

European Survey Puts the Environment High on the Business and IT Agenda

by Nigel Montgomery

The financial results a company delivers in today's economy are no longer the only defining measure of its strength. Increasing importance is being placed on each company's approach to corporate social responsibility (CSR) and environmental sustainability in particular.

In a U.S.-based study AMR Research conducted in April 2006, environmental initiatives played second fiddle to social programs such as education outreach, scholarships, and volunteerism. Our European research, however, yielded quite different results. IT-related spending on environmental initiatives is higher than previously thought.

Results of an AMR Research survey of 200 European companies across the UK, Germany, the Netherlands, and Spain identify that the total technology-related spending on environmental initiatives will exceed 21% of total IT spending in 2007 (once personnel, auditing, and compliance costs are included).

Spending is expected to increase dramatically in coming years as increasing numbers of companies seek to ensure that their supply partners (and even customers) conform to modern thinking regarding sustainability, passing up those that ignore the issue. It's also becoming a board-driven issue, having languished at an operational level for too long.

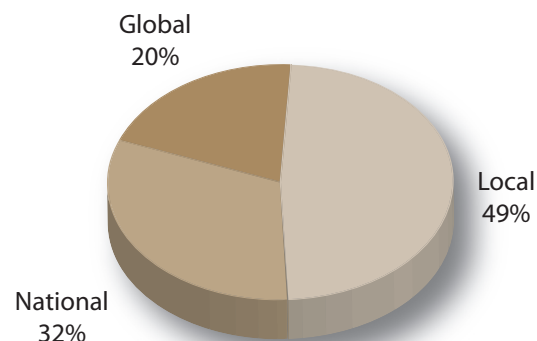
Simply complying is no longer good enough

Most companies don't count their effect on the environment locally until after the fact, usually as part of compliance. Over 80% of initiatives are either implemented locally or nationally, with just 20% of initiatives implemented globally (see Figure 1).

Sadly, very few companies examine potential impact prior to their actions, using decision-support tools to reduce their effect on the environment. But this is changing fast, and not just because regulatory compliance or even moral imperative is spurring companies to act sooner. As the

Figure 1: Scale of environmental initiatives

Q. Considering the total budget for environmental initiatives currently in place, what percentage is or will be dedicated locally, nationally, and/or globally?



Mean percentage of responses, n=116

Source: AMR Research, 2006

survey highlights, environmental initiatives receive the largest investment of all CSR activities in more than half of all firms. Environmental investments are expected to increase in the next 12 months to almost 60% of all firms.

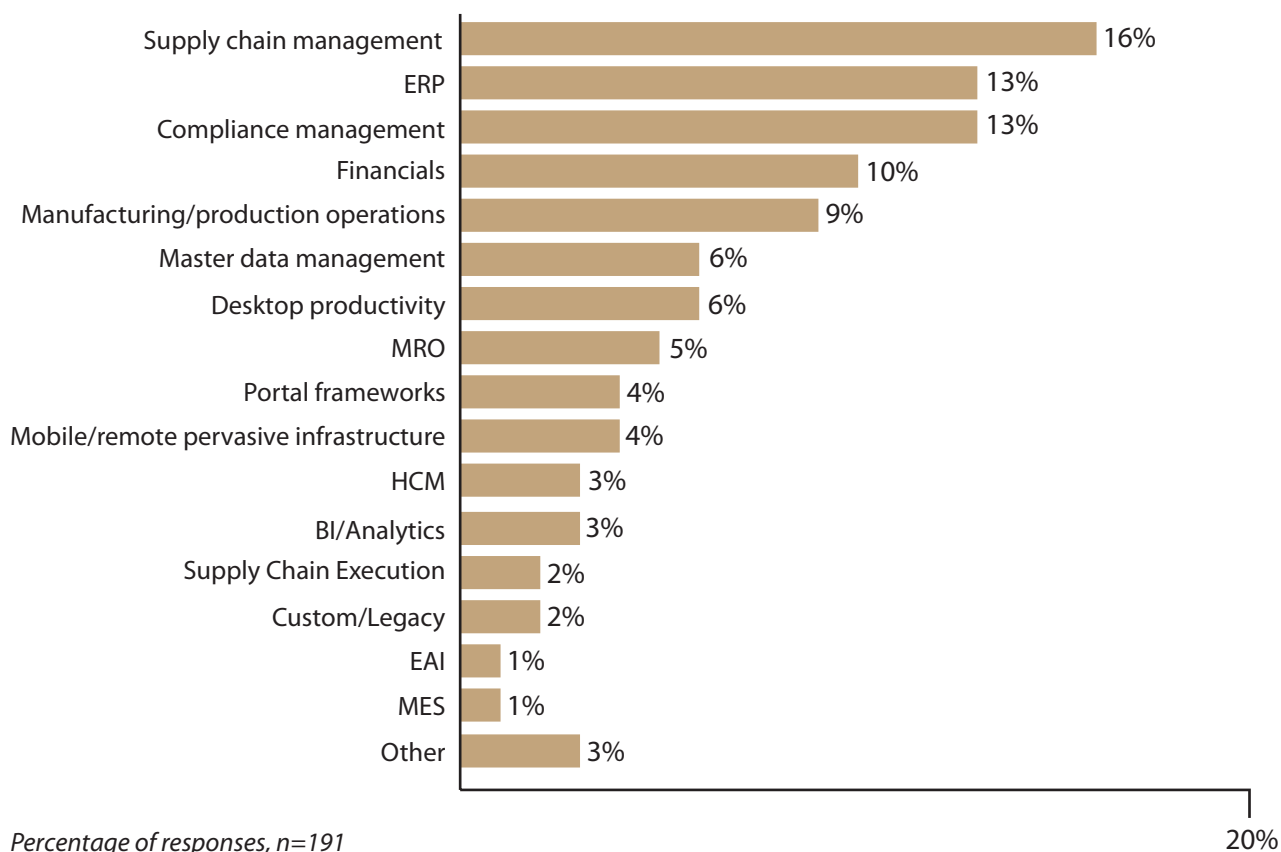
Why is this happening? Many companies, particularly in Europe, are beginning to recognize that sustainability can translate into business opportunity or, just as importantly, protect the company against prejudicial selection. The survey shows that 82% of respondents will select suppliers according to their environmental stance within the next two years while 41% already do.

The technological response

Respondents found five technology areas most useful for the management of environmental efforts: Supply chain management, ERP, compliance management, financials, and manufacturing and production operations (see Figure 2):

Figure 2: Technology for environmental initiatives—percentage of IT budget

Q. Which of the following technology applications/components do you consider to be or will be the most useful in your efforts to manage your environmental initiatives?



Source: AMR Research, 2006

Underpinning this is the need for master data management (MDM), the so-called single version of the truth. We are working with many of our clients on their transition to a demand-driven, MDM-supported process and technology infrastructure.

Among the technology most helpful to becoming environmentally proactive is the enterprise dashboard. This approach to decision support provides data at all levels of the organization so people throughout the company can view potential waste and emissions inefficiencies before they commit to a process change, such as a line change, a delay in preventive maintenance, or when expediting an order.

Respondents rated the usefulness of such a dashboard quite high, with 56% calling it either “critical” or “very useful.” More than 70% of organizations will seek to incorporate a specialized management information dashboard to display some or all environmental information the next two years. 22% already have some visibility in place, and a further 23% will do so in the next calendar year.

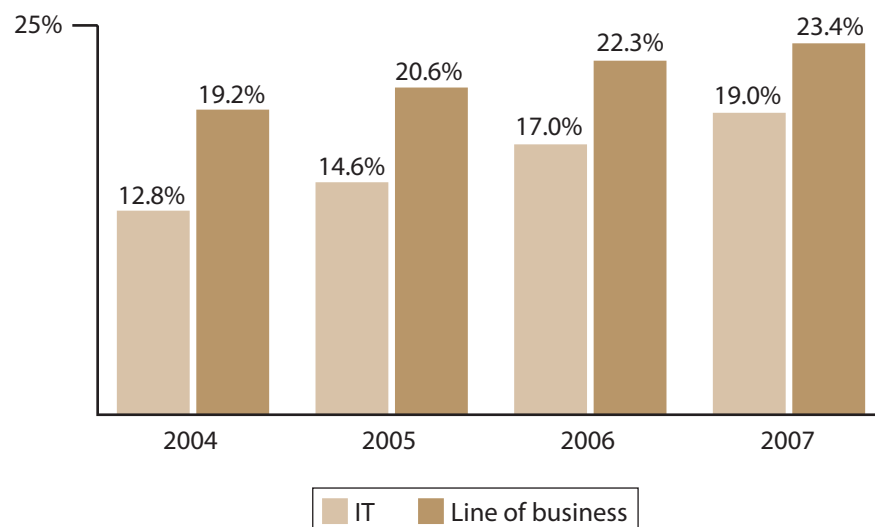
Only a proactive approach will provide competitive advantage against increased customer discernment and keep companies ahead of amplified legislative pressure. Companies ignoring the call to be proactive on this issue could soon find themselves at a big disadvantage.

Bridging the IT-business gap

The challenge, as always, is the disconnect between the line-of-business (LOB) management and IT. Each has a different view of the costs to the overall business. It isn't that they don't talk to each other. Rather, with the local nature of activity, the business doesn't really have a true picture of what it's spending at all. In fact, the estimates in Figure 3 are likely to be on the low side.

Figure 3: Technology for environmental initiatives—percentage of IT budget

Q. What percentage of your IT budget was or will be spent on technology for environmental initiatives for each year listed (including auditor support services, software and infrastructure technology, personal time and materials, business process change, etc.)?



Mean percentage of responses, n=200

Source: AMR Research, 2006

IT, meanwhile, doesn't have the full count of what the LOB is spending, and it's likely that the LOB doesn't know all of the background spending that IT is making in order to keep up. This makes an enterprise dashboard, with trend analysis, imperative.

Conclusion

For those interested in environmental issues as they relate to their business, AMR Research recently launched its Green Technology Service. Content and analysis produced by this practice focuses on the business benefits of green innovation in energy, transportation, water, materials and buildings, and recycling and remediation. *The Green Alert*, a biweekly publication from AMR Research, presents case studies on global businesses that have already realized the economic gains associated with adoption of green technology. For further information, please see www.amrresearch.com.

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