

WHEN BEING SUSTAINABLE IS NOT ENOUGH

Organizations are discovering they will need a critical attribute—resilience—to support their sustainability efforts.

Thought Leadership



It's become a common story in the news—an annual cycle so prevalent, it is easy to become immune and do nothing until we're directly impacted.

Wildfire after wildfire. In California, Colorado, Oregon. In Australia, Siberia, Brazil.

In the United States alone, wildfires scorched nearly 9 million acres in 2020, roughly 2.3 million more acres burned than the 10-year average.

Despite the now-routine news coverage, this surge in wildfires is a new phenomenon. The uptick is both sign and symptom—an event that illustrates the impact of climate change, and the devastating disruptions it creates for people and organizations. Not to mention, the financial toll: in California, for example, the 2020 wildfires caused more than \$12 billion in property damage, suppression and remediation cost, and economic interruption and loss.

Here are the facts: climate change is happening, and it's getting worse. Business leaders must anticipate the effects of climate change to enable their firms to succeed in the long term. Even in the best-case scenarios, the average global temperature is expected to rise for 20 more years before it begins to decline, according to scientists. This means before things get better, they will get worse. And while sustainability efforts will help mitigate climate change, even the most sustainable organizations and their people will struggle to survive if they don't also focus on one key differentiating capability: resilience.

Sustainability and resilience

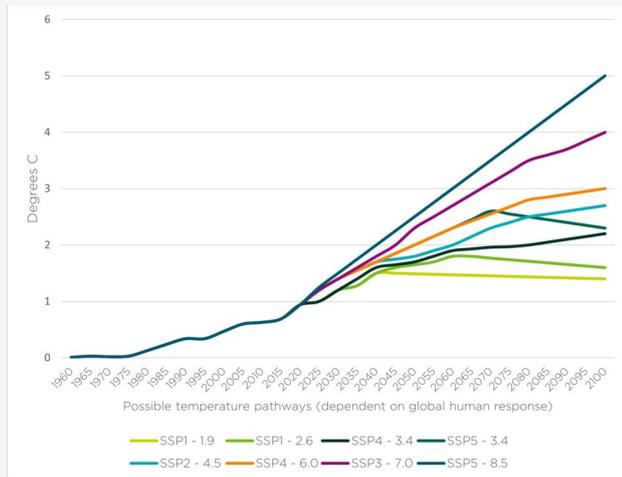
Sustainability, intended to reduce an organization's carbon footprint and mitigate climate change, has been a common part of business conversations for years—even decades, for some leading organizations. Consider, for example, BT: the London-based telecommunications giant has reduced its carbon footprint by 13% every year since setting its first science-based target in 2018.

Yet, resilience in the face of climate change seems to fly under the radar for most organizations. This, despite the reality that, given the worsening impacts of climate change, companies will need the ability to continually recover from hardship and disruption, no matter how sustainable they may be.

Take the growing need to face rising surface temperatures, which lead to increased floods, droughts, wildfires, and extreme storms. Research published in *Nature* found the projected global average temperature has already increased by roughly 1.3°C and will increase by as much as 2.7°C by 2050. And, according to a special report from the UN International Panel on Climate Change, it will be increasingly difficult for the planet to remain under the originally-hoped-for 1.5°C warming limit. As a result, societies and organizations cannot focus only on prevention. They must be ready to respond to when—not if—they are hit by one or several repercussions of global warming.

Figure 1

Historic and project global average temperatures (adapted from Nature, 2020)



Natural disasters induced by climate change are a real threat. And businesses can expect to see further disruption from resulting weather changes and climate refugees, both of which will impact their market growth, supply chains, headquarter locations, remote work policies, workforce recruitment needs, and overall employee health and well-being.

Even the most sustainable organizations in the world will suffer some ill effects of climate change, whether that be from consumers no longer buying their non-environmentally friendly products, employees moving to safer areas, or broken procurement and transportation systems. Thus, the key to success now is not just sustainability, but also resilience. We need to mitigate the worsening effects of climate change and build necessary resilience for the disruption ahead. Organizations that delay will be forced to “catch up” later—and often on someone else’s terms, because in addition to recover from likely disasters, they will have to respond to increased pressure from communities, governments and investors that work to create boundaries and regulations to bring climate change under control.

The companies that are not ready for, and resilient to, the impact of climate change will be caught in a never-ending cycle of reaction, unanticipated expenses, and possibly, lower revenue growth.

How organizations and people respond to climate change

How *organizations* respond to climate change through...

- **Sustainability:** Reduce the contribution of the organization’s operations to climate change and invest in regeneration efforts.
- **Resilience:** Prepare for and address the disruptions created by climate change, such as flooding, fires, extreme weather and consequent people migration, scarcity of resources, negative economic impact, and social conflict.

How *people* at work respond to climate change through...

- **Sustainability:** Develop and execute plans to reduce the climate change directly and indirectly caused by organizations.
- **Resilience:** Build agility and capacity to recover, adapt, and thrive amidst climate change induced challenges and disruptions.

Creating success amidst the turmoil

The good news is that organizations can successfully knit together profit and sustainability and become more resilient—and many top business leaders know it: 62% of European CEOs and Board members surveyed by the Korn Ferry Institute, for example, believe the shift from a single focus on profit to the triple bottom line—profit, people and planet— is happening “to a great extent;” another 33% said “to some extent.” Similarly, in North America, more than half of CEOs and board members interviewed by Korn Ferry see the environment and society as a critical emerging priority.

This expanded definition of performance illustrates how management accountability continues to broaden in remarkable ways: Nearly 90% of European business leaders in our survey agreed that the future CEO role will become more focused on moral/ethical leadership. And such an expanded leadership mindset will help organizations move beyond emissions goals and target dates to adapt their entire approach and operating model to thrive in a new resilience-driven, net-zero economy.

The next critical mind shift will be to move from **what** needs to be done to **how** it needs to be done. At the end of the day, climate change is driving a transformation agenda that has similarities with any other transformative effort. What it comes down to now is knowing how to do the work: new skills, changing work, and the agile capabilities, mindset, and values that support that work.

How to take action

Our years of studying organizational transformation have shown that many business leaders excel at understanding and articulating compelling cases for change, but struggle with enacting concrete and effective execution steps. Circumstances caused by climate change are no different. To foster resilience in their companies and employees, executives can follow these three valuable approaches now.

1. Acknowledge the overwhelm.

We all know a certain amount of stress has positive effects on performance. Stress, when tolerable, can drive motivation, giving us the energy we need to get things done and perform at our best. But constant change and ambiguity—like that presented by anticipated but unpredictable climate change disruptions—can move us beyond productive levels of stress, as the chronic stress we're exposed to increases the wear and tear on our minds and bodies (something we've witnessed with the COVID-19 pandemic). To manage this sense of overwhelm, and help their employees remain effective, organizations and their leaders can take the following steps:

Reduce ambiguity. There may be a range of future temperature scenarios. And there may be uncertainty about when and how climate-related disasters will strike. But what lies ahead is not completely unknown. Climate modeling, for example, has identified areas likely to be affected by flooding and storms. Managers should use this

information to plan for future disruptions that are most likely to affect their business. Companies that have thought through what is needed for organizational and individual readiness, and are prepared for what might happen, can respond nimbly when natural disasters occur. Indeed, some organizations that conduct simulations for possible external shocks were equipped to respond quickly to the COVID-19 outbreak in early 2020. Because of its risk management planning, The LEGO Group, for example, had been operationally ready for worst-case scenarios, so when the pandemic hit, the company was able to immediately activate its plan. Knowing there are scenarios and systems in place decreases anticipatory anxiety, reducing chronic stress.

Build systems to adjust job demands.

CentraCare, a regional health care provider, created a labor pool program during the COVID-19 pandemic that allows employees working in areas with less demand to help in areas facing substantial staffing shortages. More than 1,700 employees—ranging from healthcare workers to accountants to senior leaders—have taken on additional shifts often involving direct patient care. Those working extra shifts not only receive additional pay and, when needed, training, they also gain the satisfaction of helping patients and their colleagues. By creating a system and investing resources in reskilling, organizations can build the capacity to shift people to where they are most needed. Balancing workloads and adjusting job demands help individual stress more manageable, increasing organizational resilience.

Promote well-being. People do not have an infinite supply of physical or mental energy. Access to internal and external resources can buffer the impact of demands, whether they are high job demands or adverse climate change events. Korn Ferry's research-based [Personal Energy framework](#) calls out five pillars essential to managing personal energy, and thus, promoting long-term well-being: Purpose, Awareness, Resilience, Social Connection, and Healthy Habits. Providing resources that support these pillars can enable leaders and employees to be resilient and maintain, or quickly return to, a high level of well-being following climate change disruptions. Monitoring employee engagement or absenteeism can help leaders identify if their employees' personal energy is draining and whether more support is needed.

2. Think holistically to build capacity for agility.

The employee lifecycle from hiring and onboarding to professional development and performance management offers multiple opportunities for organizations to encourage sustainable performance and improve resilience. It can mean attracting more adaptable candidates, adjusting compensation packages to reflect sustainability goals, or realigning responsibilities for sustainability across functions. To start, organizations can implement the following practices:

Imagine a resilient business model. The compartments in oil tankers are designed to enable a ship to stay afloat and leaks to be minimized if there is a hull breach. Similarly, organizations need to identify how to keep their operations moving when they face climate change disruptions. Although it is ironic to draw on tanker technology to illustrate climate change resiliency, the comparison is sound: modular, flexible, operations can limit cascading risks, such as the sequence of failures in the Texas gas and electric system that escalated in the 2021 winter blackout.

Establish and reward multiple objectives for leaders. Organizations require leadership that enables transformation while ensuring ongoing performance. Leaders who are regenerative must advocate for sustainability and resilience, influencing others to change how they work, collaborating with diverse and external stakeholders, and holding people accountable for **delivering both financial and environmental results**. Possible measures of resilience include employees' perception of organizational readiness to face climate-related issues in the annual engagement survey or speed and cost of recovery when facing an external environmental disruption.

Empower employees. Recognizing that problems on an assembly line can create major complications, Toyota introduced the Andon Cord. Employees who noticed an issue were empowered to pull the cord and bring the assembly line to stop so the problem could be fixed. Initially, a halt in the line dropped productivity. But ultimately, it resulted in more efficient production of higher quality cars, beyond ensuring worker safety. Improving resilience does not necessarily require such a production-halting rope, but research has linked employees' willingness to promote environmental initiatives with viewing their organization and supervisors as formally supporting environmentally friendly

behaviors, which benefit the business as a whole. And this translates into a stronger bottom line: several studies have found that companies taking action on the most relevant environmental issues significantly outperform organizations that do not address ESG in a meaningful way.

3. Connect with the community.

Our survey of European leaders revealed that effective senior executives expand their view and recognize that no one is an island—no CEO, no company, no industry, no country. They elevate their role to “humanize human and natural capital” to guide their organizations performance and transformation in the face of external disruption. The lines have blurred, and organizations can seize the moment to shape a shared future with the following practices:

Advocate and partner. Business leaders have an influential voice. Although they may not know all the answers, they and their companies operate in a complex and intertwined world. According to Korn Ferry data, 86% of North American CEOs and board members surveyed believe business and society are becoming increasingly interconnected. By championing regulations and partnering with local governments, business can help the communities, where their clients and employees live and work, recover from disasters. For example, when wildfires threatened their headquarters and their employees' homes, Keysight Technologies set up a relief center with the communication systems, and charitable funding to help their people and community, while also finding ways to continue to deliver to their customers. Collaborating on disaster preparedness builds the resilience of companies and their people.

“It’s very important to do this well, and do this the right way. Employees and customers will increasingly call out firms that aren’t really able to do follow through on ESG commitments.”

– CEO, Investment management firm

Broadcast organizational sustainability values and actions. For some organizations, stewardship of the environment is baked into their purpose. For others, sustainability and resiliency are lenses through which operations and results are evaluated and improved. Nike, for example, has long promoted industry-wide supply chain collaboration as part of its “people, planet, play” strategy: At the onset of the COVID-19 pandemic, the company quickly used its digitized supply chain to divert surplus stock from brick-and-mortar stores to e-commerce fulfillment centers, minimizing the loss of revenue. Broadcasting a strong stance on environmental issues like climate change helps get the right people in the door. Indeed, Korn Ferry’s latest trends report found that more and more candidates are checking an organization’s ESG commitments when applying to jobs.

Take a stance on climate change issues. A recent Korn Ferry Institute study on organizational transformation found that, out of a sample of 1,100 transformational companies, CEOs at the top 80 most transformational companies had higher rates of individual presence on social media accounts than their company’s organizational accounts. This personal commitment of leaders to an online, visible presence in moments of transformation will help their organizations and communities be courageous and prepare for environmental shocks, as well as withstand related economic and sustainability issues. For example, Wu Changhua, head of China ESG’100 Project, leads from the front to ensure that their organizations and other connected businesses are effectively addressing climate change as a top priority.

Humanity’s greatest endeavor

Climate change constitutes what researchers have dubbed a “wicked problem”: it presents many interrelated challenges that cross traditional boundaries—none of which can be solved in isolation.

What we do know is that people are both the cause *and* the solution to climate change. Leading organizations will be the ones to go beyond climate-related sustainability efforts and pursue resilience-building strategies that help prepare for the challenges to come. Business leaders, individually and collectively, must expand mindsets, adapt behaviors, learn new and unfamiliar things, invent new solutions, and organize effectively to maximize every person’s ability to anticipate climate-related disruption and be agile and effective when it strikes.

Because wicked problems present unique challenges and untapped opportunity, business leaders have started to shift and redefine performance to emphasize more inclusive and regenerative thinking and practices. We are now between best- and worst-case environmental scenarios. If we pursue this work toward greater resiliency, history may view this period as a tipping point, one where businesses and humanity became their most innovative, their most compassionate, and their most successful and sustainable.

Authors

Maggie Patrick

Associate Principal, Organizational Strategy,
Korn Ferry

Sarah Hezlett

Senior Director, Intellectual Property and
Assessment Science, Korn Ferry Institute

Jean-Marc Laouchez

President, Korn Ferry Institute

Evelyn Orr

Senior Vice President, COO, Korn Ferry Institute

Annamarya Scaccia

Senior Manager, Writing and Editing,
Korn Ferry Institute

Bibliography

Aspen Institute. Korn Ferry. (2020). Beyond total shareholder return: New principles from The Aspen Institute and Korn Ferry identify new levers to determine executive pay [Press release]. <https://www.aspeninstitute.org/news/press-release/executive-pay-principles/>

Burden, A., Dai, G., Farrelly, V., Haynes, A., Daugherty, J. (2021). *Optimizing personal energy: Five pillars to sustain wellbeing and performance*. Los Angeles, CA: Korn Ferry Institute.

Busby, J.W., et. al. (2021). Cascading risks: Understanding the 2021 winter blackout in Texas. *Energy, Research & Social Science*. Vol. 77, July 2021, Article 102106. <https://doi.org/10.1016/j.erss.2021.102106>

Dai, G., et. al. (2021). *Enterprise leadership: Developing new leadership for a new world*. Los Angeles, CA: Korn Ferry Institute.

Eccles, R.G. and Klimenko, S. (2019). "The investor revolution." *Harvard Business Review*. <https://hbr.org/2019/05/the-investor-revolution>

Fink, L. (2021). "A fundamental reshaping of finance." BlackRock. <https://www.blackrock.com/hk/en/larry-fink-ceo-letter>

Gedye, G. (2021). "How much do wildfires really cost California's economy?" CalMatters. <https://calmatters.org/economy/2021/10/california-wildfires-economic-impact/>

Hatter, M. & Geary, E. (2017). "What happened when the California wildfires engulfed our headquarters." *Harvard Business Review*. <https://hbr.org/2017/11/what-happened-when-the-california-wildfires-engulfed-our-headquarters>

Haynes, A. (2021). *Stress: From tolerable to toxic*. Los Angeles, CA: Korn Ferry Institute.

Intergovernmental Panel on Climate Change. (2018). *Special Report: Global Warming of 1.5° C*. https://www.ipcc.ch/site/assets/uploads/2018/02/SYR_AR5_FINAL_full.pdf

Korn Ferry. (2021). "2022 talent acquisition trends : Talent shortage officially moves from acute to chronic problem." Los Angeles, CA: Korn Ferry.

Korn Ferry. (2020). *CEO for the future: Unprecedented leadership for an unknowable future: An EMEA study*. Paris: Korn Ferry.

Korn Ferry. (2020). *CEOs for the future, when the future is now*. Los Angeles, CA: Korn Ferry.

Laouchez, J., Orr, E., Patrick, M., Caruso-Novack, R., Benusa, A. (2020). *Driving organizational transformation*. Los Angeles, CA: Korn Ferry Institute.

McAulay, K. (2021). "How Nike showed resilience in the face of unprecedented Global supply chain disruption." Sun Strategy. <https://www.sun-strategy.com/news-and-views/how-nike-showed-resilience/>

Marohn, K. (2021). "Amid pandemic surge, one health system's workers fill different roles." MPR News. <https://www.mprnews.org/story/2021/11/24/amid-pandemic-surge-one-health-systems-workers-fill-different-roles>

Nike. (n.d.). Supply chain industry collaboration. <https://purpose.nike.com/industry-partnerships>

Renwick, D. W. S., Redman, T., & Maguire, S. (2013). Green human resource management: A review and research agenda. *International Journal of Management Reviews*, 15(1), 1-14. <https://doi.org/10.1111/j.1468-2370.2011.00328.x>

Stahl, G. K., Brewster, C. J., Collings, D. G., & Hajro, A. (2020). Enhancing the role of human resource management in corporate sustainability and social responsibility: A multi-stakeholder, multidimensional approach to HRM. *Human Resource Management Review*, 30(3), Article 100708. <https://doi.org/10.1016/j.hrmmr.2019.100708>

Time Staff. (2019). "Meet 15 women leading the fight against climate change." *Time*. <https://time.com/5669038/women-climate-change-leaders/>

Tollefson, J. (2020). How hot will Earth get by 2100? *Nature*, 580(7804), 443-445. <https://doi.org/10.1038/d41586-020-01125-x>

United Nations. (n.d.). Climate action fast facts. United Nations, Climate Action. <https://www.un.org/en/climatechange/science/key-findings>

Wiernik, B. M., Ones, D. S., Dilchert, S., & Klein, R. M. (2018). Individual antecedents of pro-environmental behaviours: Implications for employee green behaviours. In V. Wells, D. Gregory-Smith, & D. Manika (Eds.), *Research handbook on employee pro-environmental behaviour*. Edward Elgar Publishing.

About Korn Ferry

Korn Ferry is a global organizational consulting firm. We work with our clients to design optimal organization structures, roles, and responsibilities. We help them hire the right people and advise them on how to reward and motivate their workforce while developing professionals as they navigate and advance their careers.