

Leadership's ESG Imperative and Practical Suggestions for Addressing It



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Idea: Multiple internal and external stakeholders increasingly insist that businesses address ESG issues. Leaders must apply emotional intelligence and change management skills to actualize ESG goals within their organizations.

What Is the ESG Imperative?

Multiple business stakeholders require business leaders to address environmental, sustainability/social, and governance issues (ESG) as part of the way they do business. The stakeholders – customers, investors, employees, and legal and regulatory authorities – are forcing businesses to ask how their actions, practices, policies, products, and services affect ESG issues. ESG issues include:

1. planetary health and climate change;
2. employee well-being;
3. best practices in ethics and compliance;
4. gender and racial diversity; and
5. ethical supply chains.

Consider below these examples of ESG stakeholder perspectives.

ESG Investing: Investors increasingly use ESG criteria alongside financial criteria to decide which businesses deserve their investments. Example: some ESG investors want to know whether companies during the COVID-19 pandemic offer employees paid sick leave and safety measures for on-site and remote work. ESG investors view such measures as critical for business sustainability for future pandemics. Business' adherence to ESG criteria influences buying decisions. Example: some customers choosing between different companies' similar products increasingly purchase from the vendor who provides sustainable packaging. Some customers prefer buying from companies that treat their employees well. Some vendors and partners have rejected doing business with companies that fail to address racial justice issues. Existing and future employees care not only about fair compensation but broader ESG issues as a condition of continuing or choosing to work with a business.

View ESG as a Way of Doing Business, Not Just a List of Issues Leaders can lead their organizations to view ESG not just as a list of issues but as a way of doing business. To get started, leaders might incorporate ESG principles into larger business imperatives, such as digital transformation and innovation. Digital transformation, which can replace physical assets and meetings with their virtual counterparts, can reduce environmental impact by eliminating travel for meetings and paper that otherwise would be used. Governance and risk management initiatives that seek excellence in compliance with laws and regulations might focus on ESG compliance to reduce or eliminate potential civil and criminal penalties. An innovation initiative to develop products for new markets might focus on products that involve sustainable packaging.

What Skills Do Leaders Need for Actualizing ESG Goals?

For themselves and their organizations, leaders must develop a corporate consciousness that embraces ESG issues in conjunction with market and customer intelligence initiatives. Leaders need to develop resiliency, learn to embrace uncertainty, and set personal and organizational goals against ESG maturity models. Applying emotional intelligence skills, including self-awareness, self-management, social

awareness, and relationship management, will enable leaders to conduct the proactive listening with empathy to all stakeholders. Leaders will thus need to incorporate ESG principles into their organizations' mission, vision, and strategy.

How Can the Bonar Institute Help?

The Bonar Institute can assist individuals and organizations in ESG initiatives. Contact John Barker at jbarker@bonarinstitute.com for assistance.