

Session 4 – Motivating leadership teams and organisations

4 October 2022

From awareness to action: a five-step programme with McKinsey & Company. A summary of session 4.

On 4 October, Chapter Zero members and guests joined McKinsey for the fourth event in a series that aimed to turn climate ambitions into concrete boardroom actions. This session focused on motivating leadership teams and organisations to deliver on net zero ambitions.

The event was opened by Susan Hooper, Chapter Zero board member, with a recap of session 3 which focused on climate action roadmaps and highlighted four key messages: the time for action is now, this is a huge opportunity, climate action must be embedded in the organisation, there is no ‘secret sauce’ for how to deliver action.

This session’s focus was on leadership: the leadership capabilities, qualities and mindsets needed to enable the net zero business transition. Susan stressed the importance of leadership in the net zero business transition and highlighted the responsibility of non-executive directors (NEDs) to ensure the right leadership in the company. NEDs should be thinking not only about CEOs and the executive management team but also about their own leadership roles as a NED.

What leadership capabilities are needed to enable the net-zero transition?

Experts from McKinsey presented an anonymous case study from the energy sector with a video clip of a traditional energy company embracing a net positive journey. An active conversation with the audience noted the huge cultural shift and transformational change undergone by the organisation as well as its openness to working with partners.

McKinsey highlighted some key shifts in leadership qualities for the future. Leadership focus needed to move from:

- Profit to impact
- Competition to co-creation
- Command to collaboration
- Control to evolution
- Expectations to autonomy

Leadership capabilities need to move from:

- Executive to visionary
- Planner to architect
- Director to catalyst
- Controller to coach
- Expectation setter to authentic leader

A question was raised about whether pursuing such leadership qualities and choices would involve a sacrifice in profit. There was a strong argument that if the company looked beyond short-term profit and delivered on the emerging leadership capabilities, it would prosper further into the future.

Board members were encouraged to ask the question about whether they had the type of capabilities that were needed for the future and should look beyond the immediate business model. The importance of a strong CEO who embraced the emerging capabilities was also stressed. To address the capability gaps identified, companies should look into training and upskilling existing leaders, or (often a more successful approach) finding new leaders, taking a rigorous approach to talent acquisition to ensure the qualities needed were met. Gender balance and neurodiversity were also debated and highlighted as important factors enabling cultural shift.

In terms of shifting mindsets and cultural change, a number of necessary moves were identified:

- A product to a solution mindset
- Fear of failure to experimentation
- Exclusivity to inclusivity
- DIY to partnership
- Reactive to proactive

Personal ownership of cultural change needed to be embedded in the organisation, which could be achieved via immersive workshops with staff, as well as internal marketing and promotion. It was important to show those in leadership positions walking the talk – for example, taking public transport.

An anonymous McKinsey case study from the financial sector was presented to the group. The study demonstrated the steps an organisation went through to operationalise a decarbonisation strategy. It focused on both top-down and bottom-up engagement with employees, ensuring cultural change was embedded in the organisation and new capabilities recruited.

Discussion and reflections

Participants came together in breakout groups to reflect on how they could use their position as NEDs to drive the sustainability transition, reflecting on the current state of leadership and culture within their organisation. Participants discussed what their organisations were doing to make some of the key leadership transitions highlighted.

Two potential postures of the board were considered: the first where the need for leadership transition was recognised and the board ensured the necessary shifts were being made. The second and more challenging posture where change was not happening, and you were the lonely voice on the board requesting cultural change.

The need for awareness raised among board members was highlighted numerous times. Clearer information on the degree of change needed and the urgency of timescales must be provided to ensure board members and organisations acted more quickly. Alongside this, boards needed to become more climate literate. Corporations were also required to invest in basic ESG science as part of their portfolio.

Remuneration was debated as an important lever for change, enabling carbon reduction measures to send a strong signal to the whole organisation. Board members should be willing to question how comfortable they were with the information their boards were measuring and those who made decisions should be willing to be measured on the action of those decisions.

Questions should be asked about what core leadership values the organisation has and what needs to happen to enable a shift in these values.

The leadership impact on people was raised as an important issue – boards and leaders were not making the people connection powerfully enough and should consider how to engage across the organisation forging links between management and employees.

A key characteristic emerging from the discussions was the need for bravery to stand out and be different, to embrace change – boards should find and support these leaders. Co-creation and partnership were also identified as important qualities and the shift from fear of failure to experimentation.

Chapter Zero tools were highlighted as useful resources for boards to use in the leadership journey, particularly the value-add of the [Board Scorecard](#).

Attendees were encouraged to build on the optimism at Chapter Zero reflecting on its inclusive and diverse membership.

The next and final session in this series would focus on preparing NEDs for COP27. McKinsey announced that it would be good to send a survey to NEDs who attended all sessions to understand what changes they had implemented as a result of the series.