



Leading for a sustainable future

BUSINESSES RESPONDING IN THE RIGHT WAY TO SOCIETAL AND REGULATORY EXPECTATIONS AROUND SUSTAINABILITY ARE NOT ONLY SUPPORTING A GREATER GOOD, BUT ENJOYING A COMPETITIVE EDGE

An increasing number of organisations understand the significance of this to their operations, and future success. Here, Mannaz considers the leadership qualities required to deliver a radical shift.

CHANGE FOR THE BETTER

Sustainability is now one of the most important sources of opportunity and risk for business, as leaders balance the environmental and social impact of their companies' operations with consumer and stakeholder expectations. Climate change, plastics in the ocean,

and creating a circular economy, are just three significant challenges being faced; a fraction of the 17 UN Sustainable Development Goals (SDGs).

Encouragingly, there are many examples of great leadership and positive momentum, with individuals such as Greta Thunberg and David Attenborough permeating public consciousness and instigating meaningful change. Meanwhile, in the corporate world, the dialogue between business and the general public continues to shift dramatically.

Only a few years ago, consumers did not expect the companies they transacted with to take ethical responsibility and, in return, few companies felt any obligation towards society. Now, in the aftermath of several corporate scandals – CEOs are well aware that failing to meet public expectations of sustainable practices is most definitely bad for business.

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Sustainability is the primary moral and economic imperative of the 21st century”

Mervyn King, former Governor, Bank of England.

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The pursuit of shareholder financial value as the primary reason for existence is becoming problematic. Companies have to be part of helping humans and other species to live well². ”

Professor Mike Berners-Lee, Author 'There is no Planet B'.

According to Ioannis Ioannou, Associate Professor of Strategy and Entrepreneurship at London Business School, there is even a positive causal link between corporate responsibility and financial performance. Companies are doing better not despite being responsible, but because they are being responsible.¹

MORE POINTED POLICY

No longer a 'nice to have' for corporations, additional weight is being put to prioritising sustainability as a business imperative, with associated goals and regulations coming into force across the globe at an increasing rate and range. The EU has set an ambitious goal of being 32% powered by renewables by 2030, with the state of California committing to 100% by 2045.

Recently, the Governors of the Bank of England and Bank of France warned that the global financial system must equally take urgent steps to reform. In an open letter accompanying the launch of a report from the Network for Greening the Financial System, Mark Carney and Francois De Galhau stated, "if some companies and industries fail to adjust to this new world, they will fail to exist." There are immediate plans also being made to include the impact of climate change in UK bank stress tests.

This comes after the formation by the G20's Financial Stability Board of a Task Force on Climate-related Financial Disclosures (TCFD). Created partly in

response to concerns in the financial community that assets are being mispriced because the full extent of climate risk is not being factored in, the framework was launched in June 2017. It sets voluntary, consistent climate-related financial risk disclosures, providing information to investors, lenders, insurers, and other stakeholders.

MAKING IT HAPPEN

However, despite the real and present environmental urgency and a clear benefits-based business case, progress is slow – we are currently not on a path to meet the Paris Climate Agreement, never mind attaining the 17 SDGs. Neither business nor governments are showing enough leadership to drive the radical change required. It is equally astonishing that just 100 companies are responsible for 71% of global emissions.³

So, what is required of leaders to inspire and support action towards a better world?

For a majority of companies, to shift to a sustainable approach requires management of a diverse range of demands: industrial legacy business models; new and different ethical standards on profit generation; stakeholders demanding to be heard – and holding you accountable; regulators raising the bar and narrowing your space; supply chain considerations; and a stock market which has never been more closely connected to public opinion.

Tackling these requires appropriate investment in leadership to enable success, understanding that societal capital will directly relate to financial capital in the future. Sustainability will underpin the success of your organisation and, crucially, make a fundamental contribution to the future of society and our planet.

To further understand how your business can implement and benefit from sustainability measures, then e-mail Michael Frederik Ellekjaer at mfe@mannaz.com ■

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LEADING FOR SUSTAINABILITY – KEY LEVERS

■ LEADER'S KNOWLEDGE

1. Contextual awareness:

- Gain ‘fluency’ in the new sustainable reality
- Understand PESTEL (Political, Economic, Social, Technological, Environmental and Legal) dynamics and megatrends
- Understand the implications on your company’s operating model and the trade-offs resulting from integration of sustainability and social responsibility issues into core strategy and operations.

■ LEADER'S ATTRIBUTES

2. Humility:

- Follow your passion to do what is good for society and business
- Do not take credit or engage in grandstanding.

3. Stakeholder focus:

- Become more stakeholder focused and less shareholder focused in a multi-stakeholder environment
- Invest in relationships – particularly local and investor communities.

4. Advocacy:

- Be a champion and stake a stand
- Act with conviction
- Evangelise, influence and create followers.

5. Resilience:

- Be resilient in the face of resistance
- Be an optimist and gain trust
- Have the strength to listen and be open to change and adaptation.

6. Innovation:

- Support growth of responsible and sustainable business models
- Explore the ways through which such innovative business models are established and maintained.

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LEADING FOR SUSTAINABILITY – KEY LEVERS

■ LEADER'S ACTIONS

7. Collaborate and partner:

- With a range of other organisations including other businesses, in the supply chain, NGOs, social enterprises, public sector agencies, academia, customers, and so on.

8. Adapt people and organisation:

- Understand the required capabilities and skills and how to attract and retain talent
- Define the corporate values and purpose
- Assess how the organisational structure may need to adapt.

9. Shape culture:

- Shape a culture of ethics and responsibility, innovation, engagement and empowerment
- Be open and transparent.

10. Manage change:

- Understand the organisational challenges associated with a transition to a responsible business model
- Identify the critical organisational levers that facilitate this transition
- Accept the fact that change will meet resistance.

11. Walk the talk:

- Practice what you preach, in private and at work
- Be consistent with your messaging and what you do – model behaviours.

■ CORPORATE MECHANISMS

12. Purpose:

- Define a clear corporate purpose.

13. Governance and incentives:

- Formalise sustainability as a board priority and include as key component of risk management and incentive system.

14. Long term thinking:

- Balance short-term and long-term goals
- Communicate these goals clearly.

15. Transparency:

- Measure impact
- Have accountability in your supply chain
- Report performance openly.

1 www.youtube.com/watch?v=7EquLX6mwbg&feature=youtu.be

2 www.brinknews.com/why-values-matter-in-combating-climate-change/?_lrc=afe56708-cae8-44f1-a6d2-2076a4e9f9dd

3 www.theguardian.com/sustainable-business/2017/jul/10/100-fossil-fuel-companies-investors-responsible-71-global-emissions-cdp-study-climate-change

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