

# Leadership for Sustainability

Leaders are generally aware of sustainability's importance, but there remains a 'knowing-doing' gap. With regulations on the horizon and increasing evidence linking sustainability to profitability<sup>1,2</sup>, leaders must equip themselves to deal with the risks and opportunities of a sustainable agenda.

## Maximising Opportunities



### Embed sustainability for competitive advantage

Prioritising and embedding sustainability in a strategy is the first step to establishing a competitive advantage in the market. Many companies<sup>3</sup> have taken the initiative on this front, mapping out organisational transformations to capitalise on areas of untapped business value. Leaders can then identify new opportunities with higher profit margins and in less crowded markets.



### Innovate within your business ecosystem

Seeking and leveraging opportunities within an organisation's business ecosystem can be used to set a new market standard for innovation. Working beyond the boundaries of your organisation allows you to leverage the knowledge, skills, resources, and technologies therein, paving the way for new solutions or products. Leaders should open their minds to collaborations that could unlock hidden value within their organisations.



### Capturing investments

Sustainability risks generate financial risks, according to experts. With investments flowing increasingly into sustainable businesses, many organisations are appointing Chief Sustainability Officers to navigate the complexity. Larry Fink, CEO of BlackRock, the world's largest asset manager, said that "the pandemic highlights the fragility of the globalised world and the value of sustainable portfolios".



### Shock-proofing the business

A sustainable business model focuses on meeting not just the needs of shareholders, but those of stakeholders. A sustainable agenda has a positive impact<sup>4</sup> on attracting talent and engaging employees, who gravitate towards organisations with purpose and value beyond just the bottom line. Employees are more likely to stay with a company if they identify with its purpose. As a leader, engage with your stakeholders to shape the sustainability agenda and to shock-proof your organisation.



## Minimising Risk



### Get ahead of regulation

With regulation<sup>5,6</sup>, such as the recently passed Climate Action Bill, being put in place, delayed action for organisations represents a major business risk. Governments are increasingly exercising their regulatory authority to urge companies to adopt sustainable business practices. Leaders need to keep the regulatory agenda on their radar, identifying the risks associated so their organisations can respond quickly and efficiently to any sweeping changes.



### Avoiding threats to the supply chain

For decades, reliability and efficiency were the dual supply chain priorities for organisations. Supply chains are now coming under increasing scrutiny because of a wide range of environmental and social risks, macro threats that create disruption on a large scale. Managing supply chain risks requires leaders to make investment decisions today for longer-term capacity building, developing strategies which prioritise resilience to withstand market upheaval.



### Commit to transparency and trust

How a company manages environmental, social and governance (ESG) issues can have a significant impact on how it is perceived. Greater transparency will be required in the future for a wide range of such issues. Leaders will need to demonstrate a holistic and authentic commitment to these areas. Companies like Unilever<sup>7</sup> that have taken a proactive approach to tackling ESG priorities have fostered higher levels of transparency and trust, which can be a key differentiator in the market.



### Capitalising on investment's green wave

Investors are playing a central role in accelerating capital flow towards sustainable funds. Companies with higher ESG ratings tend to consistently outperform those with poor sustainability performance. Consequently, there is a swell of capital going into greener investments. Decisive leadership is needed to create the mechanisms internally so that your organisation is positioned to compete on this front.

#### FOOTNOTES:

1. Profits for purpose: How organizing for sustainability can benefit the bottom line, McKinsey (link: <https://www.mckinsey.com/~media/McKinsey/Business%20Functions/Sustainability/Our%20Insights/Profits%20with%20purpose/Profits%20with%20purpose.ashx>)
2. ESG and Financial Performance: Uncovering the relationship by aggregating evidence from 1,000-plus studies published between 2015-2020, NYU Stern (link: [https://www.stern.nyu.edu/sites/default/files/assets/documents/NYU-RAM\\_ESG-Paper\\_2021%20Rev\\_0.pdf](https://www.stern.nyu.edu/sites/default/files/assets/documents/NYU-RAM_ESG-Paper_2021%20Rev_0.pdf))
3. Transforming Sustainability Into a Competitive Advantage, Forbes (link: <https://www.forbes.com/sites/forbescommunicationscouncil/2020/09/09/transforming-sustainability-into-a-competitive-advantage/?sh=17a802ee282e>)
4. The Comprehensive Business Case for Sustainability, Harvard Business Review (link: <https://hbr.org/2016/10/the-comprehensive-business-case-for-sustainability>)
5. Climate Action and Low Carbon Development (Amendment) Bill 2021, Gov.ie (link: <https://www.gov.ie/en/publication/984d2-climate-action-and-low-carbon-development-amendment-bill-2020/>)
6. Paris Climate Agreement, United Nations (link: <https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement>)
7. Trust: the key that will unlock progress, Unilever (link: <https://www.unilever.com/news/news-and-features/Feature-article/2018/trust-the-key-that-will-unlock-progress.html>)

#### ADDITIONAL SOURCES:

Climate change 101 for business leaders, Deloitte; The sustainability transformation, Deloitte; Why all businesses should embrace sustainability, IMD, K. Haanaes; 'It will need to be the most amazing thing humankind has ever done', HBR, A. Ignatius; The sustainability transformation: Look ahead, look inside and look around, Deloitte; ESG impact is hard to measure, but it's not impossible, HBR, J. Howard-Grenville; Boards are obstructing ESG — at their own peril, HBR, T. Whelan; The future of the chief sustainability officer, Deloitte; What Biden's sustainability agenda means for business, HBR, M. Mendiluce.