

All change

CIMA is issuing a climate change call to action and, according to [Helenne Doody](#), organisations that want to continue to be successful should be prepared to make strategic changes now, with inspiration, rather than later in desperation.



Given all of the media attention over the last few years, it is difficult to conceive of an organisation that is not aware that climate change is happening. But it seems that, in general, business is failing to respond. Despite good intentions, and some well publicised exceptions, the evidence suggests that organisations are not yet addressing the strategic imperative presented by climate change.

Survey results published by McKinsey in February 2008 found that '60% of global executives view climate change as important to consider within their companies' overall strategy' but that only relatively few are 'translating the importance they place on climate change into corporate action'.

There is much to support this finding. KPMG research in December 2007 highlighted that a staggering 83% of business leaders interviewed did not have strategy in place for responding to climate change. Similarly, PricewaterhouseCoopers found that only a quarter of CEOs globally are investing significant resources to address the risk and opportunities of climate change.

Naturally, climate change will need all aspects of society to take action and to work together. It is not just business that needs to respond, governments and individuals also need to take action. However, CIMA's focus is on what the organisation could be doing, both to help tackle climate change and to benefit from it.

Pause and effect

Hesitation by organisations to make real changes may be because they are waiting for government to take the lead. Lack of action may also be because the risks of climate change are beyond normal planning horizons for most organisations, with many people believing that we still have decades before the impacts of climate change will affect us. Climate change tends to sit off the radar, creating a risk that it falls into a strategic blind spot.

But the impact of climate change, and the necessary changes required by business, need to be considered more urgently. Organisations need to adapt their strategy now, embedding climate change issues into normal business life before it is too costly or too late. The Stern Review in October

2006 presented a compelling cost benefit case for tackling climate change promptly, contrasting the higher costs of inaction over the long run with the lower cost of taking action now.

Stern also pointed out that alongside the risks and the costs of change, there are new opportunities arising. A small number of organisations are taking advantage of these opportunities, embedding climate change within their strategy now rather than waiting for government or consumer pressure to force change upon them,

and these organisations are reaping the financial and reputational rewards of being ahead of the curve. Such companies include Tesco, Shell, Wal-Mart, United Utilities, GE and Toyota.

Addressing such issues 'can be a source of opportunity, innovation and competitive advantage' (Porter and Kramer). Dealing with sustainability issues such as climate change should not be considered as a business cost or constraint. It should be about making smart business decisions that also provide environmental benefit.

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Climate control action plan

CIMA has put together a list of actions that can be taken by organisations, 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 climate change into their organisations' strategies and into day-to-day business life. Some of these actions will be more challenging to implement than others and change will not happen in one easy step. But it is about making a start.

Although significant change is needed, these actions should ideally build on current business activities and skill sets. It is a matter of broadening the organisational mind set to encompass climate change issues, applying existing skills and frameworks to address new challenges. It is important to remember that climate change should not be considered in a generic way, but in the way most appropriate to your organisation's existing strategy and core business choices, so that actions taken support both your business goals and the environment.

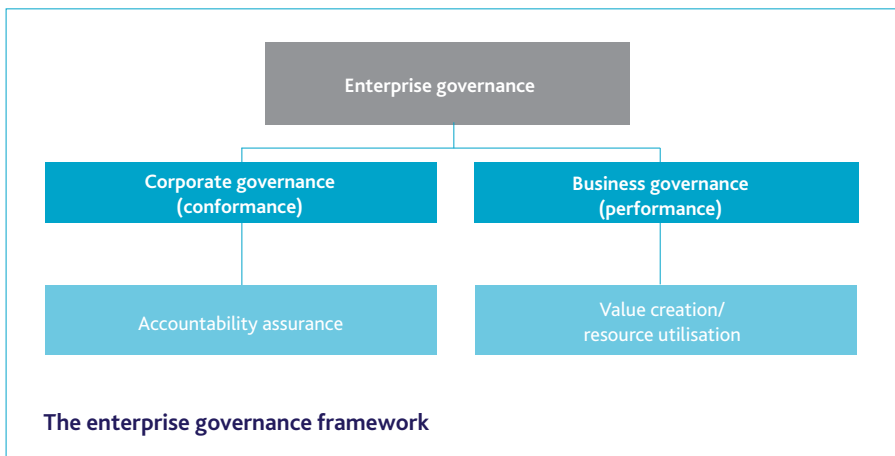
Conformance

1. Ensure compliance with environmental legislation, regulations and standards.
2. Calculate and track your carbon footprint, with the aim of reducing the impact your organisation has on the environment.

3. Conduct a risk assessment in relation to the impact climate change could have on your organisation.
4. Prepare a stakeholder analysis focusing on climate change and tailor reporting to meet stakeholder needs.

Performance

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



Performance matters

The Enterprise Governance framework, developed by CIMA in conjunction with the International Federation of Accountants (IFAC), can provide a useful mechanism for thinking about strategic action in relation to climate change. Enterprise governance is defined as 'the set of responsibilities and practices exercised by the board and executive management with the goal of providing strategic direction, ensuring that objectives are achieved, that risks are managed appropriately and verifying that the organisation's resources are used responsibly'.

The diagram above demonstrates that there are two dimensions to enterprise governance – conformance and performance. Generally, the conformance element takes a historic view and covers 'corporate governance'. Good corporate governance is not enough to make a company successful though. The performance dimension introduces forward looking aspects and highlights the importance of strategy and value creation.

In relation to climate change, many organisations are looking only at the

conformance components of the framework, reporting on and gaining assurance over historic activities in order to comply with regulations, risk management and customer expectations. For organisations to realise both the risks and the opportunities that climate change presents, both conformance and performance aspects should be considered.

Climate change should be incorporated into strategy and act as a driver for improving performance. To create sustainable value for both shareholders and stakeholders, organisations need to take a long term view of the risks and the opportunities presented by climate change and adapt their strategy accordingly, balancing long-term value with short-term costs.

The performance aspect includes opportunities to save costs, increase competitive advantage and better meet customers' requirements as they become more environmentally aware. Business can also be proactive in working with government to influence policy, so that it is in line with the organisation's long-term strategy, rather than taking the conformance approach of waiting for regulation to be imposed upon them. ■

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Get involved

We welcome your feedback on CIMA's suggested actions, particularly where you have experienced action in these areas, either directly as part of your role or in your organisation more widely.

Websites:

www.cimaglobal.com/sustainability,
www.cimaglobal.com/enterprise-governance

Email:

innovation.development@cimaglobal.com

Telephone:

+44 (0) 20 8849 2275.

Helene Doody

Helene Doody is a specialist in the CIMA Innovation and Development department. She spent seven years in PricewaterhouseCoopers' forensic services team and has worked in industry, focusing on risk management and internal control. Her areas of specialism include fraud risk management and sustainability.

