

Earth Day: how corporate leaders can break through the inertia

By Andrew Delios

EARTH Day, which falls on April 22, reminds us of the need to protect our planet.

For decades, there have been calls to fix environmental problems. Some steps had been made. For example, some businesses subscribe to the triple bottom line concept, first coined in 1994 to place equal focus on profit, people and the planet, instead of profit alone. Some business leaders integrate sustainability into their strategy. Paul Polman, the former CEO of Unilever, ditched the chase of short-term gains to pursue long-term growth, while aiming for a positive social impact and a reduced environmental impact.

Although commendable, these efforts are not enough. A recent report by the United Nations' Intergovernmental Panel on Climate Change (IPCC) found that the impact of climate change has been worse than expected. Extreme weather events continue to disrupt the lives of humans and other species alike. In some parts of the world, people face the constant threat of insufficient food.

Environmental concerns have overtaken technology as the biggest challenge for business professionals. In late 2021, CEMS, a global alliance of business schools, multinational companies, and non-governmental organisations in management education, surveyed more than 4,000 of its alumni. Forty-three per cent viewed environmental issues as the top challenge, while 27 per cent felt so for technology. Just 3 years ago, in 2018, technology took the top spot at 28 per cent, while environmental challenges were second at 23 per cent.

It is evident that society is more aware of environmental challenges than before. This increased awareness may just be what we need to break through the inertia to act.

Business leaders can lead the change

The world needs to adopt greener practices. Individuals can each do their part, using fewer plastic bags or taking public transport more often. But individuals have limited choices. If the energy-saving electrical appliance is not offered in their local store, some become less willing to buy it. If eco-friendly products cost more, the desire to spend less will triumph over the urge to go green.

Equally, governments can regulate. For example, France recently passed a law to ban plastic packaging on most fruits and vegetables. The act is helpful, but laws cannot change consumer behaviour much. Without plastic packaging, people may still gravitate towards fruits and vegetables wrapped in more fanciful but wasteful packaging.

That leaves us with corporates. Organisations respond towards strategic objectives. Hence, we need corporate leaders to set bold environmental, social and corporate governance (ESG) goals. Coca-Cola wants to recycle all the bottles it sells by 2030. Lenovo wants to remove 1 million tonnes of greenhouse gas emissions from its supply chain by the financial year 2025/26. By 2030, L'Oréal wants 100 per cent of its bio-based ingredients to be traced to sustainable sources and not linked to deforestation.

Work is unfinished after setting the goals. Leaders need to bring all stakeholders on board, educate the boards, employees, and customers on the reasons for these targets and convince them of the positive impact to come.

The type of leaders we need

To guide organisations through these changes, we will need leaders who know themselves well. Their values will form the basis for tough decisions. They will want answers to certain questions, which lead them to certain decisions. These leaders will naturally be drawn to organisations whose vision, mission and strategic objectives espouse their values. Equally, leaders will need to value the importance of introspection, continually reflecting on how they've handled challenging situations and how they could do better. This process creates the authentic leaders that people are willing to follow.

Bold leaders set strong organisational objectives, which drive the cultural change required for a greater focus on ESG issues. They empower employees to develop this change, fight through complacency, and win stakeholders' hearts. Leaders must be courageous to push the rock to the top of the mountain and then allow it to roll down.

The will to change exists across organisations, especially among the younger generation. After all, employees are citizens who want to do their part for a healthier Earth. They just need someone to lead them in that direction.

If bold leaders make these changes, their organisations will be rewarded with the capacity to handle and balance multiple strategic objectives. This is key to being a successful corporation in the future.

At present, regulations are not compelling organisations to act as quickly as many would like, but eventually, the regulatory environment will catch up. When that happens, organisations that have not begun their transition will find themselves in a weak position.

For decades, Earth Day has been a call to protect Planet Earth. I hope that corporate leaders succeed in their environmental efforts, such that decades later, Earth Day becomes a beacon to admire nature's beauty, instead of a day to lament nature's loss.

The writer is vice-dean, MSc Programmes Office and Professor of Strategy & Policy at the National University of Singapore (NUS) Business School. NUS Business School is a member of CEMS. The opinions expressed are the writer's and do not represent the views and opinions of NUS and CEMS.