Climate change calls for strategic change

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CIMA and its members are well positioned to help ensure that organisations both survive, and are successful, in light of climate change issues. We will help organisations to consider climate change in a strategic context and integrate sustainability issues into their long term decision making process. Management accountants have a key role to play in this process, providing vital business intelligence to support strategy and influence decision making.

A strategic blind spot

For most organisations, the question of how best to address the challenge of climate change remains largely unanswered. Some businesses have started to report on corporate responsibility matters and many organisations have focused on environmental activities such as increasing their recycling efforts and reducing energy usage.

But are organisations really taking the right steps now, to ensure that they can survive in an uncertain future? A future where resources that we take for granted may be scarce or unavailable, and where we will be facing other consequences of climate change, such as droughts, floods and rising sea levels. A number of recent surveys indicate that the answer to this is generally no.

The risks and opportunities presented by climate change are beyond normal planning horizons for most organisations. It tends to sit off the radar, creating a risk that climate change falls into a strategic blind spot.

The strategic imperative

Research has shown that one of the most important reasons why companies fail is that they ‘miss colossal external changes’1. Climate change is one such external event that will challenge the survival of businesses. Some organisations will not respond in time and those entities risk corporate failure.

In order to survive, organisations need to adapt their strategy now, embedding climate change issues into normal business life before it is too costly or too late. Attention must be focused on the potential impact of climate change on the organisation, as well as the impact of the organisation on its environment.

Governance and sustainability

CIMA believes that sustainability is an Enterprise Governance issue, having both conformance and performance aspects. It is about taking a long term view of the organisation’s activities in order to create both shareholder and stakeholder value.

The long term risks and opportunities presented by climate change should be addressed when determining strategy, and then in performance management, so that outputs such as environmental metrics and corporate responsibility reporting are aligned to achieving this strategy.

A call to action

With regard to climate change, organisations that want to be successful should be prepared to make changes now, with inspiration, rather than later in desperation.

CIMA has put together a list of actions, split into the dimensions of conformance and performance. These actions are aimed at boards, management accountants and the wider management team working together to incorporate the climate change aspect of sustainability into their organisations’ strategy.

Some of these actions will be more challenging to implement than others. But generally they should build on current business activities and skill sets, particularly those of the management accountant. It is a matter of broadening the organisational mind set to encompass climate change issues, applying existing skills to address new challenges.

Conformance

• Ensure compliance with environmental legislation, regulations and standards.
• Calculate and track your carbon footprint with the aim of reducing the impact your organisation has on the environment.
• Conduct a risk assessment in relation to the impact climate change could have on your organisation.
• Prepare a stakeholder analysis focusing on climate change and tailor reporting to meet stakeholder needs.

Performance

• Identify opportunities arising from climate change and prepare a business case to develop the organisation’s strategy.
• Continuously look for areas that can provide long-term cost savings and efficiency improvements.
• Determine whether your organisation can establish internal charges for energy costs.
• Consider the complete value chain and life-cycle costing when investing in new technologies and processes and exploiting new product opportunities.
• Introduce Key Performance Indicators linked to climate change to drive performance in this area.
• Identify the environmental management information needed to influence long term decision making with regard to climate change.

Get involved

We would welcome feedback from CIMA members who have experienced action in these areas, either directly as part of their role or in their organisation more widely. Please contact us via T. +44 (0)20 8849 2275 or E. innovation.development@cimaglobal.com

A more detailed report, currently in development, will provide further information and guidance around these ten action points. The report will also introduce more ideas that can be applied for helping organisations to incorporate the climate change aspect of sustainability into their strategy.