

# How Serious Is Climate Change to Business?

Our fifth annual survey on sustainability suggests that climate change has yet to become a very urgent issue for most companies — and that only a minority of companies are preparing for its effects.

BY DAVID KIRON, NINA KRUSCHWITZ, KNUT HAANAES AND SONJA-KATRIN FUISZ-KEHRBACH

WITHIN THE SCIENTIFIC COMMUNITY, climate change is increasingly seen as one of the most important long-term issues facing humanity. The Intergovernmental Panel on Climate Change, an international scientific group recognized as an authority on climate change and its risks, wrote in a recent draft of a forthcoming report that human activity has almost certainly caused average global temperatures to increase during the second half of the twentieth century and that sea levels could rise by as much as three feet by the end of this century.<sup>1</sup>

In light of grave scientific concern with climate change — and its likely effects on the planet and on economic activity — how are managers thinking about this issue?

Few studies have explored how managers are thinking about the connection between climate change and their businesses. In the fifth annual global executive survey about sustainability and innovation conducted by *MIT Sloan Management Review* and the Boston Consulting Group in June 2013, more than 1,800 managers from a wide variety of industries and countries offered their views on how sustainability is influencing their corporate strategies, including approaches to climate change.

Some of the results, presented here, indicate that climate change has yet to become a very urgent issue for most companies and that only about one-third believe they are prepared for climate-change-related impacts. In an upcoming report (due out in the fourth quarter of 2013), we will discuss these results in greater detail, along with additional survey findings about how sustainability is influencing corporate strategies.

*David Kiron* is executive editor of *MIT Sloan Management Review's Big Ideas* initiatives, and *Nina Kruschwitz* is the managing editor and special projects manager at *MIT Sloan Management Review*. *Knut Haanaes* is senior partner and managing director at the Boston Consulting Group's Geneva office and global leader of BCG's strategy practice area. *Sonja-Katrin Fuisz-Kehrbach* is a project leader at BCG and core member of BCG's sustainability team. Comment on this article at <http://sloanreview.mit.edu/x/55123>, or contact the authors at [smrfeedback@mit.edu](mailto:smrfeedback@mit.edu).

## REFERENCE

1. J. Gillis, "Climate Panel Cites Near Certainty on Warming," *New York Times*, Aug. 19, 2013.

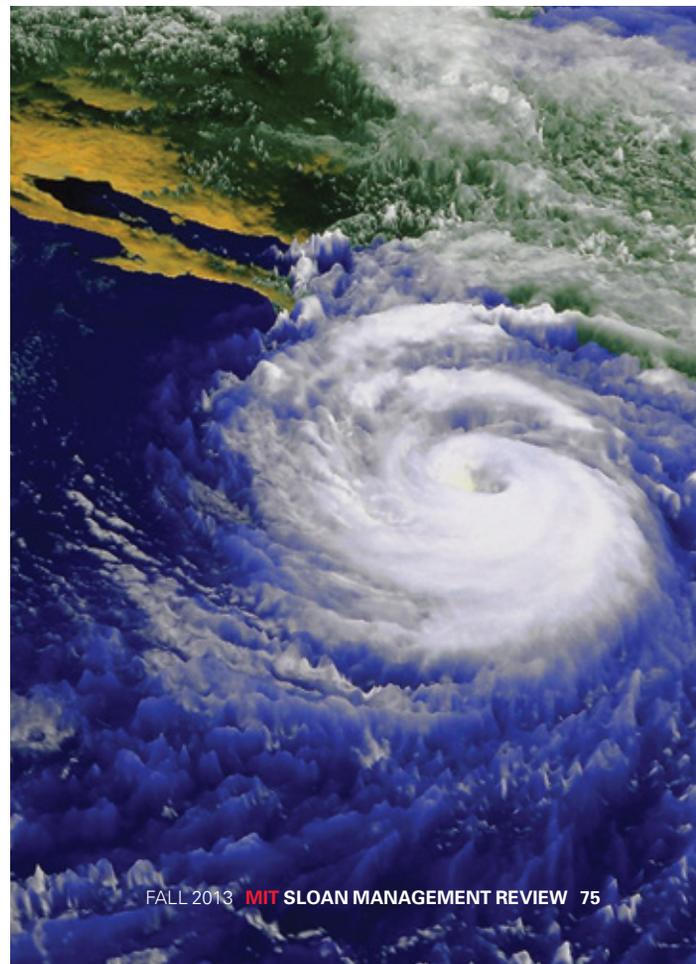


## THE LEADING QUESTION

How are managers thinking about climate change?

## FINDINGS

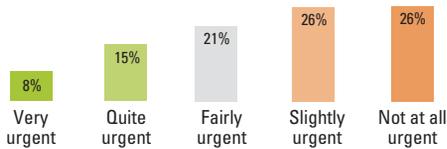
- ▶ Few companies view climate change as very or quite urgent.
- ▶ The less urgent climate change is for a company, the less prepared the organization is likely to be for its effects.
- ▶ There is a link between business model change and views on climate change.



### FEW COMPANIES VIEW CLIMATE CHANGE AS VERY URGENT

When asked, fewer than 10% of managers responded that they believe climate change is very urgent, and only 15% said that it is quite urgent for their company. More than half considered it slightly or not at all urgent.

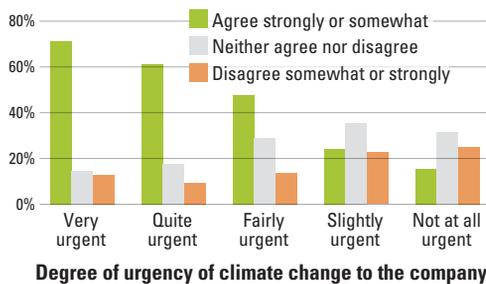
How urgent are climate change issues to your company?



### A SENSE OF URGENCY IS ASSOCIATED WITH GREATER PREPARATION

A majority of the survey respondents who believe climate change is a very or quite urgent issue for their companies also believe their organizations are at least somewhat prepared for climate change. The less urgent climate change is for a company, the less prepared the organization is likely to be for its effects.

Please rate your agreement with the following statement: I believe my company is prepared for climate change risks.

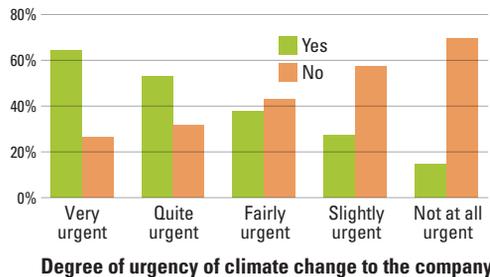


Degree of urgency of climate change to the company

### BUSINESS MODEL CHANGE AND CLIMATE CHANGE

The more that climate change is perceived as urgent by a company, the more likely survey respondents are to report that the company has changed its business model in response to sustainability issues.

Has your business model changed as a result of addressing the sustainability issues that are most significant to your company?

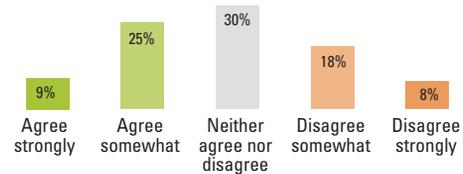


Degree of urgency of climate change to the company

### A MINORITY OF MANAGERS BELIEVE THEIR COMPANIES ARE PREPARED

When asked, only 9% of managers responded that they strongly believe — and 25% that they somewhat believe — that the company where they work is prepared for climate change risks. Thirty percent responded that they neither agreed nor disagreed that their company is prepared.

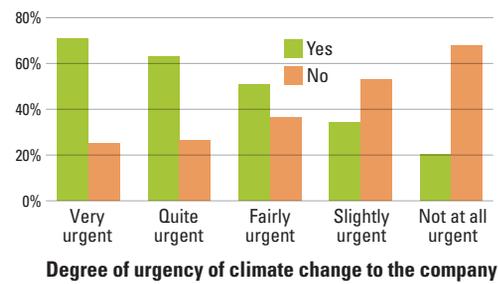
I believe my company is prepared for climate change risks.



### A LINK BETWEEN MEASUREMENT AND CLIMATE CHANGE VIEWS

Companies that measure their effectiveness on environmental issues — such as waste management and energy efficiency — are more likely to consider climate change an urgent issue.

Does your company currently measure the effectiveness of your performance on sustainability issues?

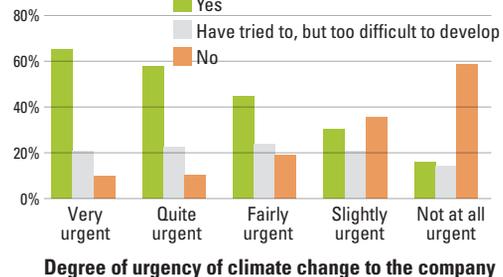


Degree of urgency of climate change to the company

### CLIMATE CHANGE AND THE SUSTAINABILITY BUSINESS CASE

The more that climate change is perceived as urgent by a company, the more likely survey respondents are to report that the company has successfully developed a business case for sustainability.

Overall, has your company developed a clear business case or proven value proposition for its approach to sustainability?



Degree of urgency of climate change to the company

NOTE: Percentages may not add up to 100 due to rounding and, for some questions, not including those who responded "do not know."