Business Responds to Climate Change

After the Pandemic, Climate Change Is the Next Action Item for Many Businesses—and It Won’t Get Done Without Partnering

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The New Imperative: Business Responds to Climate Change

After the Pandemic, Climate Change Is the Next Huge Tidal Wave on the Horizon for Business, and More Companies Are Taking It Seriously—and Partnering to Do Something About It

By Michael J. Burke
“We believe climate change is real. It’s a global concern, and the best way to remove automotive emissions from the environmental equation is an all-electric, zero-emissions future.”

—Mary Barra, CEO, General Motors, February 2020

“Companies that are not quickly preparing themselves [for a transition to net zero emissions] will see their businesses and valuations suffer, as stakeholders lose confidence that those companies can adapt their business models to the dramatic changes that are coming…. While the transition will inevitably be complex and difficult, it is essential to building a more resilient economy that benefits more people.”

—Laurence D. (Larry) Fink, CEO, BlackRock, “2021 Letter to CEOs”
The days of business leaving the issue of climate change to activists and "alternative energy" proponents are over. Climate change is now a business issue—and companies large and small, across industries, are grappling with it.

What's more, many are now doing something beyond paying mere lip service to sustainability—critics call this “greenwashing”—and they’re partnering to enhance their capabilities or acquire those they don’t currently have in a serious effort to confront what some have described as, after the pandemic, the next big tsunami on the horizon.

A recent Strategy + Business article noted, “A business-led movement to restore the Earth’s natural capital is clearly underway, with massive potential to make a positive, and profitable, impact.” The article also quoted Katharine Wilkinson, vice president of communication and engagement for Project Drawdown and lead author of Drawdown: The Most Comprehensive Plan Ever Proposed to Reverse Global Warming (2017): “I think we’re seeing [that] the bar for action in business is going to be moving from doing less harm to actually becoming a transformative force for good.”

Why is this happening? And why now? First, because customers, investors, boards of directors, and other key stakeholders demand it—loudly, in many cases.

But the second reason is bigger, and more existential: Companies everywhere have come to the stark realization that if they want to be able to continue doing business at all in a warming global future, addressing climate change now—and partnering with others to do it—is an absolute necessity.

A Business Awakening

“Climate change is everybody’s business,” said Benjamin Gomes-Casseres, CSAP, PhD, Peter A. Petri Professor of Business and Society at Brandeis University in Massachusetts.

Gomes-Casseres was the lead organizer of “The Business of Climate Change 2021,” a series of virtual events in April presented by Brandeis’s International Business School and the Asper Center for Global Entrepreneurship. Among ASAP members, Gomes-Casseres is known for his long-standing work on alliance strategy, and his book Remix Strategy: The Three Laws of Business Combinations (2015).

He and others I spoke to acknowledged that climate change has morphed from being seen as purely an environmental issue to now becoming a mainstream business concern, with businesses increasingly leading the charge to take action.

“The companies that are really going to be affected have been seeing this already,” Gomes-Casseres argued. “If you are in the insurance business or in any business affected by floods, fires, and hurricanes, you know the climate crisis is already upon us. What is happening now is that more and more companies that aren’t on these front lines are also seeing their business affected by the rising awareness of climate issues among investors and consumers. That’s driving the trillion-dollar asset management field, where clients are seeking investments with positive environmental, social, and governance (ESG) impacts. Investors and consumers alike are asking what companies are doing for the environment and for social issues.

“So there’s an awakening from all sides—businesses being directly affected, and new demands from stakeholders, customers, and investors. On top of that, the business of climate change is driven increasingly by technological advances—lots of new ideas and approaches to climate change are emerging, in all fields, not just in clean energy itself. With the added
Increasing Diversity of Innovation and Entrepreneurship


“It’s the most comprehensive study of the innovation space, in terms of measuring the activities of startups in New England and New York,” Gomes-Casseres maintained. “It shows a number of trends. One is that there has been growth in the first decade of studies, from 2000 to 2010, in the number of companies per year, the startup rate. That growth has remained robust and strong since then.

“Everything has an incumbent position in this fossil fuel world. The transition from the current economic structure will not be easy.”

“Because of that, the incumbents are actually not easy to move. Even though many of them say they want to do something in food, materials science, transportation, information technology, analytics. So there are a lot of other fields that are now seeing startups that affect climate or respond to climate or help with a solution to climate challenges.

“At the same time, the leadership of these companies has also become more diverse in terms of gender and ethnicity. There’s a gradual but measurable movement in the greater diversity of the people starting companies and running them. The share of women has increased in recent years, as well as the share of ethnic minorities. But there is still a long way to go for the business of climate change to truly be everybody’s business.”

Increasing Diversity of Innovation and Entrepreneurship


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“This space has become more diversified. There are a lot of fields now seeing startups that affect climate or respond to climate or help with a solution to climate challenges.”

“The other trend is that this space, in general, has become more diversified, in more ways than one. A decade or so ago, the focus was on energy generation, distribution, storage and efficiency, fields that have continued to grow. But we also now see a more expansive view...we went from ‘clean energy’ to ‘climate tech.’ The climate tech view includes agriculture and...
the climate tech area or clean tech, they usually have a huge stake in the way things are. How do we go from the way things are to the way things ought to be for our civilization to survive? If it takes us 50 years to get to net zero carbon emissions, then we’re going to be living in a very, very hot world, practically destroyed in many ways. If we can make real progress in 10 or 20 years, then we can do better. But still, it will take new financial flows, new policies and regulations, and new company strategies to counteract the power of incumbents.”

**Business, Partnerships, and the Social Contract**

And none of it will happen without partnering—of all kinds, in many directions.

“I see this as the study of an ecosystem,” said Gomes-Casseres. “It’s not necessarily that every company works with each other, but they all do benefit from certain policies, financial agencies, from the various startup entities that exist, and they do share people and some technology. There’s partnerships happening all around us.”

Among the organizations working to forge and encourage such partnerships is the Northeast Clean Energy Council (NECEC). NECEC combines NECEC Institute, a nonprofit charitable organization engaged in policy and regulatory planning, education, strategic communications, stakeholder convening, innovation, and market development, and the Northeast Clean Energy Council, a nonprofit business member and advocacy organization.

Alistair Pim, who formerly ran strategic alliances at the global energy company Schneider Electric, particularly around smart cities, is now vice president of innovation and partnerships for NECEC. Pim and NECEC collaborated with Gomes-Casseres on Brandeis’s climate innovation report.

When we spoke, Pim admitted he may be biased because of his position in the clean energy industry, but he sees a broader, growing movement in the business world toward climate change action and a greener mindset.

“I definitely believe that companies big and small, especially the more prominent ones, are realizing that there’s a kind of social contract, which means if they don’t start to do something about [climate change], they’re going to lose their following, their reputation,” he said. “They start realizing it’s actually better for your business to do it. The enlightened early adopters are realizing big benefits from doing it and surging ahead and setting examples for others to follow. The classic examples are the big tech companies: the Googles, the Apples, the Microsofts of the world who have set aggressive goals. So it’s becoming business mainstream at the big business end, and at the bottom end, there’s tons of innovation.”

Indeed, Microsoft announced last year that it would move to essentially “erase” its 45-year carbon footprint, removing as much carbon from the atmosphere as it has emitted in that time. IKEA, Intuit, Amazon, and other high-profile companies have announced similar pledges (more on IKEA below).
Near a Tipping Point?
Pim believes the increasing innovation noted by Gomes-Casseres is a good sign for business and for our collective future, and possibly the harbinger of an imminent tipping point. He cited the work of Jeremy Rifkin, author of *The Third Industrial Revolution* (2011) and, more recently, *The Green New Deal* (2019).

“He’s studied these energy transitions, [wood] to coal, coal to oil, oil to gas, and now to renewables,” Pim recounted. “You reach a point of 14 percent penetration of the new technology, and after that it shifts so rapidly that you wonder what was before. That point is being reached in Germany, and we’re getting up close to it in Europe. China is very close, and now the US is the laggard. But once that happens, you will see that transition in renewable energy first and then in electric vehicles, electrification, and heating, and it will switch very fast. That’s where you see the leaders going after it, and the rest of the business community will follow because it just makes economic sense.”

Of course, this doesn’t happen by magic. It’s catalyzed by start-ups, innovation, and emerging technology, and fostered by government policy and intensified partnering efforts (about which more below).

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“What I’ve understood—and it’s echoed by Rifkin—is that the role of government is really to set goals, and then implement policies and incentive programs to help everyone reach those goals,” Pim said, noting again that this has happened in different ways in China, Europe, individual US states (some of which essentially never left the Paris Agreement), and now with the US federal government’s renewed push under President Biden.

“The point is, once you set that goal, it gives market signals to business, and as long as they’re far enough out, it gives some kind of certainty so people start investing in it,” he said. “And that’s what has happened. Government has...encouraged business to lean in and invest in climate tech and clean energy, whether they’re solution providers like Schneider Electric or customers like Google or Microsoft or whoever. Now you’re starting to see it take off.”

Winds of Change: Oil Giant Shifts Course
This even extends to a big oil company like Shell, which certainly has a major incumbent stake in the status quo, but is also a member of NECEC. According to Pim, Shell spends about 10 percent of its capital expenditure budget on renewable energy—which might sound like a paltry sum, but for Shell it’s actually in the neighborhood of $2.5 billion.

“We’ve seen them buying companies, doing projects, and investing in offshore wind, so they are changing at an increasing pace,” he said.

And like Shell, other organizations, from big healthcare companies to the US Department of Defense, have identified actual threats to their physical facilities or operations coming from climate change, such as rising sea levels, and have taken steps accordingly. Airlines have seen the need to begin moving away from petroleum-based jet fuel, and companies involved in transportation and logistics are headed in that direction as well.

“You’ve got FedEx and Amazon and UPS all shifting their fleets over to electric, because they know they’re not going to be allowed to operate their delivery vans in cities that ban polluting vehicles,” Pim said. “They’re realizing they have to change.”
Who Owns the Trucks? IKEA Rolls with Electric Vehicles

Another high-profile company pivoting its operations is IKEA, the Scandinavian home furnishing giant. I spoke with Steven Moelk, fulfillment project implementation manager for zero emission delivery at IKEA, about the company’s commitment to get to 100 percent zero net emissions from home delivery vehicles by 2025.

“It’s pretty ambitious,” he acknowledged, but he framed it within the context of earlier IKEA actions such as moving to LED light bulbs and rechargeable batteries and eliminating single-use plastic bags. “It’s kind of part and parcel of the whole IKEA mentality,” he said. “A lot of corporations might only pay lip service to their sustainability goals, but here it does seem different, because it is pervasive.”

“What’s truly ambitious about this goal is that unlike Amazon, say, IKEA doesn’t own a fleet of vehicles, and it doesn’t control the companies or the drivers that do. In fact, when Moelk peels back layer after layer of the onion, it seems like almost no one owns the vehicles (or wants to).

“In the US, we don’t own the trucks, we outsource to third-party logistics companies, big companies like XPO Logistics, for example,” Moelk explained. “The reality is, they don’t own the trucks either. They use what they would term ‘contract carriers,’ small mom-and-pop businesses that probably own less than five trucks for the most part. [These] businesses…are really undercapitalized for this kind of investment, particularly in this new stage of technology when we’re talking about electric trucks.”

That undercapitalization means it’s prohibitive for such small businesses to purchase electric vehicles, which may be double the price of gas or diesel trucks, typically can’t be bought used, and often don’t qualify for financing, according to Moelk. Also, in the US, legal concerns around the potential classification of independent drivers as employees keep companies like IKEA—and even their vendors—from owning the trucks as well.

So what’s the answer?

“A Lot of Green Money Floating Around”

Partnering, it turns out—and rentals. Moelk compared the model with that of Lyft drivers, who can rent vehicles and not have to use their own cars to drive people around.

“That’s perfect—that’s exactly what we need,” he explained. “We need a third party to own and rent vehicles directly to the drivers. We’ve partnered with a company called Fluid Truck…the Airbnb of commercial trucks. They don’t own the trucks either—nobody owns these trucks! They go out and seek financing partners on a project basis to own the trucks, and then the trucks are put out on the Fluid platform for the drivers to rent. The drivers can rent these electric trucks on a daily or weekly basis so they don’t have this long-term financial entanglement.

“IKEA supports the rental program by providing the rental company with a utilization guarantee, which is essentially if the truck isn’t rented, then they’re going to send us a bill—which by the way is the same contingent liability we would have if we owned the trucks. And because these things are financed on a project basis, [and] because Fluid is capital agnostic, we’re able to access capital for the trucks in a bunch of other ways. There’s a lot of green money floating around out there, green-directed private equity funds like Generate Capital, the state green banks, and folks who want to invest in EV adoption but don’t know really how to do that.”
The Web of Partnerships

Again, partnerships are key to this model’s viability.

“You talk about partnerships, and creating a web of partnerships,” Moelk said, before ticking off some of the players. “You’ve got the financing folks that want to invest and hook up with Fluid to take that investment and put it to work for the drivers, the drivers who try to de-risk as much as possible in this arrangement so they can get in and out of vehicles easily without putting the burden of our sustainability goals on them, and then our commitment to sustainability to support the overall ecosystem, if you will, to try to make that happen. It really does take a village to get this going in this stage.”

“New business combinations— alliances, acquisitions, and ecosystems—will be key to succeeding in this transformation of mobility.”

Perhaps ironically, another area where partnerships are essential to climate change action is in the automotive industry, according to Gomes-Casseres.

“Electric vehicle technology is taking over fast, so that the automakers all have to get into it really quickly, even if it is not their traditional core competence,” he said. “If you are any of the European carmakers or GM or Ford, investment in electric vehicle capacity is not ‘greenwashing.’ They want to learn, or acquire companies, or form partnerships that enable them to transform their fleet into more electrified vehicles. This is one place where new consumer demands, new policies, and new technologies come together to force a business transformation. New business combinations—alliances, acquisitions, and ecosystems—will be key to succeeding in this transformation of mobility.”

Incentivizing Innovation and Infrastructure

Pim also sees partnerships and alliances as critical to serious climate change efforts by businesses.

“We can’t get this done without partnering and collaboration of some sort,” he said. “The perennial challenge for big companies is their lack of speed to innovate, and it’s been fascinating to watch Schneider Electric, just because I know them well, change the way they partner. They’re still doing global strategic alliances, but they’re also changing their open innovation strategy, where they’ve spun out companies to give them a better chance of trying a new business model. The different types of partnerships and different ways of doing innovation [help them] get ready to build the next big businesses for their future.”

“We can’t get this done without partnering and collaboration of some sort. The different types of partnerships and ways of doing innovation [will help] build the next big businesses for the future.”

In addition to business, government also has a partnering role to play, as do nongovernmental organizations and industry groups like NECEC.

“There’s the other part, which is financing new infrastructure,” Pim explained. “You’re seeing that play out with Biden’s plan, but it’s been happening all along, and at state level as well. We’ve done a lot with the New York Green Bank in the last two years, which is part of NYSERDA—the New York State Energy Research and Development Authority, a funder of NECEC—and they’re trying to help finance the first few projects of a new technology, like energy storage or electric school buses, to help the mainstream finance industry see when a
new technology is viable. They start jointly financing, and then eventually the big finance companies come in and do it on their own.

“But it’s that type of partnership where government realizes its correct role in a journey to helping scale up a new technology. They have a goal, they have finance available, and they have a lot of other programs to encourage and support those entrepreneurs starting up new things.”

The Mission and the Message: How the New Ecosystem Rolls

These partnerships—or this relatively new ecosystem—require orchestrators to connect the various entities involved. I asked Steven Moelk at IKEA whether he found himself taking on that role.

“Yes. That’s essentially my role, to try to bring all these folks together,” he acknowledged. “Internally, our finance folks have to understand the costs of this kind of thing, facilities folks have to understand when we’re doing facilities upgrades to our infrastructure, construction folks, electrical engineers—there’s a lot of people who go into this just on our side. Then you’ve got all those other vendors: you’ve got Fluid Truck, the vehicle OEMs that we deal with, all of our logistics companies that we’re partnering with, even the financing partners—it requires a lot of different people to be involved. That’s what it’s all about—trying to get all those people rowing in the same direction.”

Meanwhile, Moelk has been actively promoting IKEA’s EV mission to other companies, from Walmart to Target to Nike and Pepsi. He and IKEA are doing this for several very good reasons—not just because they’re nice guys (or make excellent cinnamon rolls).

“I’m talking to as many companies as I can. We need an even wider ecosystem if [we] really want to make this work. Wherever there’s an ability to work with like-minded companies, we want to do that and evangelize this message.”

“We have to kind of push this agenda out there, and the more people that are involved in it, the better it is,” Moelk said. “If you look at this a little bit more skeptically, you could say, ‘IKEA’s just doing this to make themselves look good, to get their green bona fides for their customers.’ Our biggest benefit is to be the leader in that space and to stay ahead of our competitors, if you look at this from just a competitive standpoint—which I don’t.

“Ultimately, we’re doing this because we need to make the planet a better place to live, but an IKEA-only solution doesn’t necessarily do that. What you’re really trying to achieve is getting more and more customers to be on board with this. From a practical standpoint, the IKEA-only solution is unbelievably expensive in this early stage, [so] I’m talking to as many companies as I can. We need an even wider ecosystem if [we] really want to make this work. Wherever there’s an ability to work with like-minded companies, then we want to do that, we want to evangelize this message. Maybe we learn some things from them as well along the way. Maybe the rental model isn’t the best way—that’s OK. We’ll learn what is.”

What Does This Mean for the Alliance Profession?

As the response to climate change transforms energy, transportation, agriculture, manufacturing, insurance, and many other industries, all of us will be affected. Alliance professionals in particular will be called upon to help their companies find ways to transition to greener, net-zero-emissions operations by connecting them with the networks of partners they’ll need.

So what can you do now? Here’s some thoughts and questions to consider:

- Explore your company’s current efforts, plans, and goals around climate action.
- How can you and the alliances you manage be more innovative, more energy-efficient, and better contribute to achieving these goals?
- What are the particular environmental/climate challenges in your industry? How are they being mitigated?
- Understand the ecosystem around climate change and how applying partnering practices and principles can help it achieve its objectives.
- Finally, consider what kinds of new potential partners—perhaps beyond your industry—might be needed to further your company’s climate-related actions and bring them to fruition.

After all, climate change—like our planet itself—is everyone’s business.
They Said It: Business Confronts Climate Change

“Climate change has become a defining factor in companies’ long-term prospects…. In a letter to our clients today, BlackRock announced a number of initiatives to place sustainability at the center of our investment approach, including: making sustainability integral to portfolio construction and risk management; exiting investments that present a high sustainability-related risk, such as thermal coal producers; launching new investment products that screen fossil fuels; and strengthening our commitment to sustainability and transparency in our investment stewardship activities….

“We don’t yet know which predictions about the climate will be most accurate, nor what effects we have failed to consider. But there is no denying the direction we are heading. Every government, company, and shareholder must confront climate change.”

—Laurence D. (Larry) Fink, CEO, BlackRock, “2020 Letter to CEOs”

“One analysis found that nearly a quarter of all Fortune 500 companies have made commitments to carbon neutrality, 100% renewable power, or other science-based targets by 2030. Those companies, which have a combined revenue of $8 trillion and employ 18 million people, represent a four-fold increase over the past four years.”

—Nicole Goodkind, “Business Leaders Hope They Can Satisfy Biden’s Big Climate Goals with Their Own Promises—Not Regulation,” Fortune, Feb. 16, 2021

“What’s cool about this moment in history is, the way we’ve gotten our electricity hasn’t changed in over 100 years, but it’s changing rapidly right now. It’s not a question of whether we’re going to switch to green energy in the next decade—it will happen. It’s a question of whether the benefits will be equitable, whether they will be shared by everyone. We have seen that a rising tide does not lift all boats organically: some of us are in boats, some in yachts, some of us are in leaky dinghies. The more people that are in leaky dinghies, structurally, the worse [for] all of our health. If we want to make sure that our planet exists for our grandchildren, if we want to make sure that everyone gets a fair shot at a healthy life, we need to make sure that our climate transition to green power is equitable.”

—Steph Speirs, cofounder and CEO, Solstice, a solar energy company founded and run by women of color, on a panel hosted by Brandeis University, April 2021

“For General Motors, our most significant carbon impact comes from tailpipe emissions of the vehicles that we sell—in our case, it’s 75 percent. That is why it is so important that we accelerate toward a future in which every vehicle we sell is a zero-emissions vehicle.”

—Mary Barra, CEO, General Motors, Jan. 28, 2021, as GM announced plans to be completely carbon neutral by 2040
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As a practitioner of collaboration in a variety of perhaps non-traditional alliance functions myself, I’ve found so many key elements of partnering and collaboration management for synergistic outcomes were perfectly encapsulated by ASAP’s offerings.

—Kevin Little, CSAP
Senior Partnership Director
Novo Nordisk

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