

Future-focused CEOs more likely to see environmental challenges as opportunities

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CEOs who tend to think more about the future than the past or present are much more likely to view global environmental challenges as opportunities, as opposed to difficulties or threats, according to new research by Vlerick Business School.

The researchers say CEOs having a future focus allows organisations to tackle global environmental issues, such as water scarcity, much more effectively than firms who have a focus on the present or outcomes of the past.

Water scarcity is a huge global issue, with two-thirds of the world affected by it at least once a year, and innovative solutions are needed to solve this. These findings show that future-focused CEOs are best placed to tackle this, as they see water scarcity as a business opportunity. Consequently, they will not only build barriers to protect their companies about rising costs, but will try to find solutions for this challenge by developing products and services to tackle the issue of water scarcity.

These findings come from research by Kerstin Fehre, Associate Professor of Strategy at Vlerick Business School, alongside her colleagues, Philip Steinberg from University of Groningen, the Netherlands, Jana Oehmichen from Johannes-Gutenberg Universität Mainz, Germany and Bettina Widmann from Karlsruhe Institute of Technology, Germany.

Professor Fehre and her colleagues wanted to understand the extent to which temporal focus – how much attention CEOs devote to the past, present, and future – affects a firm's identification and interpretation of grand global challenges. To do so, the researchers focused on the global challenge of water scarcity, and used firm-year observations to identify whether CEOs' temporal focus influenced how they view this challenge.

The researchers analysed firm reports, including over 700 firm-year observations, for over 100 different firms based in Germany – a country with a relatively low risk of water scarcity compared to the global average. In doing so, they identified which firms stated water scarcity as a challenge and which viewed it as an opportunity. They compared this to statements of the CEO in these reports, analysing whether they were past, present or future-focused.

Interestingly, though the researchers stated that there was an impact of the CEOs' temporal focus on whether or not they saw water scarcity as a threat or an opportunity, a CEO's temporal focus had no impact on whether they acknowledged water scarcity generally as an issue.

Clearly these findings show that a rising number of CEOs view water scarcity as an important issue, however, those with a higher focus on the future translate this environmental issue into a business opportunity, whilst those with a focus on the past or present see water scarcity as a great challenge for the organisation, with likely negative consequences.

“Water scarcity already affects every continent and an increasing number of regions are reaching the

limit at which water services can be sustainably delivered.” says Professor Fehre, “Over the last decade, global water use has grown at twice the rate of population growth, and it’s just one of several environmental challenges the world faces. Organisations can certainly help with innovative technologies and approaches, and our research shows the firms best equipped to do so are those with CEOs with a future-focus”.

These findings inform boards of directors about the different CEO temporal profiles that are needed to lead the charge to tackle scarcity and shift the emphasis to sustainability. A strong future focus prompts strategic responses that prevent harmful environmental impacts and aim at bringing competitive advantages too.

The researchers state that policymakers should consider ways to encourage these fluctuations in temporal focus, such as requiring an explicit report of how identified threats could be turned into opportunities or including key performance indicators in the executive remuneration of the CEO.