

## Thinking Green: Integrating Climate Adaptation into your Startup

There is no question that running a startup is difficult. Between marketing, financing, product development, and everything in-between, startups are constantly struggling to meet their obligations to customers, investors, and themselves. But amid the frenzied chaos of entrepreneurship, a larger obligation can often go unnoticed – the ever-present obligation to the environment. This situation presents an obvious puzzle – how can entrepreneurship, a field that is often filled with dreams of million dollar investments and mass commercial success co-exist with environmental sustainability, a topic characterized by longevity and preservation? One answer to this comes in the form of climate adaptation. In this piece, we will analyze the meaning of climate adaptation in the context of startups, understand why startups would want to think about climate adaptation, and present a simple guide that startups can use for climate adaptation.

### Climate Adaptation: Definition

To begin, climate adaptation consists of two complementary activities. The first is recognizing the *opportunity* that comes from climate change and taking advantage of it. The second is recognizing the *harm* that comes from climate change and protecting oneself against it. For startups, this *opportunity* and *harm* should be interpreted with regard to the various dimensions of your business: product, customers, investors etc. Importantly, because startups can be dynamic and quickly change in size and focus, this may mean that the *opportunity* and *harm* that is relevant to your startup may change quickly as well. Although this may all seem abstract and irrelevant at the moment, especially if your startup, like many startups, is technology based and seemingly shielded from the dangers of climate change, this is not always the case. For example, temperature regulation is needed for important infrastructure used by tech companies. With this in mind, what follows will be a general foray into climate adaptation that should hopefully be of use to all kinds of startups.

### Climate Adaptation: Importance

Perhaps the unavoidable question that any startup will ask about climate adaptation is: Why should our startup care about climate adaptation? Beyond the human obligation to environmental protection, are there any other reasons why climate adaptation would benefit our startup? The answer here is a resounding yes, and there are several reasons why.

The first reason, much to the satisfaction of anyone involved in entrepreneurship, has to do with money. On the one hand, if the right opportunity meets the right startup, your revenue numbers can get a convenient bump via climate adaptation. For instance, a substantial revenue injection was the consequence of one manufacturing firm's heightened level of

shingle manufacturing before an incoming hurricane. This example shows us that the pivotal aspect of climate adaptation is not the actual operational decision, instead it is the ability to recognize opportunity and respond. On the other hand, there is also the issue of preventing your startup from having negative cashflows. Consider this, during a ten year period, the European Union lost money on the scale of billions of dollars because of climate change. This illustrates the fact that climate change can significantly hurt your bottom line regardless of your size or scope. In fact, redefining the list of dangers facing your business to include climate change is a practice that is gaining traction.

The second reason is equally as enticing as it deals with another essential pillar of any startup, financing. Efforts toward climate adaptation demonstrate an awareness of climate change and a willingness to respond accordingly. Naturally, this would reflect well on a startup's ESG efforts. Conveniently, there are certain investors in venture capital that are zoning in specifically on ESG. Therefore, climate adaptation may actually help open up your startup to more investors. While this may not be the main reason why your startup decides to engage in climate adaptation, it could possibly reflect the fact that climate adaptation, and ESG in general, is an indicator of some type of value to investors, otherwise investors would not be interested at all!

The final reason, unlike the previous two, is less about a dollar amount somewhere in your startup's accounts, and more about the very people that allow your startup to exist. ESG is now a concern for employees. If your climate adaptation efforts coincide with the things that matter to your employees, or better yet, somehow directly benefit your employees, this can improve employee satisfaction and retention, and improve your startup from a cultural and operational perspective. The same also applies to your customers, except now, the benefits may materialize as a larger customer base or more loyal customers.

Ultimately, there are plenty of reasons why climate adaptation should be something that your startup considers. Now that the motivating reasons are there, the next stage is the actual execution. Therefore, we hope that what we present below can give you the guidance necessary to get started.

### Climate Adaptation: A Guide for your Startup

After canvassing several different sources on climate adaptation, we have amalgamated them into the following guide. As this guide is targeted toward startups, we have emphasized aspects that are especially relevant to startups.

- A. Assess climate change's current and future geographic reach and identify where climate change can potentially affect your business sites.

- a. Think broadly about your startup's industry. For example, things like cyclones and floods pose the greatest danger to the information and technology industries.
- b. Acknowledge the fact that the places where you source materials, labour, and any other inputs as well as the places where your products or services are delivered are bound to dictate how climate change will affect your startup.
- B. Determine how these threats will tangibly manifest in your startup.
  - a. Think about: 1. How badly your startup will be affected. 2. What the chances are that you startup will be affected at all.
  - b. Consider how issues for your startup can arise from small alterations that slowly buildup.
- C. Figure out how these threats can be appropriately responded to. Try to think of realistic, concrete steps.
  - a. Think in terms of: 1. 5, 10, or 15 years from now. 2. The immediate future. Both are very important, especially for startups.
  - b. Try to quantify the benefits of your response.
  - c. Think about your entire supply chain. This can be particularly valuable if you source physical products, but also valuable if you source non-physical products/services.
- D. Ensure that your climate adaptation efforts are constantly monitored for effectiveness.

When applying this guide to your startup, one thing that you should keep in mind is that startups are often unique in terms of the dynamism of their scale. It is not uncommon for early startups to aim for astronomic expansion or actually achieve this expansion with large investments or fortuitous shifts among consumers. Accordingly, any climate adaptation should also be able to match this dynamism. An early stage startup should naturally have climate adaptation efforts that match their more basic operations. A later stage startup's more advanced operations will need more complex climate adaptation initiatives. To do this, startups will need to be flexible enough so that they can change their climate adaptation efforts between different stages. For early stage startups this will require a certain level of forethought. For instance, as you think about incoming funding from a large investor, conceptualize how your climate adaptation efforts can match this change in your business.

With all of this new information, your startup is ready to embark on its climate adaptation journey! Like many things in entrepreneurship, this may still seem overwhelming. However, like all things in entrepreneurship, there is opportunity in every challenge.

Sources

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