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Reality

Today, Tomorrow, and the Peril of Business as Usual

The world is changing. We are in a liminal space and, as much as we might try to resist it, business as usual is no longer an option for the long term. The social and economic foundations that we have come to rely upon are being undermined and nature is becoming recognised as an unpredictable yet 'essential partner', if we are to continue to thrive.

At the same time, however, this 'essential partner' is showing signs of stress and even collapse as years of exploitation take their toll on fragile ecosystem balances we assumed would be ever unchanging. Due in part to these seismic changes, the external landscape affecting businesses is shifting, bringing with it questions without clear answers and a lot of uncertainty. In short, we have come to the end of the current era, and change now is inevitable, not optional.

The Size of the Challenge

Prior to 1946, when a group of surrendered German scientists strapped a camera to a V-2 ballistic missile, we hadn't yet seen the Earth from space. It was a fuzzy first, a black and white image, and remarkable, but it isn't the one most of us think about. We tend to remember the incredible globe shot, from the Apollo 8 mission, which was taken almost 20 years later, captured by Bill Anders as Frank Borman came round the moon for the fourth time.

Known as 'The Earth Rising' it changed the way we view ourselves forever; it's what Ron Garan, an astronaut from more recent times, describes as 'the orbital perspective' and what others have called the overview effect. Those lucky to see it for real from space often describe the moment as one when your awareness shifts to a profound and deeply felt understanding, that the Earth is a single organism floating in nothing and that all our actions as individuals are acutely and intimately connected and have collective consequences we should all take responsibility for.

The reason why this is important is because 'whole Earth thinking' or systemic understanding was not affirmed in the minds of leaders when they made their business and organisational decisions in 1760. From then until very recently, decisions were made through a mechanistic lens: establishing or creating a need, designing a product or service, extracting resources to create, before sale and distribution. From spices, to coffee, to cars, to computers; from entertainment, to finance, to app stores and virtual art – everything we have consumed since 1760 has had an impact on our Earth system.

Throughout the Industrial Revolution to recent times, business and government were working under the illusion of an infinite planet. There was an endless cornucopia of resources to uncover and transform into products, and along with them the services to get them made and sold. People built fortunes, and economies thrived.

The results from this rapacious and highly successful industrial momentum have been variously brilliant, uplifting, destructive, and depleting. However, as we haven't really created that many rules or guardrails for this growth, we now live inside the consequences of that uncontrol. With every extraction comes an externality, and externalities have piled up around us, in heaps of slag or plastic waste, in measurable molecules throughout our water and air, in social realities of cultural decline and inequity.

The impacts grew as the economy grew, through waves of feast and famine, literally and metaphorically, and as growth continued apace, the consequences of our collective actions increased alongside it. Year-by-year, the unmeasured negative outputs from the industrial engine at the heart of the Western drive for growth increased to the point of visible and measurable change. But in the last century, people started to question whether the endless growth was really sensible and as we became more connected and globalised the impacts became more apparent.

What started as a few powerful, pioneering voices at the beginning of the second part of the twentieth century turned into a 'green' movement and then a sustainable one. As scientific improvement and the computing revolution dovetailed into incredible capability, the truth of the industrial experiment became ever more apparent.

That truth is now unarguable – even in a post-truth world.

Every day, we have at our fingertips trillions of data points. They crunch through machine-learning algorithms, fed by off-planet satellites and on-planet sensors, all analysed by some of the smartest scientists we have. Together they represent a movement of understanding that means we now know what we are doing, that it is affecting the whole Earth system, and with a level of detail unfathomable in 1760.

So, we now know what's going on, we have the knowledge but not yet the action. The 'why' we aren't making decisions based on this understanding will be unpacked in other chapters, but the driver for the transition is clear: the whole Earth system has been pushed beyond its limits by an old era industrial revolution that has reached its natural end point.

What comes next, and is already transitioning, is the move to a fully sustainable system as part of the Fourth Industrial Revolution. The first three transitioned through different base energy supplies – coal to oil and gas, then to nuclear, and now in the fourth we have renewables. Along with the rise of our technological capability we have all we need to become fully sustainable, but as with all change, the incumbent and existing powers are struggling to release their grip, with all the impact that has on our world.

The Speed of the Change

Alongside the *size* of the challenge is the need to act at a speed in line with the challenges; that means acting now and learning how to move fast. Just as it is difficult for humans to comprehend the size of the whole Earth challenge, it is equally difficult to understand the speed at which the whole Earth is changing. In just 262 years we have, as a species, taken our world from one of relative balance, into one of rapid extinction.

Let's delve into that for a moment – try to stop and really think about what fast actually means in this context. Unless you are Marty McFly from the 1980s *Back to the Future* movies, when we think of time, we base our understanding on *our* experience of what time is – this means a human perspective, grounded in our 80 years or so, if we're lucky.

It is almost impossible to step out of this into 'longer time', where we try to wrap our heads around how things like entire forest systems, oceans, and atmospheres are *supposed* to change.

These are huge complex webs with multiple forces acting upon them, that *should* heat, cool, move, and change over long spans of time so that the living organisms within them can adapt, to evolve, and to survive. But if those changes happen so fast that we don't have that time, then the reverse of those three things happens: we don't adapt, we don't evolve, and we don't survive.

In the last 30 years, we have pushed our Earth survival systems into that space. We should be adapting, evolving, and learning to survive (and thrive) at the speed the changes are happening. But we aren't.

In fact, when you step back and look at just those 262 years, it's only in the last few decades of that time that the size of the impact has become clear, which has allowed us to understand the speed. And in response to that, we might as well be standing still.

This is not meant to create an emotional response of fear and inaction in the face of the danger, but there is no point in talking about drivers without them containing the truth.

As leaders, many have moved through the ranks of businesses or started them up and grown to size *inside* the principles of endless growth: profit at all costs, destructive competition, an irresponsible approach to externalities, and a myopic focus. The drivers for success in business did not contain sustainability, and it is only just starting to influence core decision making. This means the huge behemoths are hard to change and the humans that have benefited have very little motivation to do so. In their situation, why would change seem so pressing and why would they feel the need to move at speed?

The truth is they haven't. So, nothing has moved fast. There were PR-creating reduction strategies, covering the reduction of waste, water use, and carbon, but only at the tinkering edge. There is a reason that, despite the sustainability movement being around for a few decades, all the indicators of change have still been going in the wrong direction. The necessary speed of solutions has yet to be activated.

The other truth we need to face as leaders is that everyone has to act and now. The speed of change has outstripped our ability to adapt alongside it. We failed to act as a collective. Whether by governments creating policy levers, businesses making bold choices, consumers demanding change; none of these have happened at the speed we need. As a result, we are now left with a world system – the Earth model, the economy, and us – all wrapped up in an extinction-level speed shift without the required response.

Given we now have the data and many of the solutions to these problems, the challenge is how do we catch up? How do we accelerate the changes required? How do we all work together – government, citizens, and business? And, most pressingly, how do leaders make that actually happen?

Individual Versus Collective

Where we are is deeply complex and complicated, as the negative sustainability compounded impacts have become bigger than individual responsibility can ever solve. So, we need to address the conundrum of collective versus individual. We are still making decisions as though an individualistic mindset will solve systemic challenges.

It won't matter if, as a collective, only a handful of leaders individually build the best sustainability businesses. We need as many leaders as possible pushing as hard as they can to make changes equal to the need. There will, of course, be pioneers and pathfinders, but we must also find ways to lead together, to ensure as much change as possible becomes activated fast: collective, collaborative, and pre-competitive.

These are the principles we need to continue to embed in our decision-making processes, for as the negative drivers for change continue to expand from rivers to oceans and city air to nation sky, we must also expand, from linear supply chains to systemic value chains, leadership by winning to leading through lifting all.

Topics such as whole system climate response, or systemic protection of entire oceans or rainforests, are deeply challenging for our current organisational model of individual competing nation states and singular organisations and businesses. However, that's where the drivers are pushing us; to make decisions that connect to the collective and as leaders we must respond.

In recent history, we have seen collaborative groups attempt to make change happen, whether at a United Nations and governmental level, such as the annual COP meetings (27 and counting), or meta-platforms of targets and commitments, such as the Sustainable Development Goals and the Net Zero movement.

But despite the science and visibility of the challenges becoming irrefutable and fully transparent, the responsibility to tackle them in a truly connected way remains a hot potato thrown from government to business to consumer to citizen, with only a few seeming to take direct leadership or responsibility in the way we actually need.

We *have* seen some very encouraging indications of travel, especially from the more enlightened businesses and governments, but so far the outcomes of these endeavours have yet to equal the impacts they aim to reverse or balance. It is vital that we don't get disheartened and disaffected by the lack of movement, but instead try to believe that these growing bodies for transformation will hasten their efforts in light of the increasing need.

Working across a spectrum of businesses, we see a big shift beginning to happen that is useful as an indication of hope. Although there is still a lot of competitive focused action, 'how can we be the best sustainability company?' – and that can be useful to drive change – we are also seeing a real acceptance of how business can start to tackle the connected challenges.

It will be in the systemic solutions that we find the real levers for movement. Lots of different businesses use the same mines, factories, and distribution and sales channels. As they begin to collaborate more effectively, we will start to see the transformations happen.

Some of this is already at the edge of visibility. If we look at the emergence of new, circular materials in packaging or textiles we can see the start of entire new business models emerging. These provide companies with novel ways to delight consumers and attempt to maintain or grow sales. If you combine this with natural capital accounting, whole system change may well be possible.

These glimpses into the possibility of systems change show a deepening awareness, acceptance, concern, and energy towards the environment and climate crisis, its resultant societal impacts, and the risks of not making big changes. As part of this shift businesses are making pledges, setting goals, and seeking to make choices in line with a more sustainable business and world.

So, what has changed?

In 2014, French weather forecaster Évelyn Dhéliat predicted that by 2050, temperatures in France could reach up to 43 °C in August due to the climate crisis. Her predictive weather report was a sea of intense orange and red and she stated that this was what France faced if we didn't take action to tackle the climate crisis.

In June 2022, her forecast came true, 28 years earlier than predicted. A few years ago, we might have likened the climate crisis to an elephant that periodically appears, threatens to charge, looks intimidating, and elicits fear, but then retreats for long periods of time. Increasingly we are coming to realise that the elephant no longer retreats. It is facing us down, waving its head and ears, and increasingly 'running at us at full speed'. Climate change is not something happening in the future. It is here now, and we can't ignore its warnings.

Climate-related events and disasters are increasing in frequency and intensity. Record temperatures, flooding, wildfires, and unprecedented climatic events are reported weekly. The year 2022 alone saw catastrophic floods following an unprecedented monsoon season in Pakistan, and concurrently a 'heat dome', causing prolonged extremes of heat, settled across Europe, North Africa, the Middle East, and Asia. Temperatures exceeded 50 °C (Iran recorded over 53 °C on 5 August 2022), many records were broken and in places unused to such temperature extremes, such as the UK, temperatures topped 40 °C, leading to anomalous wildfires, droughts, and water shortages.

The still-rumbling global Covid-19 pandemic provided a backdrop to these crises and numerous others preceding them. The death toll to date exceeds 6.5 million. This devastating virus swept across the world, ignored borders and exposed our vulnerability to naturally occurring pathogens, exacerbated by human-induced environmental destruction. We were forced into a global hiatus (acknowledging the bravery and sacrifice of essential service providers). As we took a breath and acknowledged our ability to truly control nothing, scientists became our guides. They brought glimpses of clarity in a time of deep complexity and garnered a respect for their expertise, which hinted at safety in a very unsafe place. Perhaps this response triggered a similar increase in trust for the climate science that epidemiology is inevitably connected with. Perhaps too, Covid-19 demonstrated that a crisis at a global level can happen, and quickly. Or maybe the lockdowns, restrictions on our lives, and total disruption to everything that was once 'normal' taught us that what seemed unimaginable before the crisis, was entirely predictable when we were in the midst of it.

A global pandemic also illuminated the unacceptable chasm of inequality woven into the fragile threads of our global society that hold us together. The climate crisis and the disaster and degradation it brings similarly exposes this inequality. The perceived recent awakening and enlightenment towards this looming climate crisis is largely a developed world phenomenon. Around the world, particularly in less developed regions where millions live at the margins of environmental vulnerability, people have experienced the acute impacts of climate change for many years, and many have been furiously sounding the alarm – people and places that have less political power and influence to make the right decisions at a global level.

Friends of the Earth tell us that climate justice 'recognises the climate crisis as a social and political problem, as well as an environmental one'. It recognises that the effects of climate change will disproportionately impact those who are most vulnerable and marginalised. Worldwide, for example, despite bearing the burden of multiple household and livelihood responsibilities, 'women have less access than men to resources such as land, credit, agricultural inputs, decision-making structures, technology, training and extension services that would enhance their capacity to adapt to climate change' (Osman-Elasha, 2012). The inequalities that mark the social, economic, and cultural fabric of our world also mark the crisis of climate we are facing. In fact, it could be argued that injustice is a root cause of the climate crisis, or at least our ability to effectively respond to it.

This book focuses on business – and we refer largely to companies that are based in the global north – but of course in our globalised world many businesses have operations and supply chains in less developed nations, where the vulnerability and exposure to climate change is most evident. Climate impact and social inequity are two sides of the same coin. Businesses that are to thrive in our transforming world will need to understand and respond to the full context of their business ecosystem, including in areas where climate impacts will be most acutely felt.

Pivot or Perish

So, momentum is building. The trend among businesses, cities, and governments is to set carbon reduction targets as the embarkation point to the climate transition. The shaking loose from the old era is happening, with all the potential chaos that will arise as global forces and philosophies collide.

Set in this emerging context, what we really want to talk about in this book is how you need to embark upon a 'pivot and perform' journey, but before we get there, we should call out the risk of a 'pivot to buy time and perish' approach. What do we mean by this? We are arguing that such is the significance of this moment and the changes that will be thrust upon businesses, that those businesses that refuse or are unable to greatly adjust their ways of working are ultimately likely to perish. Those that see this agenda just as a cost of compliance issue will buy some time and earn their licence to operate, but ultimately this will not be enough. To 'pivot and perform' will require something much more transformational.

Environmental, Social, Governance – ESG

ESG is a challenging topic. For something so significant, it's remarkable that it's so unclear and so challenging to define. Born out of sustainability reporting, the understanding and use of it ranges wildly and widely. Although the impact of ESG reporting varies at the investor or company level, at a market level its impact has been dramatic, and for the most part positive.

As we shall explore further in subsequent chapters, ESG has added a much needed framework to help companies move towards better sustainability, even if it's still so difficult to agree on. Some use it as the baseline for redesigning their business, others as a way to do the minimum and keep investors happy. But most importantly, it is increasingly used to make decisions about where the money goes and how it flows through a business and that's why it's now the biggest driver of change.

At its most hopeful, ESG tools and analysis feel like the starting point of a journey that will end with a sensible and practical foundation for what all companies and organisations should have as a sustainability minimum, with options to scale up to much, much more. A comprehensive and transparent way to see who is playing the game and how hard they are playing, or a guide for internal improvement and external judgement. Alternatively ESG is seen to be an interference to the purely fiscal ways of evaluating an asset, and it will lose the battle for influence and relevance. Perhaps, and most likely, it will become a compliance tool against which assets will be scored and a further data point to allow for more considered deployment of capital. In Chapter 4 we shall explore the way sustainability is described, and often misunderstood, by different sectors, but ESG is the terminology that is gaining traction amongst business and finance leadership. For example, internet searches for the term ESG have grown five-fold since 2019 and money flowing into sustainable funds increased from US$5 billion in 2018 to nearly US$70 billion in 2021 (McKinsey, 2022).

For Gina Mastantuono, CFO of ServiceNow and a member of the Forbes Next 50 2022 list, this growth presents both a challenge and an opportunity.

> *There is a clear appetite from investors for information on ESG performance. ESG goals, activities and reporting must be embedded into business processes and policies to succeed. CFOs need to know how to respond and lead in this emerging landscape. The good news is that purpose and profits are not mutually exclusive. ESG's ability to create long-term value makes it so we don't need to sacrifice in the face of short-term economic headwinds. But we've got to get this reporting right.*
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> Mastantuono, 2022

For ServiceNow, unpacking the complexity implicit in ESG data, disclosures, and reporting, 'leveraging governance to bring efficiency and accuracy into this process', presents both a business opportunity and a way for them to 'help in the transition to a net-zero future'. Their newly launched ESG Command Centre solution, for example, will bring together ESG goals and metrics in one place and help to demystify the numbers (Mastantuono, 2022).

Mastantuono clearly sees both need and opportunity in the agenda, but for others ESG presents challenge and disruption.

In a recent conversation, a director for innovation told us that they had to 'change their entire investment strategy to align with sustainability because of the whole ESG thing'. With trillions of dollars under management, the potential impact of ESG on markets is remarkable. Despite its nebulosity, ESG has become a massive driver of the sustainability shift. And yet, the uncomfortable truth remains that we need to move beyond the ESG reporting and compliance for ESG action to have a meaningful impact on reducing carbon emissions.

Whatever your view of ESG as it stands today, businesses and organisations will be increasingly scrutinised from now on as a continuum of how they perform against the needs of the environment and how they perform against their treatment of people. This is not going away. We doubt there will be a return to 'business makes profit at the expense of. . .', no matter how many articles about woke capitalism are written.

How Burnt Is the Burning Platform?

We argue that limited change to date is the consequence of the two dimensions we outlined at the beginning of this chapter – the size and scale of the challenge and the speed at which change is occurring.

Size of the Charge

The foundations and strongholds upon which the businesses and the institutions that govern them are built are not designed to confront the sheer size of the Charge we are facing. As we have said, we are in a liminal space, our old ways of living, working, and using the world's resources are no longer sustainable. Like it or not, we are being forced into a new era that holds deep uncertainty alongside incredible opportunity. But rather than seeking to pivot, to explore new opportunities that will help to solve the huge problems we face, the systems of what is now the old era are doubling down. They are doing what they know best to confront an unknown foe and hoping it will work. But incremental shifts and changes take us nowhere near the transformation required. Businesses need to pivot in this moment, or ultimately, they will perish.

We are not suggesting that regulation isn't essential, but it isn't enough, and arguably the noise and confusion it creates for businesses and leaders is leading to stagnation, frustration, and even fear, rather than inspiring the action, innovation, and enterprise required for the new era.

But we are seeking hope, not panic and as we will explore, there is opportunity, calm, and relative safety to be found in the Day 2 experience of canoeing under elephants.

Urgency

Sustainability is our business; we face the 'reality of now' every day, we know the gritty details. For many the sheer urgency of the crisis has not yet sunk in. And yet one thing that inspires innovation, creativity, and action like no other is urgency. In the face of an imminent threat, with the inevitability of stepping into the danger zone, we find incredible new ways to get from A to B. In the face of the Covid-19 'Charge', normal barriers to action dissolved and the power of enterprise was released to bring about solutions.

The Ventilator Project

We're sure that you remember the uncertainty and fear at the start of the Covid-19 pandemic. In those initial months, no-one really knew what to expect or how best to prepare for what was to come. However, one thing became clear very quickly to those living in Britain: the UK was lacking the volume of ventilators its hospitals would need. That was when the government turned to industry for help.

Adam Blomerley, CEO, and Ian Quest, Director, of the data and consulting business Quick Release were part of a consortium, which included Ford, McLaren F1, Airbus, and other data and engineering companies and consultancies, that came together to respond to a call for support.

> *The government put out a challenge: whoever could make hospital-grade ventilators within certain time frames would be able to sell them to the UK government. Hundreds of people put their hands up and said, 'Yeah, we can do it.' – from people in their sheds to large global manufacturers. It took around 100 days to go through design, tests, certification, set up the manufacturing, set up the testing, set up the supply chain, and then build 12 000 of them.*
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> *For the people involved, it was a compelling and emotional journey to be on. It was all about the art of the possible, rather than focusing on what we could not do. We knew that every day 1000 people were dying and that was a strong motivating factor.*
>
> Blomerley and Quest, 2022

A compelling purpose unleashed enormous amounts of energy and this story serves as a reminder of the productivity you can get when you engage with people at an emotional level. It also shows that when there's a burning platform, companies quickly come together in a pre-competitive collaboration space. Normal data privacy and competition rules are pushed to one side. In the ventilator project, the reality of thousands of people dying took precedence over any historical barriers that are typically in place between organisations when you are outside a crisis.

Returning then to our concern – pivot, buy time, perish. There will be many businesses that will become consumed or paralysed by the Charge. Others will believe that responding to incremental compliance nudges will allow them to return to business as usual (in the safety of their stronghold). The risk we would call out is that if you survive the Charge, but fail to leave the bush, you'll only face the Charge again. However, by surviving the Charge you've bought yourself a licence to get in the canoe – and you need to get in the canoe if you want to find performance and value in the new era.

While perish may seem a strong word, and perhaps a gradual disintegration may describe the likely outcome more accurately, we need performance and prosperity to be the outcomes. Compliance won't engage with the changing customer demographic you need to appeal to. It won't deliver the authenticity and ambition that you are likely to need to attract the best talent. It won't make the audacious strategic decisions that will be needed in aligning to the markets of the future. It won't move you from a supplier leverage model to one of supplier loyalty and it won't solve the global existential crisis we now face.

We are not suggesting that compliance should be neglected. If Stuart and Louisa hadn't complied with the guide's instructions, then they would likely have been trampled. But Day 1 is about survival so that you get to live out the adventure of Day 2.

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