

Developing ESG Strategy Is Hard, But Executing It Is Even Harder

June 29, 2022 *By Andy Rugeroni*

In balancing the risks of a pandemic, the climate crisis, social unrest, and global supply-chain issues, business leaders, policymakers, and investors around the world have been working on developing environmental, social, and governance (ESG) strategies—making ESG an essential business priority.

And while developing the strategy is hard because of the sheer number of factors to consider, operationalizing ESG across organizations is even harder. There's an anxiousness that's starting to set in with the emergence of broad 2030 goals—and we're already seeing many companies admitting they are behind.

Falling behind or kicking the can down the road poses a major risk. If organizations cannot deliver on their promises, the penalty of failure could have a direct result on their bottom line, especially when the perception of ESG intention doesn't add up to the outcomes.

The stakes are high for all organizations—no matter where they are in their journey—and achieving ESG ambitions presents several incredibly complex challenges, such as:

- System issues beyond immediate control
- Balancing long-term value creation against the pressure of short-term financial requirements
- Making ESG tangible and meaningful to all employees
- The need to partner with the right suppliers, nongovernmental organizations (NGOs), or even competitors along the entire value chain
- The need to implement operational changes throughout the organization
- Increased cross-functional collaboration and the complexity of a multitude of change initiatives

So how can you translate ESG intentions into sustained impact? The key is adopting a people-centric approach to operationalizing your ESG agenda.

Based on Daggerwing's experience in helping organizations go from strategy to action, here's what we've learned:

1. Dispel ESG confusion and commit from the top. Are your people clear on what ESG is and what it means for them and their day-to-day? Or do they wonder if it's a ratings mechanism, a program that will drive sustainability, or a series of initiatives such as unconscious bias training or volunteer programs. One thing is certain: confusion is the enemy of fast progress.

Clarify right from the very start what ESG means and where it fits with your organization's purpose, strategy, and culture. Make a strong declaration of intent and humanize the topics and language with stories to foster understanding. And don't forget to visualize the impact on your business case with clear, sequenced calls to action.

2. Prioritize and build an ambitious, staggered roadmap. To drive change, your employees and stakeholders will need to understand how and why your ESG initiative is advancing your ambition. Be clear on what you are prioritizing across the full range of your ESG initiatives: where are you lagging, keeping up, transforming, or pioneering?

You don't have to be at the top end of everything, but you do need a prioritized plan that provides the rationale behind activity (or lack thereof) in different areas. Based on your roadmap, you can then work with your organization to stagger implementation by function or commitment to marshal resources and make success achievable.

3. Build a change capability that accelerates impact. The complexity of delivering tangible ESG impact will require an integrated transformation approach and a high level of empowerment and expertise. You'll need to build a change structure that comprises both.

The cross-functional nature of ESG means barriers will pop up because of competing priorities. To overcome these in practice, create a dedicated governance structure to navigate the complexities and appoint a single owner to ensure the business is being held accountable. An ESG change team focused on injecting people-centric change approaches across all initiatives will work to accelerate your ESG impact.

4. Articulate and embed clear mindset and behavior changes. To succeed throughout the organization, ESG cannot feel like "another thing to do," but a different way of operating. People must feel like change is being done *with* them, not *to* them. And they need to feel like they own the change and are a part of the journey.

But it is key that leaders also provide a safe environment and encourage a learn-as-we-go growth mindset—acknowledging that because no one has tried and tested answers, there is room for experimentation, applied learning, and unveiling new answers together. With this mindset comes the need for patience and recognizing and reinforcing that this long-term culture change will require small actions along the way.

Great ideas come from anywhere—especially from those who are passionate—and letting employees take ownership of and experiment with low-risk initiatives will help your organization get to the desired mindset and behaviors faster.

5. Rebalance leader incentives and support their actions every day. While long-term goals keep us focused, the tension between long-term value creation and short-term accountability makes it critical that leaders aren't punished if results happen slowly.

Break down the long-term goals into phased outcomes that measure progress and achievements. And balance leader incentives to reward a mix of traditional and ESG performance metrics. By having leaders present why their business model and practices are sustainable, and granting them permission to make critical trade-offs, you'll set them up with the tools they need for long-term success.

Operationalizing your ESG strategy is the single most important step your organization can take to ensure that it's a force for good. By focusing on people-centric change, you can turn your ESG intention into impact and get the change right the first time.

*Learn how **Daggerwing** can help your organization **strengthen, implement, and operationalize your ESG ambitions.***

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