LEADING YOUR WAY THROUGH OUR CLIMATE CRISIS

Accelerated by the pandemic, the landscape of business is radically transforming. A striking backdrop of environmental, geopolitical and economic shifts is driving many organizations to consider their role in addressing the climate crisis. Investors will increasingly be asking businesses to reduce their negative impact on the environment. They are seeing the growing economic risks of failing to meet customer expectations and falling short of government regulations. They are also attracted to the growth of environmentally sustainable solutions. CEOs and their leadership teams are realizing that addressing climate change is no longer a choice point. And for many there is also a growing personal belief that reducing harm to the planet is the right thing to do.

Businesses know that they have a small window of opportunity to secure competitive advantage and, fundamentally, help safeguard the future of upcoming generations. Yet action to address climate change is still slow. Many have pledged goals in relation to carbon reduction – but progress towards these has often been limited. What lies behind this gap between intention and action?

In many ways we shouldn't be surprised by limited progress – it is a perfect storm – the enormity of the issue at hand, limited experience solving such an interconnected challenge and ongoing short-term performance pressures. Unlocking action requires a better understanding of the strategic, operational, and psychological reasons for inaction within organizations. Understanding these blockers will enable leaders to shift their mindsets, redefine their priorities and find practical ways to break through.

With that in mind, this article will share our initial insights into two key questions:

1 **What are the common blockers we see that prevent leaders from formulating a strategy to address climate change within their business?**

2 **How can leaders start to create the conditions for change within their organization?**

KEY BLOCKERS

Lack of alignment – Tensions generated by pressing and competing social, environmental and financial demands within organizations can lead to increased polarization and fragmentation within leadership teams. Investors, Board members and senior leaders of the company hold a range of convictions about what issues should be prioritized. Some leadership teams struggle to get the backing of their investors or their Board on plans to address climate change, leading to diluted aspirations. Others have conflicting points of view within the leadership team itself, making it easier to delay addressing the issues. For others, the prospect of potential backlash from shareholders or customers is enough to diminish their ability to act.

Lack of ownership – Even when there is alignment on the need to address environmental impact, that does not always equate to clear ownership of new strategies. As such, it is seen as a passion project for a few, particularly in organizations that are not 'big polluters'. The organization's role in climate change can seem too theoretical for there to be a sense of urgency, or for there to be a compelling enough commercial argument to make changes. If ownership is entirely delegated to a Chief Sustainability Officer or a team of specialists, it implies the CEO does not see climate change as a business problem to solve. Those who try to lead the changes often find they do not have the power or resources to do so successfully.

Lack of experience – Many businesses lack the technical knowledge and expertise to turn their good intentions into creative problem-solving. For most leaders this is a new challenge to solve and to integrate into their business planning. Some organizations bring in environmental experts, but this is often contained to a central team which limits the ability of leaders who must deliver changes in their respective parts of the business, and undermines leaders' willingness and confidence to address climate change. They may feel it is easier to focus on areas of the business they understand and know how to influence.

Lack of time – The demand on leaders is ever-growing. Unless the pursuit of environmental changes is factored into short-term performance measures, leaders will focus on what is deemed important right now and not have time to think about their impact on climate change. For many, there is inherent conflict between short-term KPIs versus the requests for leaders to create long-term strategies around climate change.

TIPS TO ENABLE YOU TO LEAD YOUR ORGANIZATION'S RESPONSE TO CLIMATE CHANGE

Define your organizational purpose – what role will your business play in society moving forward?

The role of businesses in society is in transition; moving beyond the deeply held belief over the past 50 years that a firm's only duty is to maximize shareholder value. Businesses are increasingly expected to contribute to healthy societies and a healthy planet. Those companies who grasp this and act on this shift in focus are most likely to thrive in the future. They will be able to set up more sustainable foundations for the long-term and stimulate greater innovation in the short term. Whilst leaders are becoming conscious of this, most have not stepped back to reconsider what role their organization will play in society moving forward. It means that they are continuing to use familiar but perhaps outdated business approaches, focused on maximizing profit whilst trying to address environmental issues as a secondary priority.

It is therefore crucial to align around "why" climate change is important to your business, to clarify what role your business wants to play in society moving forward. The "why" has multiple angles – customers, employees, shareholders, partners and communities. This organizational purpose acts as a north star: generating alignment around the agenda and giving you a sense of perspective when navigating tricky choice points. It helps you gain greater clarity around new short-term, medium-term, and long-term priorities. And it is what will allow you to prioritize the time and resources needed to drive this change.

Name the blockers – The unprecedented scale, complexity and uncertainty of the challenge can feel overwhelming, leading to decision-making paralysis. Identifying what is preventing you from taking action on climate change, at both an individual level and an organizational level, can help unleash action.

Naming what is personally blocking you from acting makes negative emotions less intense, by bringing these up from the subconscious. This in turn clears the mind, enabling you to be open to new possibilities and helping you to make better decisions.

On an organizational level: when making plans to tackle climate change as a leadership team, try and identify what contextual, strategic, operational, and psychological factors are preventing you from acting. This will help you reevaluate your priorities: what should you stop doing, start doing or do differently to achieve success?

Education before strategizing – It is unrealistic for leaders to solve issues without a basic understanding of the science, commercial elements and their interconnections. It risks turning strategic planning into conceptual conversations based on a range of assumptions.

Before expecting your leaders to rethink their strategies to address climate change, arrange introductory sessions to provide a grounding in fundamentals without asking them to be experts. This will give leaders a shared understanding, framework, and language as anchors to problem solve. It will help create a common starting point, ensure better informed decision-making, and create greater likelihood of alignment around planning.

Take an inclusive approach – The leadership team will never have all the answers to climate change issues, nor can they drive the change needed to solve the interconnections across the business. They need a diversity of experience, knowledge, perspectives, networks, and resources. Taking a collaborative, inclusive approach will create connections and unlock ideas that you did not know existed in your organization. Start off by looking within your own business: launch an internal survey to find out what hidden knowledge, experience, and interest there is for sustainability within your organization. Invite those most motivated to join a sustainability steering group, so that they can inform decision-making and help shape future strategy. Then take an open-minded perspective as to how you can work with others to pool knowledge, share resources across industries, influence investors, attract customers and shape legislation. Consider which businesses and scientific bodies, academic institutions, green start-ups and not for profit organizations you can do this with. Including a diversity of perspectives in your planning will help you better address the interconnected issues of this agenda. It will also ensure that your plans represent a wide range of interests, increasing their likelihood of succeeding.

TAKE THE STEP

Climate change is not on its way, it's already at the Executive table. The increasing frequency of global, climate-related disasters, the radical changes brought about by the pandemic and the desirability of ESG investing is amplifying the need to act. There are no easy answers. It is a multi-layered issue – and so leaders cannot be expected to have ready solutions to lead change in their business. But in order to succeed they will need to be committed to it; ready to prioritize the time, resources and new networks needed to lead on the change effectively. Those who do so will set themselves apart. The starting point – a clearly defined organizational purpose and strategy that prioritizes the climate change agenda. It will inspire the commitment of future talent, customers and investors through its mission to contribute to a more sustainable future.

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