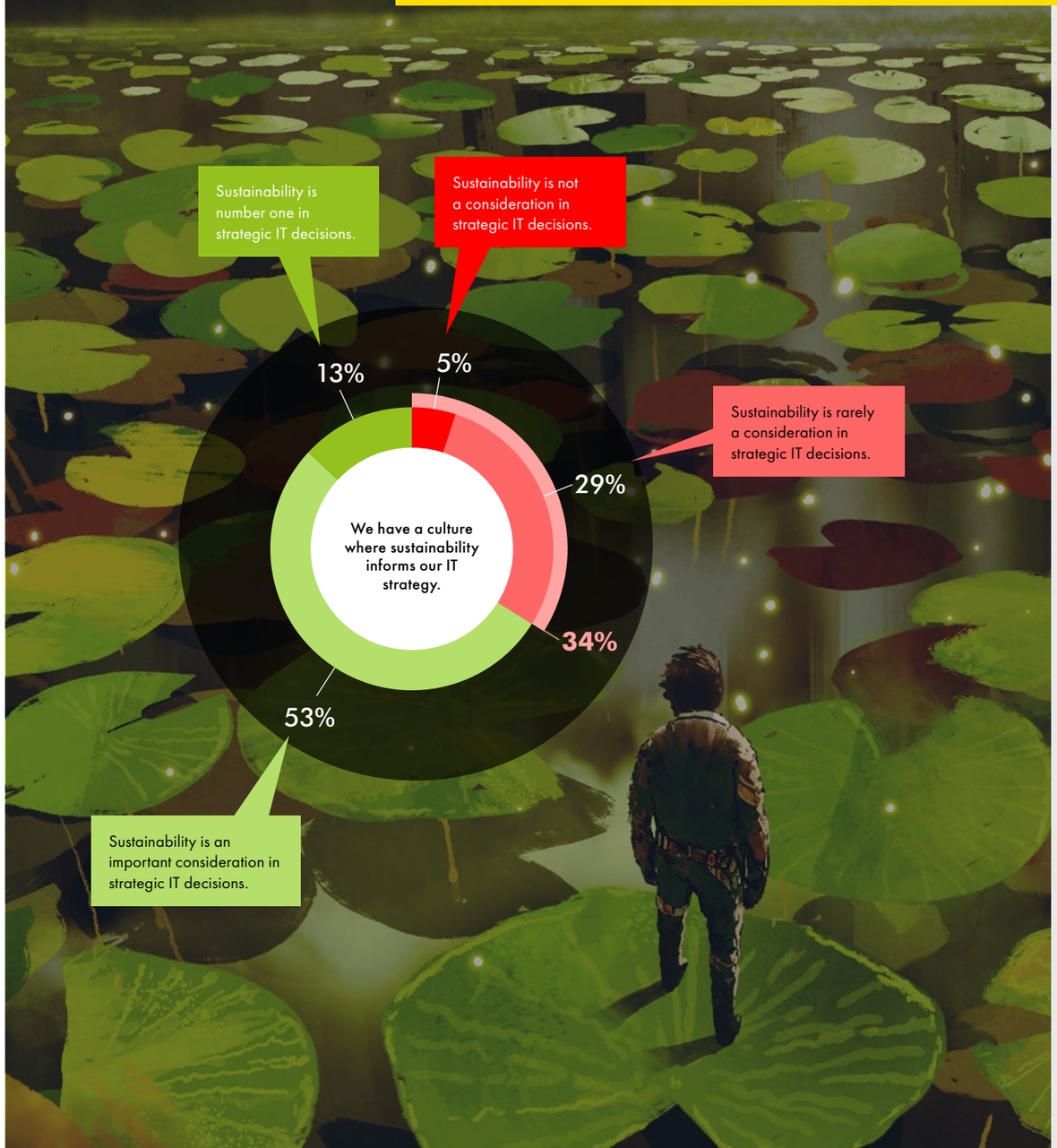
When it comes to sustainability and IT lots of people make the mistake of thinking it's all about hardware – worrying about how much energy their servers are using. To put things into perspective carbon emissions from IT are around 2% of total emissions*.

When thinking about your IT strategy and sustainability, you need to be thinking about how you can use IT to make your business more sustainable as a whole – not just how your IT department can reduce its carbon footprint.

The fact that 34% rarely or never consider sustainability in IT decisions shows there is a real disconnect between IT strategy and the sustainability agenda.

Given ERP runs many of your business processes,a third of companies will really struggle with sustainability if their IT departments aren't on board.

*Source: https://www.lancaster.ac.uk/news/emissions-from-computing-and-ict-could-be-worse-than-previously-thought



HEAD IN THE CLOUDS WHEN IT COMES TO SUSTAINABILITY?

Ask the man on the street about clouds and climate change and he'll think "weather" – but for the IT community cloud only means one thing...

IT is going through a seismic change with many businesses striving to get their systems into the cloud. One proposed benefit of this is the green credentials of the major hyperscalers.

Just pick your favourite IT research vendor and check out their publications. Look at the huge uptake for AWS, Microsoft Azure and Google Cloud for Infrastructure-as-a Service (IaaS) to run SAP business applications.

But the big question is "What happens to my carbon emissions when I move to the cloud?"

We challenge you to get a detailed, credible, answer to this vital question from the three hyperscalers.

And this doesn't mean how green each hyperscaler is as a company, we mean what are the specific carbon emissions created by your spend with them.

This is vital if you're going to perform accurate carbon accounting.

Sustainability targets and regulation

When asked about their sustainability targets, 83% of respondents said they had targets or were starting to implement them.

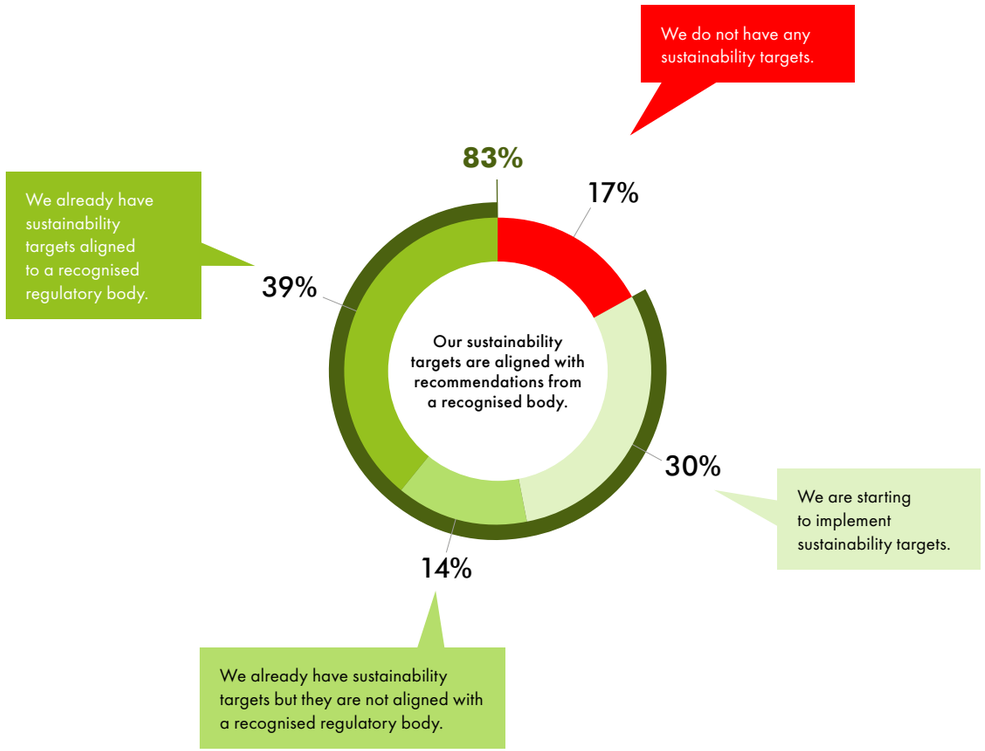
However, when we asked about specific regulatory bodies, understanding was poor. Many respondents had never heard of these major regulators – and fewer than half (39%) were aligned to a regulator.

Setting sustainability targets is important but aligning those targets to an independent, expert body is even better.

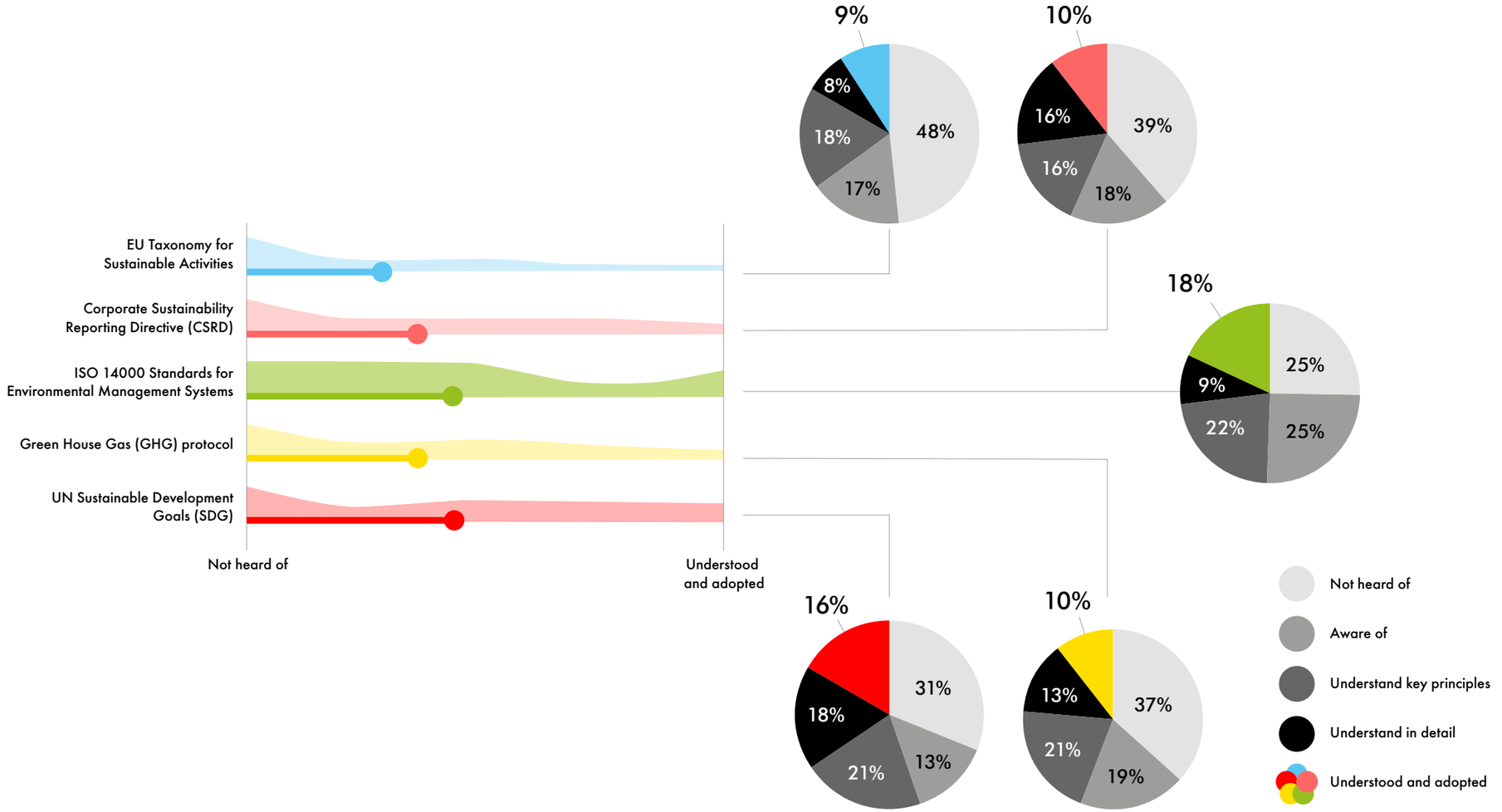
Companies that are serious about sustainability would do well to understand the leading regulatory bodies – perhaps there's one for your industry – and set targets that align to them.

That way your sustainability goals are held accountable to the highest standards and are backed by leading experts.

Are you sustainability targets aligned with recommendations from a recognised body?



Which sustainability regulations are you aware of?



CHANGE NOW OR PAY LATER

Increasingly companies will be expected to meet sustainability targets to trade, not just by their customers, but by governments and regulators.

We have already seen the UK Government implement the plastic tax[1] in April of 2022, and the EU is working towards a policy of Green Taxation[2] as part of their EU Emissions Trading System[3].

By aligning with regulatory bodies now, you will future-proof your ability to trade and avoid taxations as governments crack-down on bad sustainability practices.

Sources

1. https://www.gov.uk/government/collections/plastic-packaging-tax
2. https://taxation-customs.ec.europa.eu/green-taxation-0_en
3. https://ec.europa.eu/clima/eu-action/eu-emissions-trading-system-eu-ets_en

IGNORANCE IS BLISS WHEN IT COMES TO ERP SUSTAINABILITY

A number of times in this report we've seen dissonance between how important people believe sustainability is to their business and what they're actually doing about it.

So what exactly is going on here – why are people so confident they're acting on sustainability when their actions suggest the opposite?

The problem is their belief outweighs their capability – and this can be a dangerous combination.

In fact, psychologists have a name for this phenomenon – it's called the Dunning-Krueger effect.

The Dunning-Krueger effect states that the less you know about a complicated subject, the more likely you are to overestimate your ability.

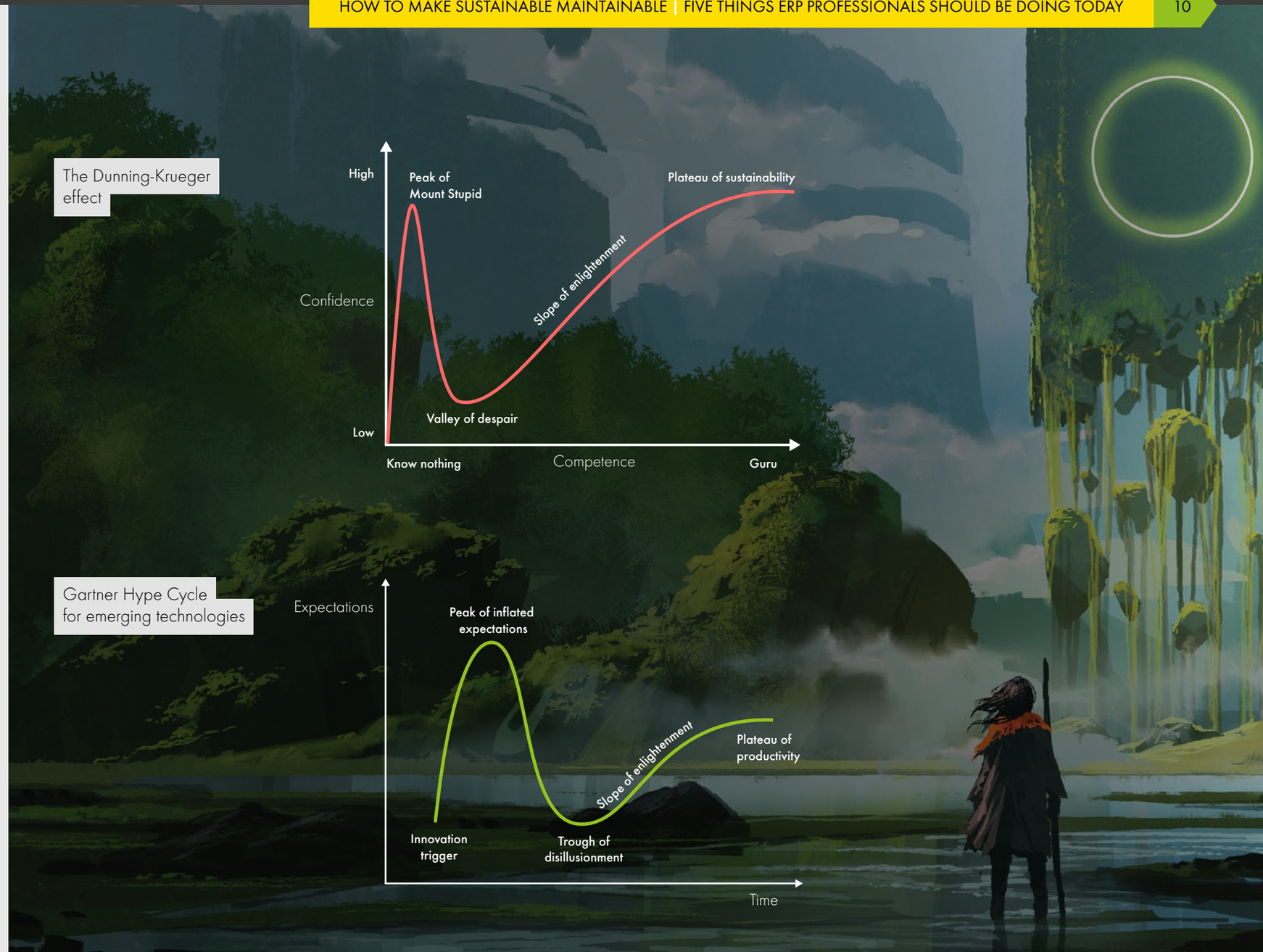
On the other hand, people with a high level of knowledge are more likely to underestimate their ability.

The Dunning-Krueger effect can be explained in a graph like the one shown top right.

If you're eagle eyed, you might have noticed that the shape of this graph and even some of the labels on it are eerily similar to the Gartner Hype Cycles for emerging technologies.

Perhaps as sustainability tools hit Gartner's plateau of productivity, ERP customers will have the data they need to understand their environmental impact.

Only then can we bridge the gap between belief and capability when it comes to ERP and sustainability.



Who's responsible?

Every part of the business has a role to play when it comes to sustainability – but for sustainable ways of working to be widely adopted you need someone to champion the cause and drive through change.

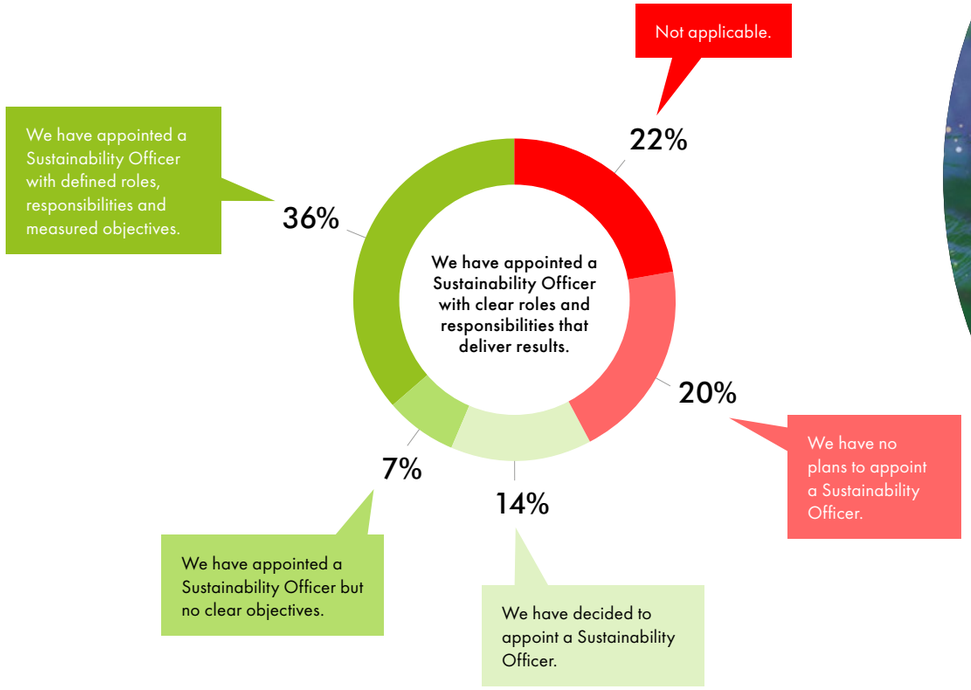
We think the CEO should be the ultimate owner – they're responsible for profitability, so they should also be responsible for the cost to the planet of that profitability.

Gartner's 2022 CEO Survey* revealed that CEOs clearly see that sustainability underpins shifting investor (or owner) expectations.

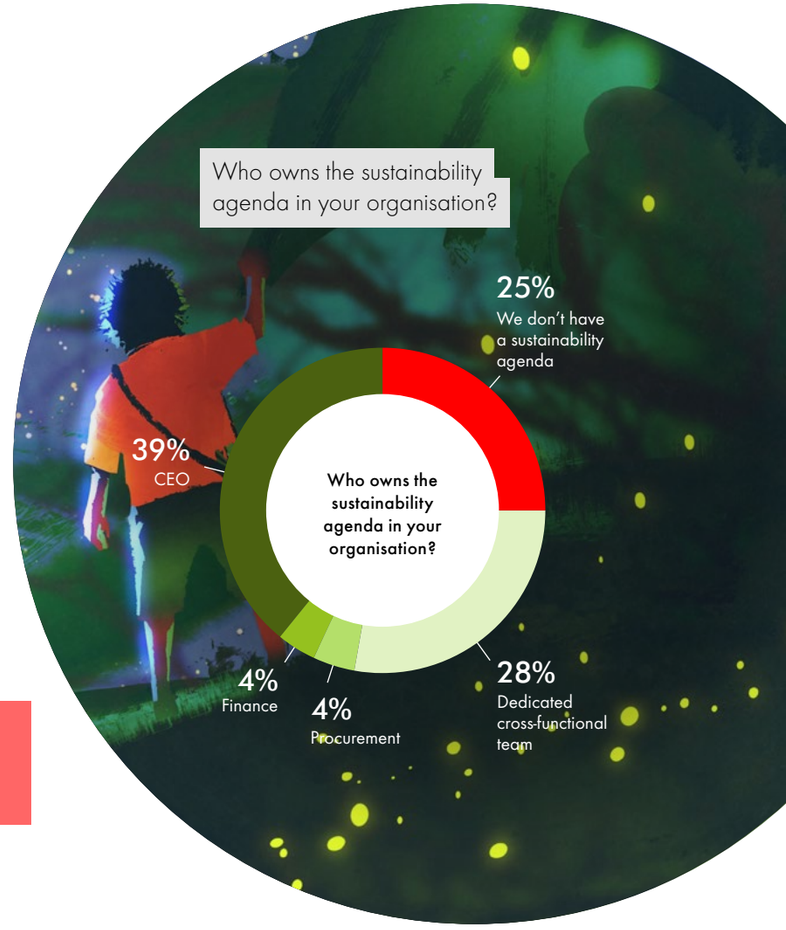
In fact, Environmental and Social Governance or ESG, became the third most important investor/owner expectation. Furthermore, sustainability jumped into the top three drivers of product competition. In the same survey CEOs clearly stated that sustainability was therefore now perceived as a "green and grow" opportunity for their organisations.

> **From our survey it would appear that only 36% of respondents have a Sustainability Officer who has a set of defined sustainability targets. This seems to be way too low and we are hard-pressed to offer an explanation.**
>
> **Some organizations include sustainability responsibility with another C-level function, such as finance, supply chain or operations. Again, some leading enterprises no longer publish an annual Sustainability Report separate to their Annual Report. They see sustainability as a key responsibility of the entire board and choose to integrate its performance with the rest of its business performance.** *Dr Derek Prior, Former Gartner Research Director, Non-Executive Director Resulting IT*

We have appointed a Sustainability Officer with clear roles and responsibilities that deliver results.



Who owns the sustainability agenda in your organisation?



*Source: https://www.gartner.com/document/code/766731

Measuring up

If you're serious about sustainability this is where the bio-sourced rubber tyres hit the road.

Previous questions have expressed intent, but this question is about progress. This shows if you're really doing it and tracking it properly.

And 82% aren't doing enough – but this doesn't surprise us. Here's why.

Every time we've conducted research about measuring the value of ERP, people struggle.

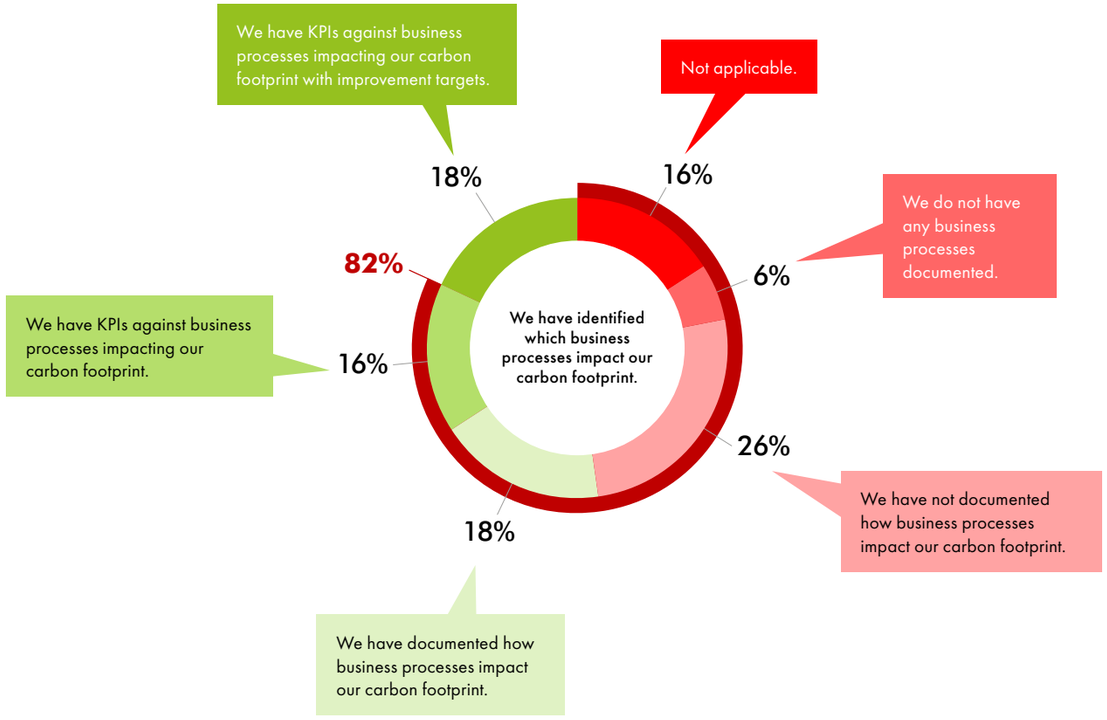
Time and again ERP customers don't put the right KPIs in place to measure success.

In fact, in a previous research report we discovered that 70% of ERP customers do not have a definitive, up to date list of business processes.

And this is the same problem we're seeing when it comes to measuring sustainability.

If you're serious about sustainability you need to have a comprehensive list of your business processes so you can understand their sustainability impact and set KPIs against them. Creating a Business Process Framework is the best place to start.

We have identified which business processes impact our carbon footprint



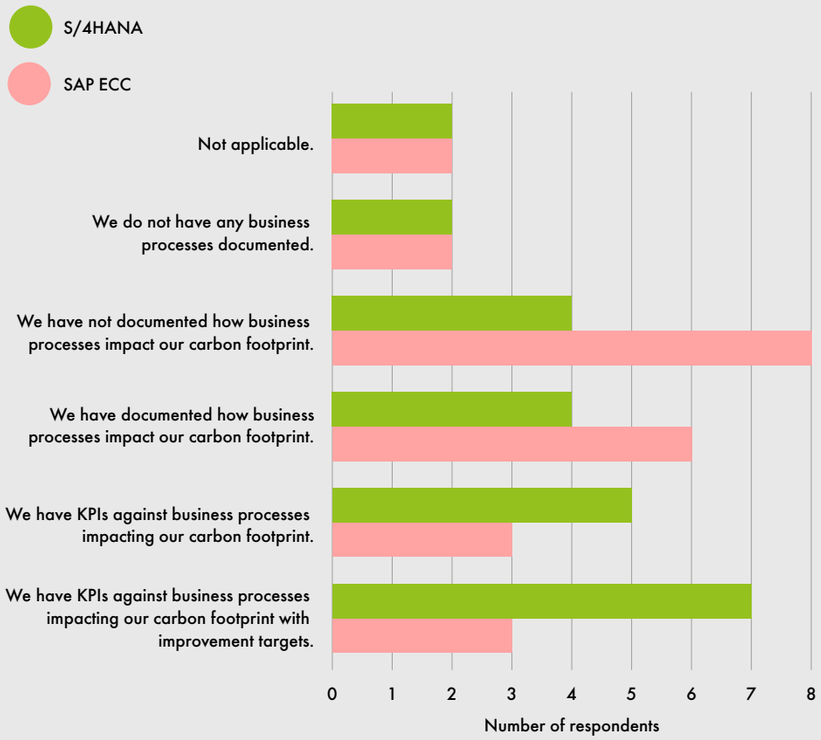
To me these results are very worrying. Our respondents are equally divided across each response category. Only 18% seem to be doing the right thing. It seems like another case that roughly 20% of our respondents are leaders, with 80% being followers. Which camp are you in? Should you be worried? We'll leave it to you to decide... *Dr Derek Prior, Former Gartner Research Director, Non-Executive Director Resulting IT*

THE RIGHT TOOLS FOR THE JOB?

Perhaps the problem isn't that ERP customers don't want to KPI the carbon impact of their business processes – it could be that they don't have the technology.

When we break things down by respondents' core ERP platform we see that S/4HANA customers are doing a far better job than their ECC counterparts when it comes to monitoring the carbon impact of their business processes.

As businesses prepare to move to new ERP platforms, they should include sustainability in their ERP Roadmap to ensure they choose the right products and partners to make tracking and improving sustainability possible.



Sustainability in procurement

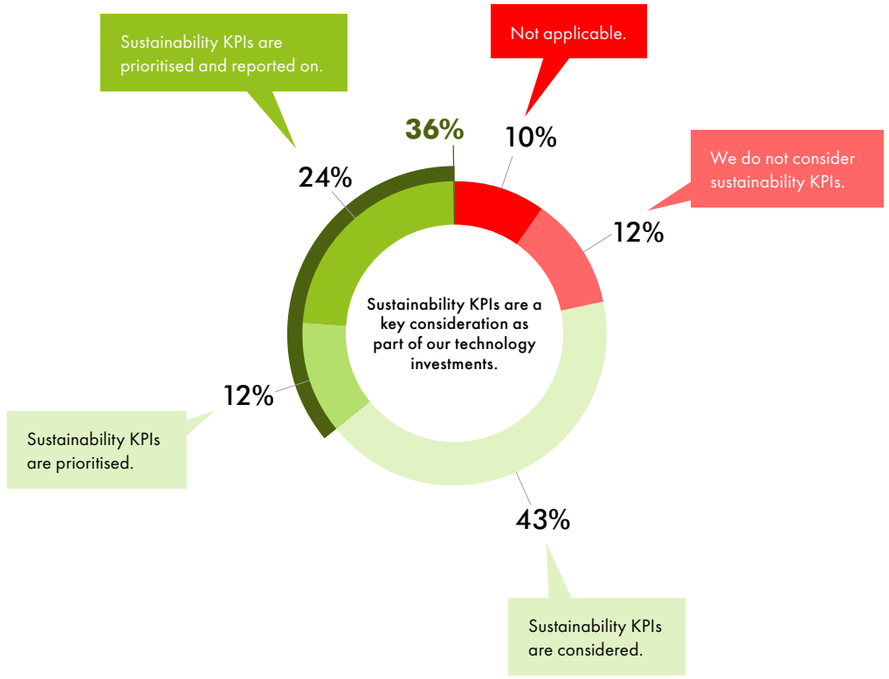
Just over a third – 36% – of respondents felt that sustainability KPIs are prioritised as part of new technology investments, 43% consider sustainability KPIs, and just 22% do not consider sustainability or felt it didn't apply to them.

With so many companies currently investing in new technology – whether they're moving to S/4, the cloud, or towards a more composable future – it's encouraging to see that the majority of ERP customers are considering sustainability KPIs in their tech investments.

But remember, to have a significant impact on your environmental impact, thinking about your technology purchases in isolation isn't enough.

While it's important to understand the environmental impact of the servers you're buying or the hosting you're using – it's more important to consider how your investments enable more sustainable practices in the wider business.

To drive real change your tech investments should improve your ability to track and improve sustainability KPIs across all your business processes and supply chain.



Driving sustainability through ERP

While it seems for many businesses sustainability isn't yet embedded into their ERP – this data at least shows promise.

93% understand that ERP has a role to play when it comes to driving sustainability within an organization – and this is vital.

ERP is the primary system of record in your business and the first step to becoming more sustainable is accurate carbon accounting.

And, ERP is where you run your business processes. You will begin to reduce your energy consumption by building a Process Framework to understand and optimize these processes.

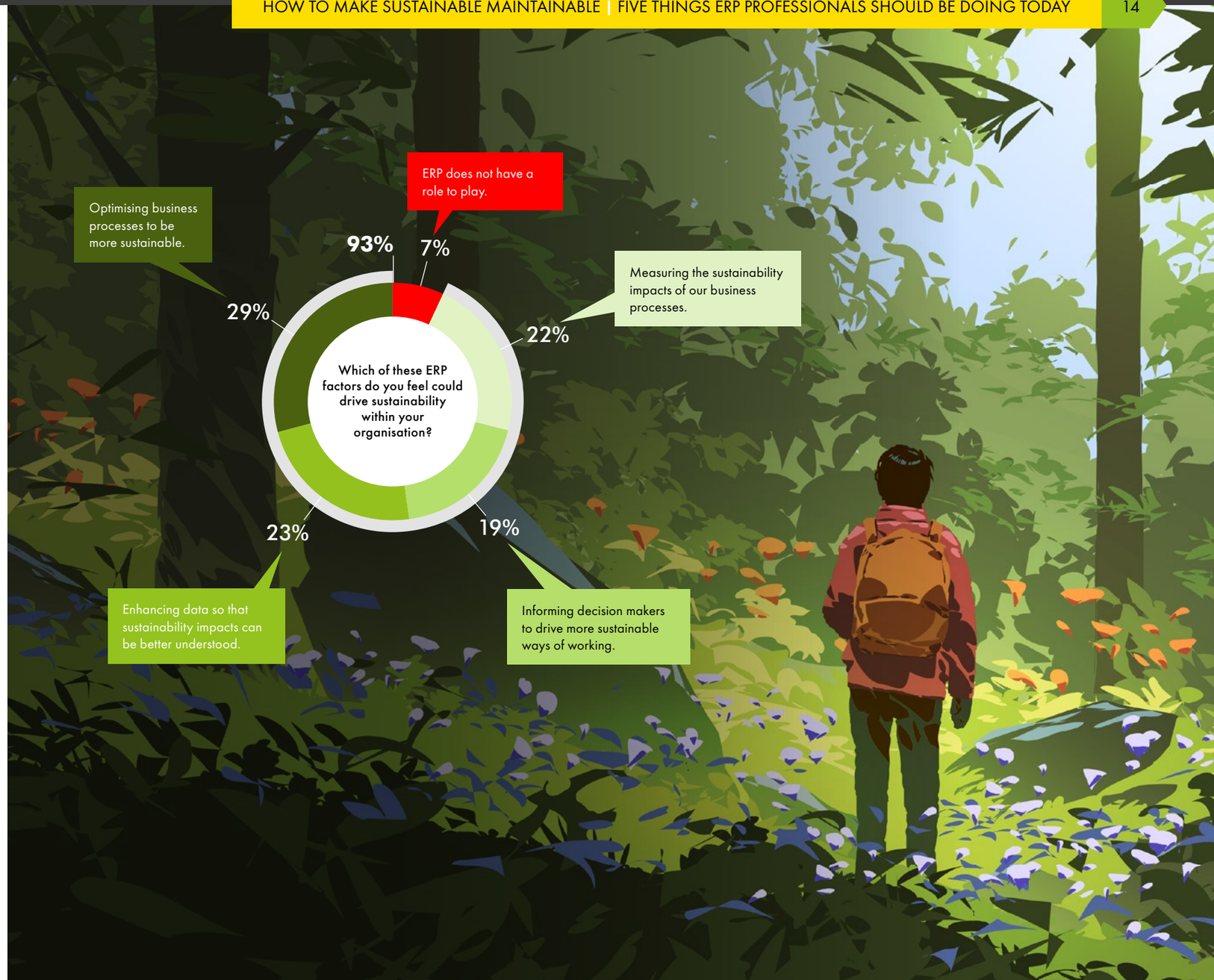
Ultimately, ERP touches every part of your business, as does your sustainability agenda. The two must go hand in hand.

Overall, you could say the future looks positive:

- 29% of respondents believe that ERP could (and should) optimize their business processes to make the organization more sustainable.
- 22% said that sustainability impacts could be measured by their ERP system.
- 23% feel that ERP core data can be used to understand environmental impact.

What this goes to show is that while many companies aren't yet using ERP as effectively as they could for sustainability – ERP will be absolutely vital to the enterprise's ability to reduce their environmental impact in the years to come. Now is the time to build sustainability into your ERP Roadmap to make sure it happens.

> **We believe that ERP continues to be as core to basic business performance as ever, but we also think that ERP will evolve to optimize business performance from an environmental and sustainability perspective too. We're all going to be rather busy!**
> *Dr Derek Prior, Former Gartner Research Director, Non-Executive Director Resulting IT*



Recommendations

#1

Embrace the latest technology to become more sustainable

To accurately track and reduce your carbon impact you're going to need the tools to do it. That means embracing new technology. Look at the release roadmaps for your current ERP solutions or any composable add-ons you're considering to make sure they will enable you to succeed in your sustainability strategy.

Challenge your vendors, consulting partners, and hyperscalers to lead the way and show you what's possible – including leading industry examples – and talk to analysts like Gartner and Forrester to stay at the cutting edge of what's possible.

#2

Build a comprehensive business process framework

Time and again we see businesses with no understanding of their business processes. If you want to drive any kind of improvement in your business – not just sustainability – it all starts with a Business Process Framework.

Apply a sustainability lens to your business processes. Think about which ones have the greatest scope for reducing carbon emissions and how you can make that a reality.

#3

Embed sustainability into your ERP

Increasingly, the sustainability agenda is a part of the core business strategy in many enterprises. It is no longer a distinct document or "nice to have".

If sustainability is really fundamental to your business, then it needs to be embedded into your ERP system.

Your ERP is your primary system of record. It tracks your top line. It tracks your bottom line. Now it needs to track your green line.

As a starter for ten here are some metrics that might form part of your Green Metrics Catalogue:

- Carbon emissions per unit of revenue or net profit. This could be Scope 1 and 2 emissions, i.e. directly controlled by your own operations
- Total waste generated per unit of revenue
- Total water generated per unit of revenue.

But this is just a starting point – you'll need to come up with your own list which relate to how you work.

#4

Demand evidence of suppliers sustainability claims

We often tell our clients "Your ERP system is your responsibility – you can't rely on your SI to make the right decisions".

The same is true of your sustainability initiatives. Your carbon accounting and carbon reduction plan is your responsibility – and this applies to Scope 3 carbon emissions too.

Sustainability is a burning issue, so it's being used as a differentiator in marketing by all kinds of service providers.

Make sure you understand the carbon cost of your specific engagement with any service provider – not just their broad, generalised claims about sustainability.

Ask them some difficult and specific questions:

- What's your carbon supply chain?
- Are you using green servers?
- What metrics will we get about our specific usage?

It's your job to get the facts straight – not theirs.

#5

Responsibility for sustainability sits at the top

If sustainability is important to your business then sponsorship of your sustainability agenda needs to come from the top down – and that means the CEO.

Our research shows that confident sponsorship is important for ERP system adoption. The same is true when it comes to sustainability.

If you want people to take it seriously then prove it. Get your most senior figures to fly the sustainability flag and lead the way.

If your CEO doesn't care about sustainability, then why should anyone else?

To accurately assess the environmental impact of your business you need an up to date list of your business processes.

And, if you're serious about getting better, you need to set sustainability KPIs against each of them and track improvement.

It all starts with a Process Framework.

Find out how you can build a Business Process Framework with Resulting IT and FusionGraph here.

www.resulting-it.com/process-framework

www.fusiongraph.com

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Process Framework

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