"The Power of Now"
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The ESG community could learn a thing or two from charities. They've mastered the all-important art of telling stories that inspire a sense of urgency

Cultivating ESG adoption among advisors and asset owners is difficult enough at the best of times, what with the constant battle against the tired trope of performance concerns. Failing to tap into a sense of urgency and relevance, then, really would be shooting yourself in the foot.

To the average investor, many of the big ideas in sustainable investing can seem too daunting and the effects of their investment decisions too incremental to change the world in any meaningful way. And yet as stewards of the ESG community, in our attempts to distinguish ourselves from the old ways of SRI and to be what we construe as more highly evolved investors, we have abandoned the basic sense of narrative – the storytelling that motivates the financial and non-financial aspects of a socially and environmentally informed investment strategy. That, after all, is what ultimately leads to investor engagement.

Compounding this lack of a sense of urgency is another serious problem. A number of sophisticated high-impact investors have been brushing off public market investments as 'impact-light' or completely irrelevant to the world's real concerns. As a consequence, there is a thought leadership vacuum in public market investing – not because of an absence of great work and great insight, but because the push for distribution and marketing that says 'This isn't that' has been reframing the advisor-asset owner conversation in the same terms as any other investment conversation. In effect, it becomes a question of Greek letters and percentages, instead of relevance and urgency.

THE HUMAN TOUCH

I have discussed in the past the importance of measurement when it comes to understanding environmental, social and governance factors and their potential impact, and I have also discussed the idea of materiality – essentially how to decide what matters.

However, what I and too many other practitioners in the sustainable investing space have glossed over time and time again is how to make the big ideas feel local. Without conflating philanthropy with sustainability, charitable organizations, which are the masters of gathering support and raising cash, are also masters at cultivating the urgency of now. A hungry child or a caged puppy is a painful but relatable image, and a new wing on a hospital is a tangible manifestation of what is important and what needs to be done to address an issue. Effective philanthropies make these challenges palpable, the needs imminent and the means to address them attainable.

Of course, sustainable investing is not philanthropy, but the notion of connecting to big ideas in small, relatable ways is something that the ESG community would be wise to learn. Many of the big ideas that ESG addresses and from which it seeks to profit have personal, relatable aspects. For example, many of the global border crises that have upset the established political order and toppled governments around the world are fueled in part by a surplus of weapons in areas that also lack basic infrastructure, education facilities, clean water, nutrition, healthcare and well-paid work. These are all issues that are central to ESG investing, whether it's a matter of preventing companies from acting in ways that exacerbate these problems or encouraging them to develop (and profit) in areas that ameliorate these same problems. If an investor cares about the immigration crises in the Americas, Europe, Africa or the Middle East, addressing the reasons why populations are on the move in the first place is a far better solution than debating what to do at your border or in your town.

SMALL CHANGES, BIG EFFECTS

Consumer behavior beyond financial services proves that these big issues can affect local decision-making when they are made relatable. The 'shop local' movement, Fair Trade, organic food, solar power and even technology that helps to secure users' privacy work as campaigns because they're about making individual purchasing decisions with both a personal/local benefit and global implications behind them.

If you ask yourself why you have made any particular purchase, there will almost always be an explanation that goes beyond pure economics. These behaviors are as rational or irrational as making purchases based on brand and reputation, and yet these considerations are almost always part of the fundamental theses behind stock ownership and company valuation. It is perfectly reasonable to consume – in this case financial products – based on extra-financial considerations.

So what will inspire greater engagement and ESG ownership? Well, there are worse places to start than introducing more storytelling at the beginning to make the objectives – which of course include making money – more personal and relatable. Only then can you think about building in more reporting at the end to test how you did against those objectives.