



ARTICLE

Change comes from within

Look under the bonnet of your business and help preserve our planet

In the second of their ESG series, FTI Consulting considers how companies can stay a step ahead with their ESG strategy, through strengthening efforts towards environmental sustainability.

Long term sustainability goals are essential, though companies can make a significant contribution to the environment by assessing how they conduct business today – and they can stand to gain financially as a result.

When we talk about environmental sustainability, we think of all the macro factors at play. We think climate change, we think COP26, and when we consider the solution, we think long term carbon emissions targets. However, organisations need to understand that the tools needed to protect our planet are much closer to home.

The current pandemic has cast a magnifying glass on how business will be conducted and connected in the future, which is prompting management teams to make much needed assessments on all facets of their organisation, inside and out – from internal processes and systems and supply chain management, to the partners they engage to source materials and deliver final product.

Of course, organisations need to remain proactive and forward looking in their ambitions to safeguard the environment, and they need to make these ambitions known through issuing long term targets - whether that be commitments to going carbon neutral, or plastic free. However, it is a company's corporate duty to adhere to a framework of sustainability at all times, and to ensure

that environmental best practice is woven into the fabric of their day to day operations not just in decades to come, but from right now.

This is because organisations are working not just for themselves. Their responsibilities and the working standards they impose have an impact far greater than their immediate environment – they impact the entire world around them. Peter Senge, Founding Chair of the Society for Organisational Learning and Senior Lecturer at MIT Sloan School of Management*, states that “*organisations must understand that they're part of a larger system.*” It is through recognising this that businesses can affect global environmental change from within.

The current lockdown and resultant economic slowdown have exposed the significant pressures weighing on traditional mass production methods and supply chain models. Fulfilment centres and manufacturing houses have shut down leading to severe supply shortages and shrinking revenues. Recent events have shone a bright light on the adverse environmental effects that stem from current models of supply chain management. From mass food production to excess packaging, issues that may have previously been swept under the rug are quickly rising to the surface.

Senior leadership teams must use this situation to take a step back and reassess how their business is being managed and how their product is being delivered. Whether you're a multinational or a startup, taking an approach that puts sustainability first will ensure you are best equipped for the demands of tomorrow, and will keep you competitive at a time when established practices could fast come up short. The 2008 crisis saw the traditional financial services sector succumb to rapid competition from more agile, digital-first fintech players. Similarly, companies now need to meet expectations centred on ESG, with the "E" gaining increasing prominence. From governing bodies and investors to shareholders and employees, expectations are becoming greater and calls are growing louder for environmental sustainability to sit at the centre of business decision making. These are the considerations that must now stay right at the summit of the C-suite agenda.

The transformation required may be long term, though there are steps that companies can put in motion now to move in the right direction towards a more sustainable supply chain. For instance, communication is key. Whilst change comes from within, it's instilled from the top. Executive leadership teams need to be accountable and take a proactive stance to promote environmental standards in their communications to the media, their partners and their staff. Implementing environmentally focused CSR initiatives, or volunteering schemes are also simple, yet effective measures that can contribute to the effort in the near term.

It's encouraging, and exciting, to see many are already on the path towards sustainable-focused business. Agri-tech firms are transforming the future of food with new practices like indoor vertical farming, and we've also seen the meteoric rise of environmentally conscious plant-based protein companies. In emerging economies, organisations are looking increasingly to sourcing goods

and materials from homegrown partners and local suppliers. This not only saves costs, but also stimulates economic activity amongst SMEs, a key pillar for financial resilience and prosperity. These new supply chain models not only benefit the environment – they can also deliver tangible financial results. More nimble, energy efficient techniques are more cost efficient, can improve margins and open real opportunities for economies of scale – all of which can help to generate bottom line growth which is sustainable for the long term.

So business leaders have all the tools to play their part in delivering a more sustainable environment. They have the demand, the technology, the incentive, and sight of the financial rewards in front of them. All it takes now is the right attitude – to commit to *both* long term goals *and* near term action. Sustainability has been at the centre of debate for decades, though the current situation we are now in has led to a paradigm shift for global commerce. Business resilience and value must be synonymous with sustainability.

The real winners will be those that act now. Those that see environmental issues as strategic, with the potential to shape the future success of their business, and enrichen the relationships with their customers, partners and investors.

As leadership teams think about the trajectory of their businesses, and life post pandemic, they must first look at themselves before they can look forwards. Success remains a product of environment, so what greater value could there be than to safeguard ours now and for the long term.

Part three of FTI's series goes on to focus on the "S" of ESG. The article discusses some of the most pressing societal implications organisations should address in the push to global sustainability.

**Harvard Business Review, Steven Prokesch, The Sustainable Supply Chain*

SHANE DOLAN

Managing Director
Strategic Communications
+971 (0)443 721 09
shane.dolan@fticonsulting.com

DARIUS ALEXANDER

Director
Strategic Communications
+44 (0)7966 652 015
darius.alexander@fticonsulting.com

AASHTI BAWA

Director
Strategic Communications
+971 (0)443 721 09
aashti.bawa@fticonsulting.com



The views expressed in this article are those of the author(s) and not necessarily the views of FTI Consulting, its management, its subsidiaries, its affiliates, or its other professionals. FTI Consulting is an independent global business advisory firm dedicated to helping organisations manage change, mitigate risk and resolve disputes: financial, legal, operational, political & regulatory, reputational and transactional. FTI Consulting professionals, located in all major business centres throughout the world, work closely with clients to anticipate, illuminate and overcome complex business challenges and opportunities. For more information, visit www.fticonsulting.com and connect with us on Twitter (@FTIConsulting), Facebook and LinkedIn. www.fticonsulting.com. ©2020 FTI Consulting, Inc. All rights reserved.

