Focusing on What 90% of Businesses Do Now Is a Big Mistake

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ANDREW WINSTON

Andrew Winston is founder of Winston Eco-Strategies and an adviser to leading companies on how they can navigate and profit from solving humanity’s biggest challenges. His most recent book is *The Big Pivot: Radically Practical Strategies for a Hotter, Scarcer, and More Open World*, published by Harvard Business Review Press in 2014. He tweets @andrewwinston.

I was driving through rural Pennsylvania recently and saw a fascinating billboard. Sponsored by an organization that promotes coal and natural gas, the sign declared, “The truth is that 90% of our energy comes from fossil fuels.”

Technically, that’s true (ish), but it’s also meaningless.

On the surface, the facts are a bit exaggerated — fossil fuels provided more like 80% of our energy in the United States in 2016. But even if the billboard is roughly correct,
who cares? The future belongs to renewable energy and clean technology.

The majority of the new energy capacity put on the electrical grid — both globally and in the United States — now comes from renewables. In 2016, wind, solar, biomass, and hydroelectric energy accounted for 63% of the additional capacity built in the United States, and an amazing 86% in Europe. As for our transportation systems, a growing list of countries, including France, Norway, the U.K., India, and China, have announced either future bans on selling diesel or gas cars or official targets for electric car sales.

Automakers are also moving quickly: Volvo, for instance, has said that in just two years, it will stop making cars that have only an internal combustion engine — that is, every Volvo will be electric or hybrid, with both a battery and smaller engine. So the fossil-fuel sector is waging a losing battle.

But the billboard got me thinking about a more general point for business: It’s not smart to base any part of your strategy on what you see in the rearview mirror. And that’s particularly true when you develop strategies for navigating modern, thorny environmental and social challenges. If you run a business (or a government) as if the future will look exactly like the past, you will become irrelevant.

Consider the sheer fact that there were points in human history, not that long ago, when:

- 90% of lighting came from candles and oil (from whales, not from oil rigs)
- 90% of transportation relied on horsepower — from actual horses
- 90% of written communication existed on paper, not email
- 90% of new music came on vinyl ... and then 8-track or cassette ... and then CDs
- 90% of photographs needed to be “developed” (a truly alien concept to my kids)
- 90% of movies rented or bought came on something physical (VHS or DVD)

The list goes on and on. Many of the companies in those industries ignored the “dead man walking” aspect of their business, especially when they held dominant market shares. But their downfalls became classic cautionary tales — think film company Eastman Kodak Co. and video rental chain Blockbuster LLC. The history of technology adoption is pretty clear, and it’s speeding up. Try to imagine some past billboard announcing (proudly!) that 90% of TVs are black and white, or that 90% of food preservation is from salt, not this newfangled “fridge” thing.

Now make the small leap to think beyond shifts in what’s normal in technology or in the energy sectors. Social change also comes to the world — and to business — fast and furious. At distinct moments in the history of the developed world, 90% of elite college students (and corporate new hires) were white males, and 90% of companies would not even think of having domestic partner or LGBT policies. In Saudi Arabia, until just a few weeks ago, men drove about 100% of the car miles …
until this June, when the ban on women drivers will be lifted.

**Expectations About How Companies Manage Sustainability Issues Are Moving Fast**

My larger point is that change is coming to business — and executives need to adjust. The norms and expectations about how companies manage environmental and social issues are shifting fast.

Just six years ago, only 20% of the S&P 500 companies produced sustainability reports. By 2016, 82% did, providing public, detailed looks at their environmental and social actions and performance. A growing number have integrated these sustainability reports into their annual financial reports.

My company keeps a public database of the sustainability goals set by multinational businesses. These commitments include goals such as “reduce greenhouse gas emissions by 50% by 2025” and “ensure women make up 40% of management roles.” Roughly 85% of the 200 largest companies in the world now have public targets on social or environmental performance — and it’s actually over 90% if we exclude Chinese government-owned enterprises, which don’t often set individual targets separate from government planning. More than 100 of the world’s largest companies have now committed to 100% renewable energy. Ten years ago, the number of large companies with renewable energy goals, or any sustainability targets, was negligible.

We’re in the early stages of big shifts in how companies do business more sustainably, with much more attention to their role in society. Most companies are aggressively reducing their own operational footprints.

But that’s arguably just table stakes. A growing number of companies are engaging with the broader world in ways that were rare until quite recently. U.S. CEOs are taking public stands on issues from LGBT rights to immigration. After the state of North Carolina passed a bizarre bill that mandated which bathrooms transgender people could use, dozens of large company CEOs wrote an open letter to the state’s governor saying that the legislation is “not a bill that reflects the values of our companies.” What percentage of large companies would’ve spoken out on something so socially sensitive five years ago?

So what’s coming next? In technology, as always, plenty.

For example, I’m sure that 90% of companies do not have artificial intelligence deeply embedded in their operations today. But how long do you want to bet it will be until Siri, Alexa, and Watson get together to change that statistic? Technology is always changing, so that’s nothing new. A far deeper change is brewing. Business faces rising expectations from society, and that shift is changing the nature of strategy and competition.

On all megatrends, but particularly sustainability, look beyond what the 90% are doing right now. Even with all the talk about carbon footprint and renewable energy, the vast majority of companies have not made climate action or sustainability a top priority. Based on my experience with multinationals, I’m confident that 90% of large company C-suite execs still believe that their primary (and often only) goal is maximizing shareholder value.
But leading companies are now expanding their definition of corporate success. They’re listening, in part, to the shocking 86% of millennials who agreed in 2017 that “the success of a business should be measured in terms of more than just its financial performance.”

It’s a new world for business, and expectations keep rising. Looking at yesterday’s norms will make your business outdated and irrelevant. So, look forward to be part of — or better yet to help create — a thriving future.

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About the Author

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