ENVIRONMENT STRATEGY: ISSUES AND BOARD RESPONSES*

Prof. Colin Coulson-Thomas

Prof. Colin Coulson-Thomas holds board and academic appointments, is Director-General, IOD India, UK and Europe Operations, leads the International Governance Initiative of the Order of St Lazarus and advises boards. He is also Chancellor of the School for the Creative Arts, Chairman of the Audit and Risk Committee of United Learning and a member of the advisory board of Bridges of Sports. He has helped directors in over 40 countries to improve director, board and corporate performance. Author of over 60 books and reports he has held professorial appointments in Europe, North and South America, Africa, the Middle East, India and China. Colin was educated at the LSE, London Business School, UNISA and the Universities of Aston, Chicago and Southern California. He is a fellow of seven chartered bodies.

Environmental debates have been much concerned with the negative impacts upon the natural world of human activity and continuing development, whether as a cause of climate change, the depletion of natural capital or the decline and loss of other species. Less attention is paid to the threat that the natural world and other species pose to human beings. These can range from natural disasters to viruses that are resistant to antibiotics and in a case such as Ebola can require an international response. We have little or no control of some risks and varying levels of influence on others.

Managing a company's relationship with the environment can involve strategies, policies and responses in a number of areas. These might need to take account of particular public policies, laws and regulations and may involve collective action involving cooperation with stakeholders and other parties. Traditionally, many directors have focused upon reacting to challenges rather than pro-actively exploring and pursuing environmental opportunities (Coulson-Thomas, 1990). Will a faster transition to more sustainable outputs and lifestyles require a change of attitudes and values?

THREATS AND OPPORTUNITIES

Threats cannot be ignored. Rats, the cause of the medieval black death, can attack crops. They look for opportunities to break into storerooms, warehouses and homes in search of food. In cities they feed on refuse and can damage wiring, foundations and sewage and drainage systems. They spread over sixty diseases, including bubonic plague, typhus and haemorrhagic fevers. With such a threat come opportunities. Improving rodent management as an element of an environment management strategy could address serious issues and improve many people's lives (Belmain, 2016).

The relationship between us and the natural world is complex. It involves interdependency and presents both challenges and opportunities. It requires judgements about the probability of events occurring, the likely consequences and mitigating actions. Will corporate environment management strategies result in us being beneficiaries or victims of developments and change? What are the opportunities to be proactive in areas ranging from creating a more sustainable business model to entrepreneurial action to generate new income streams? Must a business strategy involve expansion? Might redeployment and replacing physical production with services be a better option?

For several months in a row average temperatures have been the highest ever recorded. Climate change or global warming presents a multi-levelled challenge to individuals, organisations, communities and governments. Whether we are an individual consumer, investor or employee or we have collective responsibility as a director, public official or elected politician our individual, collaborative and collective responses may have some influence and impact. Whether they will be enough will depend upon their adequacy and our commitment to their implementation. So how should directors and boards respond?

DETERMINING CORPORATE RESPONSES

Firstly, one needs a sense of perspective and balance. There have been many speeches and reports, dire warnings and calls to action. Directors should know from their boardroom experience that there comes a time when one needs to move on from rhetoric to action and considering the practicalities of different courses of action, getting agreement and taking appropriate decisions. The latter could involve supply chain partners, a

trade association or local authority or discussion with Government bodies on the advantages and disadvantages of laws and regulations. Regulation is not a panacea, nor is it easy and free of costs and unintended consequences (Mejia, 2009).

If boardroom discussions are to be informed and relevant and decisions are to be appropriate, affordable and sustainable directors need to be aware of issues, options and the different areas in which responses are possible and desirable. The decisions of directors can help to make theoretical discussions such as the internalization of externalities and the use of pricing to change behaviour a practical reality in certain contexts (Coase, 1960). There is considerable scope for imagination and intelligence in these areas. In relation to who should do what and when, directors need to consider the relative power and contributions of consumers, investors, corporations and states.

Timing is critical in relation to competitiveness. Greater connectivity magnifies the first mover advantage in terms of differentiation, engagement and competitive advantage that can accrue to those who show leadership and provide cost-effective ways of helping and enabling others to cope. Given the many arenas in which change is required and the scale of the adjustment that needs to occur there should be opportunities for most businesses to use their capabilities in ways that deliver benefits for themselves, their customers and the environment.

What should a board's approach be to commitments that are made without consultation by other parties at meetings it has not participated in? How should companies react to undertakings made by the Governments of jurisdictions in which they are registered and/or operate, for example in relation to the Paris Climate Change Agreement? It is natural for people to show more commitment to the outcomes of processes they have participated in. When not consulted or involved they may do just enough to appear to be good corporate citizens and further their own self-interests. Policy makers should consult and seek to work with those likely to be affected by changes (Agrawal, 2005).

Along with strategic challenges and entrepreneurial opportunities, there are technical matters for many companies to address. Invariably, where there are difficult and potentially dangerous issues one soon finds regulations, codes and standards some of which may be voluntary and others mandatory. Proactive companies seek to influence measures that impact on their operations. Laggards join the party, sometimes reluctantly, at the observation or implementation stage.

MONITORING DEVELOPMENTS, ISSUES AND RESPONSES

Directors should be aware of what is happening within companies they are responsible for and in the external business environment. What are the major environmental and other issues, trends and development? How are others responding? Corporate issue monitoring and management should be about opportunities as well as challenges. How will climate change impact upon a company and its operations and upon its customers and local communities? What could and should it do in response to help its own people and others to adjust, address challenges and seize opportunities?

Some environmental discussions can seem complex to a director without relevant expertise. How should a board monitor developments in science and technology that are related to combating climate change, coping with global warming and preserving biodiversity and ecosystems, with a view to identifying opportunities for it to use its resources and strengths to create new offerings? Using capabilities to help others can open up new avenues for innovation or diversification.

Boards of larger companies with relatively expensive physical assets, an extensive environmental footprint and a larger requirement for raw materials and natural resources in limited supply may find that adjusting is itself complex. It may require time and could involve significant crawl-out costs. Companies in this position may require sustainability strategies and plans and possibly a different business model. Roles and responsibilities may need to be established and new project and environmental governance arrangements put in place (Ahluwalia, 2015). A business case for the transformation required may need to be developed to keep investors on side.

A board may also need to review the processes, approaches and tools it uses to analyse issues and take decisions. Corporate and public projects can have unintended consequences (Winemiller *et al*, 2016). Are our justifications for major projects objective or self-serving? Do we exaggerate benefits and overlook or ignore costs? When taking infrastructure decisions do we give too much attention to short-term design and build costs as opposed to lifetime costs (Stravoravdis, 2016)? Directors should ensure that corporate methodologies consider full costs over the life of a building.

COLLECTIVE AND COLLABORATIVE RESPONSES

Sustainability and environmental quality are issues for cities and local communities as well as the companies that operate within them. Pollution, congestion and adverse weather conditions can impact upon health, productivity and performance. A company its people and its customers can all benefit from resilient and effective transportation, water, energy, sanitation, sewerage, rubbish collection and waste disposal services. Individual and collective action may be required.

Boards need to consider what role a company should play either individually or in collaboration with other organisations and local bodies in ensuring that essential infrastructure and public services are able to cope with climate and other changes. How might technological developments and other innovations help? Could more be recycled? Is a more integrated approach to addressing local, municipal and city requirements needed? Would certain options be viable if costs could be shared?

Hitherto different individuals, departments and public organisations have managed different arenas that are becoming increasingly inter-linked. Issues relating to food, water, energy and the environment impact upon each other. When there are conflicting uses of a finite resource they should no longer be considered in isolation. What role should a company and its supply chain play in an integrated response and in developing sustainable solutions? What could its contribution be?

Directors should be alert to new developments and willing to collaborate and join initiatives relating to sustainability, such as those concerning the environment, biodiversity or reducing the depletion of natural capital. For example, should a company adopt the Natural Capital Protocol Principles and Framework developed by the Natural Capital Coalition (2015)? This takes business decision makers through a series of steps designed to help them to determine their approach to natural capital use.

In some areas competing uses such as drinking, washing and irrigation for the increasingly scarce water a production process requires could threaten the future viability of some enterprises. People want to be clean and to eat and drink and have the work-related income to pay for pay for this. To satisfy all the requirements may require individual and collective effort to use water effectively, recycle it and more effectively harvest it, store it and transport it to areas of highest need. Water management can become a core activity and/or an entrepreneurial opportunity.

WORKING AND OPERATING ENVIRONMENTS

Directors need to be aware of their obligations and responsibilities in relation to health, safety, environmental and sustainability requirements. How should these be handled? What standard kite marks should sought and technical advice is required? What should the board do to encourage whistle-blowing and give a voice to those who have environmental concerns (ACCA, 2016)? If people do raise their concerns will they suffer retaliation and other unpleasant consequences because of a lack of an appropriate, fair and responsible corporate response (Alford, 2011).

Working and operating environments need to be healthy and safe, but also inclusive and liberating if they are to be conducive of imagination, creativity and innovation. How accessible are they and support facilities to people who are disabled? Do they encourage engagement with groups who have hitherto been excluded? Are they conducive of a variety of approaches, so that people can work, learn and operate in ways that enable them to be at their best (Coulson-Thomas, 1997)? Will our built environment be intelligent as well as safe from fire, terrorism and other threats?

What do smart city initiatives mean for businesses? Do they promise more than just better cabling and more band width, valuable though these can be? What new offerings could be provided to take account of extra capacity and connectivity? Will they lead to intelligent communities and improved delivery of more integrated public services? Directors need to be aware of developments occurring in the social, physical and market environment and alert to ways of taking advantage of them.

Involvement in creative and sporting activities can energise people and stimulate their imaginations, yet many city and other urban environments seem to give precedence to consumption, traffic congestion and pollution. If provision is made for the creative arts it sometimes seems an afterthought and perhaps the initiative of a concerned philanthropist. Sporting venues are often on the outskirts and designed for people to

be sedentary spectators rather than active participants. If there were a collective investment in better leisure and sporting facilities in a country such as India would we have the necessary skills to operate them (NSDC, undated)?

When looking at urban facilities that would significantly improve the quality of life of people who are too often marginalised one often thinks of the private affluence and public squalor highlighted by John Kenneth Galbraith (1958). Should more companies and public bodies be looking at shared services as a way of making more cost effective use of infrastructure? Could public services be delivered through one-stop-shops? Could this be facilitated by digital services?

MAKING BETTER USE OF CURRENT AND FUTURE INFRASTRUCTURE

We need to find ways of making better and fuller use of our existing resources. Airbnb enables host to rent out their private assets via the internet, whether beds, rooms or a vacant apartment or house. It is was only formed in 2008 and is now the world's largest provider of accommodation even though it does not itself own any of the accommodation it provides (Cole, 2016). Uber another internet platform which does not itself own the cars allows those who do to give lifts to others who need to make journeys. Such businesses enable us to make more use of existing capital, while creating opportunities for many people to supplement their incomes and become entrepreneurs.

In 2015 106 new buildings over 200 metres tall were added to city skylines, the first time the annual total has exceeded 100. 62 of these were in China and 76 percent of them in Asia where 48 of the world's 100 tallest buildings are now located. Is this construction boom functional or conspicuous consumption (Veblen, 1925)? The location and use of such space reveals much about the priorities of planners and developers. How much of the use is related to perpetuating current patterns of consumption and display as opposed to simpler and healthier lifestyles or the encouragement of entrepreneurship, creativity and innovation?

Directors should ensure the digital dimension is integrated into the physical environment. Should insecure status seekers be aiming to build the world's smartest buildings rather than its tallest. Does taller just mean greater isolation and distance from the natural environment? Businesses need to consider what role they might play in cities of the future. Will they be floating mega structures that can move like cruise ships to accommodate the seasons and climate change? Will home be wherever people are as they connect to work and their digital memories by mobile device?

Does the membership of the board include those with an appreciation of relevant issues? Integrated physical and digital infrastructure can be critical in knowledge sectors. For example, a new university campus can cost £1 billion and having someone on the board with an understanding of major capital projects can be helpful (Lock, 2016). Is there such expertise on the board of a company planning and/or building a new science park or a research and development centre?

IMPACTS OF NEW TECHNOLOGIES UPON THE ENVIRONMENT

Boards also need advice on how developments in technology could impact upon production and distribution activities, and consequently upon the environment. Take the adoption of 3D printing. This could help or harm the environment according to how we use it. The decentralisation of production activities could reduce the environmental impact of large scale production at certain sites, but will this be done in such a way as to disperse the harm? Will people treat more items as disposable, or easily replaceable if they fancy a different model? Alternatively, will the technology be adopted at particular shared locations? In rural areas this could allow the delivery of raw materials and waste collection to be concentrated at a single site within a village, town or district.

Developments in robotics, artificial intelligence and drone technology could reduce the requirement for production and office workers (Kaplan, 2015). This could free up time for other activities such as the creative arts, leisure and sporting activities. In some countries each of these are significant industrial sectors in their own right. These activities can have a limited environmental impact and be fulfilling for those concerned. They can also be rewarding for individuals, teams and communities that excel in them. One should however remember early investments in computers. Strassmann (1990) found that they made more efficient companies better and less efficient ones worse, but there was no direct relationship between expenditure and profits or productivity.

If standard goods can be produced cheaply, either locally or in the home, by 3D printer, will people want to express their individuality in other ways? Will we see an explosion in the arts and crafts? Could this lead to greater self-sufficiency at a local level, as with a degree of specialisation people accept individual commissions and craft items for each other? Will people use local materials to produce items that are distinctive and which could be traded, bartered or otherwise exchanged over the internet? Will people who might otherwise be unemployed or under-employed develop enough skill in certain arts, crafts, sports or leisure activities to teach others, or otherwise help them.

While customers might be willing to pay a premium for a better alternative, will they pay more to fund a company's restructuring, retrenchment or withdrawal from areas that are challenged and/or in decline? Directors need to read the road ahead and act before crawl out costs become excessive. Would a different business model be more cost-effective (Coulson-Thomas, 2016)? How might a technology such as 3D printing benefit a company's customers? What diversification opportunities are there in current markets and in possible growth areas such as the creative arts, leisure and sports? What new offerings could corporate capabilities provide? What steps should a socially responsible company take to support a transition to more sustainable and fulfilling lifestyles?

ATTITUDES, PERSPECTIVES, VALUES AND BEHAVIOURS

Among the trends that companies should be monitoring are those concerning attitudes and behaviours. Galbraith (1958) also questioned the wisdom of a focus upon producing consumer goods to satisfy wants created by advertising. Will consumer values and priorities change to confront the difficult challenges and choices we now face? I recall as a London Business School student a group being chided by a tutor for suggesting a corporate objective that was not sufficiently ambitious. He thought the revised version of aiming to control a significant proportion of the world's human and material resources to be "not bad". How many of today's students who are looking for independence, control and balance in their lives would relate to such an objective?

Our personal consumption patterns cause more environmental damage than companies that would be pilloried if they created a small fraction of the negative impacts. The livestock industry which satisfies our desire to eat meat accounts directly and indirectly for for 14.5 % and 30 % respectively of global greenhouse gas emissions (Rowe, 2016). As consumers are we willing to change our habits and eat more healthily and sustainably? A combination of less consumption and improved efficiency of livestock farming could make a significant contribution (Place and Mitloehner, 2010). Are companies able and willing to provide offerings that will enable responsible consumption?

Do we have the right attitudes and perspectives in our boardrooms? Today we still benefit from our inheritance from the past, whether bridges for railways or water canals for irrigation (Lalvani, 2016). Past engineers planted trees at intervals along roads to provide shade for travellers. What legacy will we leave for future generations? Are we planting trees that in time will reduce harmful emissions and lower temperatures in the garden cities that could result? Responses create new opportunities to demonstrate a caring capitalism and engage customers and communities.

As consumers and investors should we give a lead by changing our expectations and requirements of business leaders. Rather than reward those who increase production of unnecessary and disposable goods, should the giving of awards and the writing of case studies high-light the leaders who reduce harmful physical production and the excessive use of scarce material resources and who switch the emphasis from external trappings for insecure people who are seeking to impress to helping customers achieve more of a sense of inner worth? When confronted with marble entrance foyers should we ask questions about the safety of the stone cutters involved?

REORIENTING CORPORATE ACTIVITIES AND CREATING NEW LIFESTYLE OPTIONS

What are the implications of changing consumer attitudes, values and behaviours? Manufacturing and processing activities have always had an impact on the environment. Pollution resulting from an increase in industrial production in the Roman empire is evident in methane gas captured in bubbles in the Arctic ice sheet, a spike in this greenhouse gas that would not be seen again for 1,000 years (Beard, 2016). Unlike the Romans, we are aware of and can measure and track the impacts and run models that can predict the consequences of their cumulative effects.

Directors could reduce the environmental impact of physical good production by reducing or abandoning practices such as built in obsolescence. Could more elements be replaced as they wear out or upgraded? Should directors champion sustainable product design? The new product designs of a responsible business ought to be ethical and sustainable as well as profitable. How might a new design benefit other species such as birds and bats? Could engaging with the public and providing them with ways of increasing biodiversity represent a new business opportunity for garden centres?

Should we champion fulfilling activities rather than physical consumption? Whereas the production of goods might increasingly be undertaken by factory robots or local 3D printers, a shift of emphasis to creative endeavours, sport and keep fit activities could create opportunities for those who might otherwise be marginalised or made redundant to offer one-to-one personal services, engage in communal activities and experience a higher quality of life? More active lifestyles could reduce the incidence of diabetes. A CII-KPMG report (2014) has identified the extent to which sport in India has not reached the level of significance and economic importance found elsewhere. Hence there is considerable scope for creative imagination and entrepreneurial initiative. Bridges of Sports an initiative to increase involvement in sports is calling for increased awareness and provision.

Will displays of material wealth such as expensive, fuel-guzzling fast cars come to be seen as evidence of shallow self-obsession, concern with superficial appearance and ignorance of environmental issues? In comparison, team sports are shared activities. Like the creative arts they can be both participative and observed or enjoyed by others. A whole community can be lifted by a winning team. These activities have a multiplier effect. Their externalities are positive. They enrich lives. Knowledge activities build intellectual capabilities rather than consume physical resources.

ENGINEERING TRANSFORMATIONAL CHANGE

Could one envision an inversion of life chances? While the new quality of life poor be composed of urban dwellers trapped in their solitary lives in apartments high above the life shortening pollution of congested and dangerous cities? Will rural dwellers revel in being close to nature and valued members of vibrant and healthy communities, living longer, healthier, simpler and less materialistic but more fulfilling lives? We have choices. Rather than create new wants, socially responsible entrepreneurs could contribute to the greater well being of many people by devising innovative and affordable solutions to address basic needs such as shelter, sanitation facilities and fresh water. The margins might be relatively small, but a great many people require affordable solutions. Wilson (1984) argued we have a natural affinity with nature. How might we bring it back into our cities?

Environmental strategies can address problem areas and seek to reduce negative impacts, but there are also opportunities to be pro-active and positive. How could the built environment better cope with the needs of those who are visually impaired? Do corporate premises allow easy wheel chair access? Who are being excluded by your policies and practices? The repeal of the 1898 Lepers Act is an encouraging development, but over 120,000 people each year are diagnosed with leprosy. Do public and corporate infrastructure and services take account of their particular requirements?

Directors should be capable of looking beyond quick fixes and thinking longer-term. The Brundland Report (1987) defines sustainable development as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs". It gives an indication of how far ahead a board's perspective should reach when considering the implications of particular decisions and developing more affordable and sustainable options.

There are many areas for directors to consider. How might we best internalise external costs? In relation to subsidiarity, who should do what at different levels from individual people and families to national governments? How do we ensure that corporate and political strategies are aligned (Bleischwitz, 2004)? What individual and collective action could customers and investors take to bring about desired changes? What role should professionals, banks and insurance companies play? Do we replace markets or work with them? To what extent could a barter economy, including the exchanges of time, replace or complement a monetary one? At an international level, should the priority be upon agreements between governments, cities or global companies? Boards need to ensure that environment strategies are imaginative, appropriate, practical and affordable.

REFERENCES

ACCA (2016), *Effective speak-up arrangements for whistle-blowers: Recommendations for Director*s, London, ACCA, May

Agrawal, Arun (2005), Environmentality, *Current Anthropology*, Vol. 46 No. 2, pp 161-190

Ahluwalia, J. S. (2015), Environmental Governance for Sustainability in Ahluwalia, J. S. (Editor), *Environmental Governance: Transition to a Green Economy*, New Delhi, IOD Publishing, July

Alford, C. F. (2001), *Whistle-blowers: Broken Lives and Organizational Power*, New York NY, Cornell University Press

Beard, Mary (2016), Mary Beard's Ultimate Rome (Episode 2), BBC2, 9-10pm, Wednesday 4th May

Belmain, Steve (2016) [Inaugural Professorial Lecture] Sex, Breeding and Population Dynamics: When Rodents Get Out of Control, Pilkington Lecture Theatre, Medway Campus, University of Greenwich, Wednesday 8th June

Bleischwitz, R. (2004), Governance of sustainable development: co-evolution of corporate and political strategies, *International Journal of Sustainable Development*, Vol. 7 No. 1, pp 27-43

[Brundland Report] World Commission on Environment and Development (1987), *Our Common Future*, Oxford, Oxford University Press

CII-KPMG (2014), *Business of Sports: Shaping a Successful Innings for the Indian Sports Industry*, Sports Industry New Delhi, Confederation of Indian Industry, 27th February

Coase, R. H. (1960), The Problem of Social Cost, *Journal of Law and Economics*, 3 (October), pp 1-44

Cole, Laura (2016), How Airbnb is reshaping our cities, *Geographical*, Vol. 88 No. 05, May, pp 34-39

Coulson-Thomas, Colin (1990), *Managing the Relationship with the Environment* - A Survey Sponsored by Rank Xerox UK, London, Adaptation

Coulson-Thomas, Colin (1997), *The Future of the Organisation: Achieving excellence through business transformation*, London, Kogan Page

Coulson-Thomas, Colin (2016), Leadership, Innovation and Business Growth, *Management Services*, Vol. 60 No. 2, Summer, pp 36-43

Galbraith, J K (1958), *The Affluent Society*, London, Hamish Hamilton

Kaplan, Jerry (2015), *Humans Need Not Apply: A guide to wealth and work in the age of artificial intelligence*, New Haven, Conn., Yale University Press

Lalvani, Kartar (2016), *The Making of India,* London, Bloomsbury

Lock, Helen (2016), Facing the future: how can university boards stay ahead of the game, Higher Education Network, The Guardian (www.theguardian.com), 5th May [http://www.theguardian.com/higher-education-network/2016/may/05/facing-the-future-how-can-university-boards-stay-ahead-of-the-game]

Mejia, Robin (2009), The challenge of environmental regulation in India, *Environmental Science & Technology*, Vol. 43 No. 23, pp 8714-8715

Natural Capital Coalition (2015), *Natural Capital Protocol Principles and Framework* (Draft), London, Natural Capital Coalition, 23rd November

NSDC [National Skill Development Corporation] (undated), Skill gap study for Sports (2012-17, 2017-22), New Delhi, NSDC [http://www.nsdcindia.org/sites/default/files/files/sports.pdf]

Place, S. C. and Mitloehner, F. M. (2010), A review of the dairy industry's role in climate change and air quality and the potential of mitigation through improved production efficiency, *Journal of Dairy Science*, Vol.

93 No. 8, pp 3407-3416

Rowe, Mark (2016), The true cost of meat, *Geographical*, Vol. 88 No. 03, March, pp 36-43

Strassmann, Paul A (1990), *The Business Value of Computers, An Executive's Guide,* New Canaan, CT, Information Economics Press

Stravoravdis, Spyridon (2016), Assessing sustainability in the building environment over a longer time frame [Presentation to Sustainability & Futures Group Research Networking Conference], Room 075, Queen Ann Court, Old Royal Naval College, Greenwich, London SE10, 23rd May

Wilson, Edward O (1984), *Biophilia,* Cambridge, MA, Harvard University Press

Veblen, Thorstein (1925), *The Theory of the Leisure Class*, London, George Allen & Unwin

Winemiller, Kirk O. (project leader of 40 scientists) (2016), Balancing hydropower and biodiversity in the Amazon, Congo, and Mekong. *Science*, 2016; 351 (6269): 128-129

*NOTE ON PUBLICATION

Published in an edited book of papers to accompany the 18th World Congress on Environment Management organised by the Institute of Directors (India) and held in New Delhi, 8-9th July 2016 and published as:

Coulson-Thomas, Colin (2016), Environment Strategy: Issues and Board Responses, in Ahluwalia, J. S. [Editor], *Environment and Climate Change: Transitioning to a Sustainable Economy*, New Delhi, IOD Publishing, July, pp 42-52 [ISBN: 978-81-932503-6-5]

…. Ends ….