

# The State of Sustainability in Supply Chains

**Digitizing documents delivers business gains while advancing ESG initiatives.**



In just a few years, environmental, sustainability, and governance (ESG) initiatives have advanced from a nice-to-have to a must-have element of business strategy. ESG is now an integral part of business and technology strategies for companies across a broad swath of industries worldwide. In a new Foundry MarketPulse survey of 453 IT leaders in multiple industries and global regions, 61% of the respondents reported that they currently have an ESG initiative and 90% either have an ESG program or are planning to implement one. Government regulations are the top driver for ESG programs, according to the study.

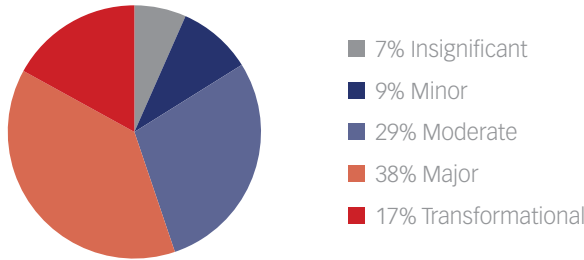
The survey focuses on supply chain sustainability, defined as companies' efforts to consider the environmental and human impact of their products' journey from raw materials to production, storage, and delivery, including transportation links. The goal of these efforts is to minimize environmental harm from factors such as energy usage, water

consumption, and waste production while having a positive impact on the people and communities in and around their operations. Companies typically measure the effectiveness of their ESG programs across offices, factories, and supply chains by using carbon accounting, cloud-based analytics, and data from sensors.

As IT leaders search for areas in which transformational gains can be achieved, many are finding that digitizing the documents required for procurement and supply chain processes has a significant impact. A majority, 55%, said that digitization has a strong impact: 17% said it's transformational, and 38% said its impact is major (see Figure 1).



Fig. 1 Impact of digitizing procurement and supply chain documents on driving sustainability outcomes



Source: Foundry

In addition to furthering sustainability, digitizing documents delivers many mainstream business benefits such as cutting wasteful paper usage and increasing the efficiency of workflows. Typically, a large enterprise can realize cost savings of up to \$15 million over seven years; a midsize company can see savings of \$9.5 million. Although many companies are well on their way to putting supply chain documents in digital format, even leading firms have digitized only 50% of them, leaving much still to do and many sustainability and business benefits yet to be realized.

ESG mandates such as the German Supply Chain Act, which took effect on January 1, 2023, are also spurring organizations to automate processes that add momentum to the reduction in paper forms among supply chain partners. Nearly three-quarters of the survey respondents (73%) said ESG is playing a role in driving automation, and 31% said ESG is the primary driver. Among the many sustainability benefits that result from automation, 40% of the surveyed companies said, savings from eliminating paper are a key benefit. Like document digitization, automation is a work in progress. Although many processes have been automated to some degree, most are not yet fully automated, according to the survey.

**Benefits transcend compliance**

Although digitizing documents and automating processes further the cause of sustainability and enable businesses to comply with government mandates, two-thirds of the sustainability benefits sought from automation actually have nothing to do with compliance/government oversight but instead benefit the business generally. The survey reveals

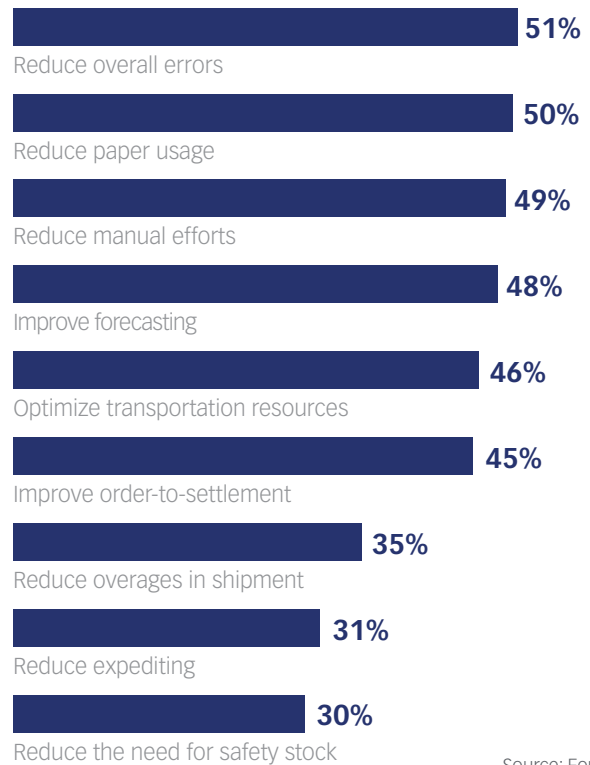
that document digitization delivers many corollary gains. In addition to reducing paper usage, it reduces overall errors (51%), reduces manual efforts (49%), and improves forecasting (48%). Additional benefits include optimizing transportation and improving order-to-settlement processes (see Figure 2).

**Monitoring tracks sustainability**

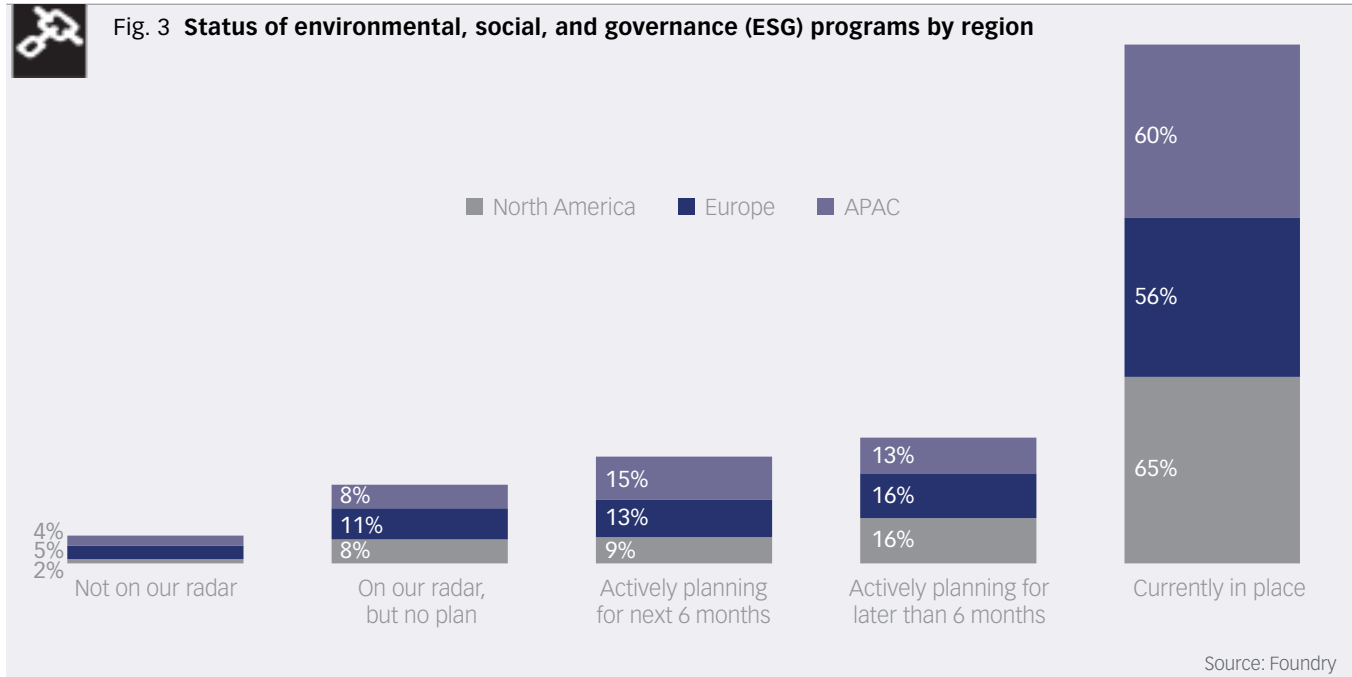
Monitoring enables a company to track its sustainability activities, an important capability when it comes to verifying and reporting them, especially for regulatory purposes. Most of the survey respondents have implemented (42%) or plan to implement (45%) monitoring technologies. And significantly, a solid majority of the companies want their suppliers to have sustainability monitoring programs in place, an indication that IT leaders recognize that sustainability practices are a shared responsibility and that the efforts of one diligent company can be negated by careless practices by partners. Fully 81% said that it is very important or crucial for suppliers to have deployed monitoring programs across their own supply chains.



Fig. 2 Benefits from digitizing procurement and supply chain documents



Source: Foundry



**A global imperative**

Sustainability is important to the Earth as a whole, and consequently, sustainability is a priority among companies in each of the geographic regions covered by the survey: North America, Europe, and Asia-Pacific (APAC). Government regulations are a driving force behind ESG in all three regions, and all three report statistically similar implementation progress, although North America, at 65%, leads among those that have ESG programs in place (see Figure 3).

In another survey finding, all three regions reported major or transformational gains from digitizing their procurement and supply chain documents, demonstrating that digitization benefits are universal and not limited to any single geographic area (see Figure 4).

**The U.S. SEC mandate**

Although government regulations are stimulating ESG implementation in all regions, looming on the horizon for the U.S.-based survey respondents is the **proposed Security and Exchange Commission (SEC) rule** that requires companies to report their ESG practices. The pending SEC regulation follows on the heels of ESG investment mandates on the part of major brokerage firms such as **BlackRock**. Most U.S. firms feel confident that they could comply with the SEC

requirement within six months, and those that have already digitally transformed documents are in a better position to report than those that have not, according to the survey (see Figure 5).

**Sustainability in vertical industries**

Businesses across all industries are moving toward the same goal of sustainability, but they are finding that different technologies deliver different sustainability benefits, respectively. Consequently, some industries are farther along than others in implementing eco-friendly practices. For example, manufacturing/automotive, retail, and consumer packaged goods (CPG) companies all scored well with regard to digitizing supply chain documents.

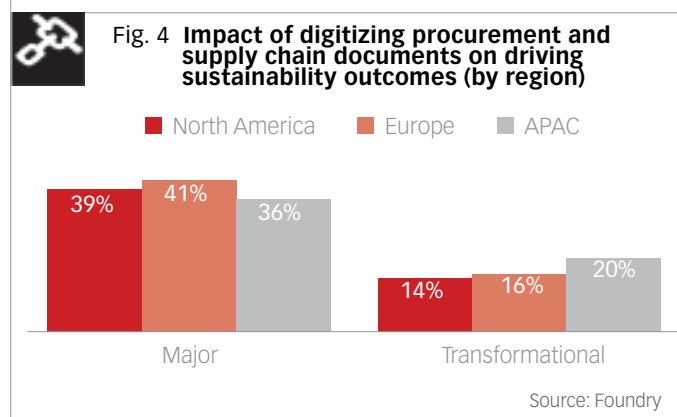
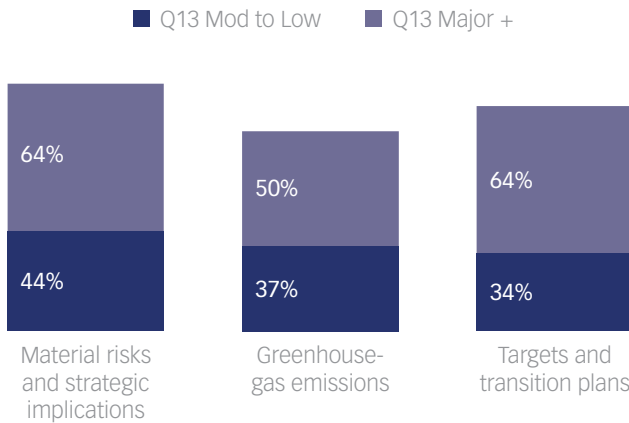




Fig. 5 Readiness to report if the proposed SEC rule was to be adopted within six months



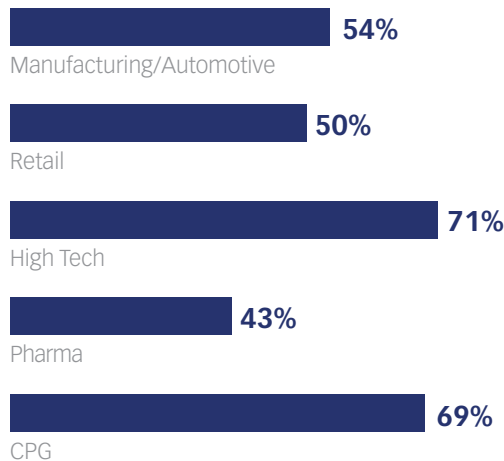
Source: Foundry

Thanks to its ability to eliminate paper forms, electronic document interchange (EDI) can be a key contributor to ESG initiatives. But whereas 71% of the high-tech companies and 69% of the CPG companies saw EDI delivering a positive outcome on the sustainability front, only 43% of the pharmaceutical companies saw a similar benefit. For pharmaceutical firms, therefore, EDI could be an avenue to explore to reap sustainability gains (see Figure 6).



Fig. 6 Different technologies deliver transformational results in different verticals

EDI / B2B INTEGRATION:



Source: Foundry

Not a destination but a journey

As eco-friendly practices become more mature and effective, it's important to remember that sustainability is a journey rather than a destination. Although it is already a central business goal, sustainability will become more important in the future, due to the anticipated enactment of regulations such as the SEC mandate and ongoing financial sector pressure.

As the survey reveals, complying with government rules is just one benefit of implementing sustainability practices such as digitizing paper, automating processes, implementing EDI, and deploying monitoring technologies. Each of these initiatives delivers many business benefits, including streamlined business processes, greater profitability, and improved investor relations. These gains will only increase as companies up their ESG game in the years ahead.

Visit [here](#) to better understand how OpenText can help digitize your supply chain documents to achieve boost your ESG initiatives.

<sup>1</sup> "Understanding the Total Cost of Ownership of Enterprise Integration Solutions," Hobson & Company, 2016.