A people-powered solution to

climate change

In the second instalment in our ESG and sustainability series, we turn our attention to the subject of climate change and the people-related issues organizations need to consider on their path to carbon neutrality.

KORN FERRY

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Carbon neutrality: nine years to go and everything still to do

When the landmark Paris Agreement, negotiated by 196 parties at the 2015 United Nations Climate Change Conference, came into force on 4 November 2016 several major signatories, including the European Union and the UK, vowed to become climate neutral by 2050. So far, the inspiring words have not been matched by decisive actions.

Time marches on and our main climate indicators continue to worsen. That 2050 target is starting to look too casual rather than too ambitious, with most environmental scientists now saying that significant reductions in fossil fuel production are needed before 2030[1] if we are to stand any chance of averting disaster.

Corporations are largely responsible for climate emissions (the CDP's 2017 Carbon Majors Report[2] revealed that just 100 companies have been the source of more than 70% of the world's greenhouse gas emissions since 1988). So, corporations must be at the forefront of change, taking clear, irreversible steps towards carbon neutrality or carbon freedom.

Some have remained completely silent on the issue. Others have pledged to reduce their emissions without yet explaining how they intend to do it. Still others, including Apple, Microsoft, Google, Unilever, AstraZeneca and IKEA, have gone public with detailed targets and plans.

But even those companies that have committed to reaching net zero by 2030, and that are clear about what actions they need to take to get there, may struggle to achieve the kind of transformation we all need to see.

Why?

Because, as we highlighted in our **earlier article on ESG and sustainability**, all the planning has so far focused on environmental science and technology—but it is the people in organizations who will be the real drivers of change.

In this article, we outline a more human-centric approach to corporate action on climate change and look at what companies can do to complement their environmental science with behavioral science, and to enhance and refine their carbon neutrality strategies before it is too late.

Why addressing climate change must be human-centric

In her article on the humanitarian impact of climate change[3], Margareta Wahlström, Assistant Secretary-General for Humanitarian Affairs and Deputy Emergency Relief Coordinator at the United Nations, invites us to,

"

Consider the adaptation mechanisms of two mammals: polar bears and humans.

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Polar bears, she explains, have adapted to their harsh environment over thousands of years. But as the climate changes too rapidly for them, they are now stranded on melting ice floes and could potentially become extinct in a few decades.

Humans are facing a similar crisis due to rising sea levels, extreme weather, intense storms, flooding, heatwaves, and droughts. The difference is that we humans do not have to wait for evolution to adapt. We can reinvent ourselves, become problem solvers rather than problem creators, and find new strategies for tackling environmental and humanitarian risks.

It follows that the more human organizations are in their approach to sustainable development, the more likely they will be to adapt, survive and thrive. Build an environment that allows human potential to flourish, and you create an organization capable of doing far more that simply delivering on financial goals. You create an organization that delivers on the triple bottom line of people, profit and planet.

So, where to start?

In this paper, we focus on six key people dimensions that are central to any effort to address climate change: leadership, operating model, organizational structure, governance, capabilities, and culture.

Leadership

In our previous paper, we saw that sustainable leaders need to be enterprise leaders.

That is: leaders who apply the mindsets of purpose, courage, self-awareness, inclusion, and integrative thinking; leaders who build resilience in the face of disruption and setbacks; leaders who go beyond their own immediate interests to make a significant difference to others across the enterprise and outside it. Nowhere are these qualities more desperately needed than in the fight against climate change.

Let's look in more detail at some of the **agile mindsets** of an effective enterprise leader focused on climate change.

Purpose

Sustainability is a core part of their identity and purpose, and they are motivated by the lasting difference they want to make for customers, colleagues, communities, and the world.

Courage across and beyond

They are willing to break the mold and challenge the status quo while also building processes, structures and systems that enable organizations to put the sustainability agenda into practice.

Awareness of self and impact

Maintaining a deep understanding about themselves and their impact on others is critical to effectively manage a diverse group of stakeholders and achieve alignment on complex issues across the organization.

Inclusion that multiplies

They are capable of empowering people at all levels to make decisions with climate impact principles in mind and generate inclusive, creative solutions that are more than the sum of parts.

Integrative thinking

Understanding how their organization is connected to the world around them, and the collective impact that the organization and its ecosystem have on climate change, are foundational to maximize impact.
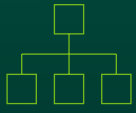
Operating model and organizational structure

To meet ambitious climate change targets, most organizations will need to change their operating models and restructure their organizations to fit.

Let's take a typical production-based company. Today, this organization is likely to be operating a linear (take-make-dispose) business model, extracting natural resources for their production, manufacturing and distributing products with limited and increasingly shorter lifecycles, and relying on users to dispose of the products at their own discretion. Excessive production, distribution, consumption, and disposal of products has contributed to society currently using 60% more virgin natural resources than the planet can regenerate. Linear businesses are also one of the chief contributors of pollution and toxic emissions leading to climate change.

To become truly sustainable, our example production-based company will need to shift to a circular economy strategy. This involves significantly reducing the use of natural resources and eliminating waste and pollution by (1) producing durable products with extended lifespans, (2) recovering used products to either refurbish and redistribute for further use or (3) harvesting parts or materials to produce new products, and (4) selling products as a service where users hire or share products until end of life, before parts or materials are once more recovered and recycled for the circular process to start again..

Here are the key steps organizations will need to take to transition from a linear to a circular business model:

- **Understand** the impact the organization's operating model has on the environment and society.

- **Re-imagine** the organizational capabilities and operating model needed for circularity.

- **Architect** the end-to-end business value delivery processes, the technology requirements, organization units and governance models to deliver circularity.

- **Support** leaders and employees with engagement, communications and change management throughout the implementation.

循环商业模式
主要特征

开采自然资源

生产

分销

零售

回收循环

零件
拆装再造

翻新

服务

用户

不可回收废料

Governance

Questions are being asked in boardrooms around the world about what new governance models are needed to support action on climate change. Most of these questions focus on what needs adding on:

Does climate expertise need to be added to the board?

Does the board require additional education on climate change issues?

Should climate change be added to the board agenda?

Should climate change be added to the charter of a new or existing ESG committee?

The problem is that climate change is not a discrete consideration that can be bolted on to an otherwise unchanged governance model. It is a thread that needs to run through everything the organization does. The real question to ask, then, is how the issue of climate change can be integrated into board oversight of corporate strategy and enterprise risk. Only then will boards be able to deploy the triple bottom line of people, profit and planet throughout the organization in a joined-up manner.

One area of governance where we have already seen significant changes is executive incentives. The Paris Agreement prompted some corporations to think more broadly about who their "stakeholders" are and to restructure their executive compensation programs accordingly. Several trailblazing European companies have now incorporated environmental factors into their incentives and we fully expect organizations in the U.S. and elsewhere to follow suit.

Capabilities

What does your organization need to be good at to achieve its climate change strategy? There are many organizational capabilities that would be useful in tackling climate change. No business can—or needs to—be good at all of them. What matters is that you carefully consider which capabilities you want to prioritize, and focus on growing, developing or boosting the relevant skills and knowledge within your workforce.

Research and development

What impact does the development, production, distribution and consumption of your organization's products and services have on climate? How can you design and develop products and services that use less virgin natural resources, have longer lifecycles, and minimize waste and pollution? These are key questions research and development can help you answer.

Analytics

Google uses AI to improve energy efficiency in its server centers—just one way analytics capabilities can help reduce carbon emissions. Analytics also has an important role to play in quantifying and tracking climate impact, so leaders can monitor the progress they are making against their goals.

Digital

There are many ways in which digital capabilities can contribute directly to tackling climate change, for example by harnessing the potential of smart sensors or developing tools for more efficient water management. But there are lots of ways they can contribute indirectly as well, for example by promoting a mindset within the organization that is agile and relentlessly focused on customer need.

Innovation and engineering

Many organizations will need to adopt or generate innovative technologies, whether it's to reduce carbon emissions, enable carbon capture and storage, or promote the development of additive manufacturing. All organizations will need to track and understand emerging technologies if they want to survive and thrive in the new economies they create.

Supply chain management

Building and fostering a sustainable supply chain is a foundational starting point for any organization trying to tackle climate change. Leaders in the field, such as Unilever and Jaguar Land Rover, have already shown what's possible if you track climate impact across the supply chain and work collaboratively with your partners to minimize it.

ESG expertise

Over the coming years, we expect to see more and more organizations developing their own environmental, social and governance expertise rather than buying it in from partners. Making ESG a core capability like financial management is an important step in the fight against climate change.

Partnerships and alliances

Organizations that can form sustainable relationships with like-minded partners will be in a much stronger position to tackle climate change. Such alliances have many benefits, whether it's the opportunity to share best practice or the chance to create integrated and joint solutions.

Culture

If humans are to be the solution to the problem of climate, then culture needs to be at the heart of your climate change strategy.

What is culture?

We like to think of it as the way things get done. It is defined by the attitudes, norms and beliefs that are most prevalent within your organization. It shapes how leaders and employees behave, make decisions and prioritize work.

Given that effective action on climate change requires your people to think, collaborate and act in new and different ways, it will be impossible to achieve if your culture remains the same. Transforming your culture, however, is not a straightforward task. Hearts and minds cannot be changed by management diktat. Employees need to play an active role in the transformation from the start.

Organizations are more likely to achieve successful culture change if they:

- **Give everyone a say** – involve employees in the planning stages, asking them for input and encouraging them to share their perspectives.

- **Communicate the "why"** – be clear about the purpose of the transformation and how it will enable people to do their jobs more effectively.

- **Be authentic** – people can see through empty promises a mile off, so it's important to ensure all your climate change commitments are backed up by real-world actions.

- **Provide ongoing opportunities for people to get involved** – as well as strengthening and extending organizational impact, it increases engagement by enabling values-driven employees to connect their work with the issues that matter to them.

Human-centric change is the only way forward

Contributors:

Chris Davies

Cheryl D'Cruz-Young

Anthony Goodman

Sarah Jensen-Clayton

Enrique Lindeberg

Don Lowman

Maggie Patrick

Camelia Ram

Clive Smit

Nico van Dam

AJ van den Berg

Andrea Walsh

When it comes to climate change, people are both the cause and the solution. That's why they need to be at the heart of all our plans for the future, whether we're looking ahead to 2050 or—increasingly—2030.

As we create and implement strategies to mitigate the negative impacts of climate change and build resilience that helps us prepare for any changes to come, we know that every person, individually and collectively, needs to work to change mindsets and behaviors, invent solutions, and learn new ways of doing things. Only then will we be able to maximize the human contribution to our greater good.

Key terms

SUSTAINABILITY embeds value generation into business strategy for the long-term benefit of all stakeholders. An integrated sustainability strategy reinforces that environmental, social and other impacts are incorporated into important business and operational decisions.

ESG (Environmental, Social, Governance) measures performance through a set of criteria developed for rating and reporting. An ESG rating measures environmental and social impacts and the effectiveness of corporate governance in managing them.

CLIMATE CHANGE is a change in the composition of the global atmosphere which causes climate variability and/or anomalies when compared over periods of time – attributed directly or indirectly to human activity.

References

1. UN Meetings Coverage and Press Releases
2. CDP Carbon Majors Report 2017
3. UN chronicle: Before The Next Disaster Strikes: The Humanitarian Impact Of Climate Change
4. Humanity's consumption is 60% more than sustainable (and getting worse)!

How we can help

Korn Ferry has an unmatched set of integrated, fit-for-purpose capabilities to help organizations embed their commitment to ESG and sustainability into all aspects of how they do business. We work with our clients to adapt their people and governance processes, culture, and operating models, so they are able to fully realize their short and longer-term ambitions. If you're ready to take the next step on your ESG and sustainability journey, please get in touch.

Get in touch

Cheryl D'Cruz-Young
Senior Client Partner
T: +1 347-621-8688
E: Cheryl.DCruz-Young@KornFerry.com

Clive Smit
Senior Client Partner
T: +44 7771 854214
E: Clive.Smit@KornFerry.com

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consulting firm. We work with our clients
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