

# 20<sup>th</sup> World Congress on Environment Management and Climate Change 2018

Transformational Leadership for Promoting Climate Resilient Economic Growth

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The theme of the 20<sup>th</sup> World Congress on Environment Management and Climate Change is “Transformational Leadership for Promoting Climate Resilient Economic Growth”. Given past projections of the impact of economic and population growth on our planet's finite resources is it realistic (Meadows et al, 1972)? Many more people are now aware of global warming. Should we expect natural limits to be reached earlier rather than later? Are we still on what Higgs (2014) has described as a collision course? Is “climate resilient economic growth” an oxymoron, or could “transformational leadership”, innovation or other developments and/or factors enable us to break through barriers and constraints and continue to grow?

Has increasing public awareness of the challenges faced by mankind led to greater determination to take more effective collective action to manage our relationship with the environment and combat climate change? Are rising numbers of more affluent and younger customers increasingly demanding products that are sustainably produced and sourced? Are tighter laws and regulations becoming more demanding and less tolerant? These and other changes require corporate responses, but use of the term “leadership” suggests that as well as reacting to external pressures, boards should also be proactive.

Ensuring responsible and sustainable business operations and conduct requires action in a number of areas. It can lead to benefits for both a company and its stakeholders. For example, two thirds of 30,000 respondents to a global survey by Nielsen (2015) were willing to pay more for products and services offered by companies that are committed to a beneficial social and environmental impact. This was even more important for millennials. Another survey found this latter group prefers to work for caring companies that have a positive impact on the communities and societies in which they operate (Deloitte, 2015).

Exercising effective leadership can deliver multiple benefits. It can also trigger a search for alternative options and exciting opportunities. Market imperfections and resulting and related business conduct can damage the environment, but they can also create openings for radical technologies and new business models that lead to sustainable entrepreneurship (Cohen & Winn, 2007). Greater understanding and more experience suggests there are individual and collective steps that boards can take to combat climate change and enable more climate resilient economic growth (Hawken, 2017).

Transformational Board Leadership for Sustainability

The roots of transformational leadership lie in the inter-relationship of leaders and followers and its impact

upon followers (Burns, 1978; Bass, 1985). Aspects such as highlighting particular priorities, raising expectations and standards, appealing to ideals, reason-based argument, encouraging people to cooperate and look beyond their self-interests at a wider public, and helping and supporting when and where required were identified by Bass (1985). They are especially relevant to the board leadership required to address the challenges of climate change. Effective boards can have a crucial role to play. Their holistic perspective and their sense of proportion and what is possible can enable them to integrate the different elements needed for effective responses and beneficial actions.

For improved environmental governance, roles and responsibilities may need to be reviewed and clarified (Ahluwalia, 2015). What role should boards play in main-streaming sustainability concerns and developing and scaling up green growth solutions? Are they effective at influencing the context within which they operate? How many companies have a responsible, funded and deliverable corporate strategy for conservation, ecological balance, the sustainable use of natural resources or transition to a green and sustainable economy? Will the actions they take in relation to adaptation, efficiency and mitigation allow them to contribute to a low carbon future and operate within it? Are financing mechanisms, social initiatives and technologies evolving to meet changing requirements?

Should a company have related strategies covering activity areas such as recycling or reducing energy or water consumption, and/or desired outcomes such as conservation and the maintenance of diversity, ecological balance and the responsible use of natural resources? Alternatively, should a board bring them together under the umbrella of an over-riding drive towards a green and sustainable economy? Corporate and political strategies should be consistent, complementary and mutually supportive. Bleischwitz (2004) believes they should co-evolve. For Gaddis (2018) grand strategy is “the alignment of potentially unlimited aspirations with necessarily limited capabilities”. Overambitious visions and goals might raise expectations beyond a board's ability to deliver.

#### Combating Climate Change: At the Edge of a New Frontier

There are many ways of reducing global warming, such as using different cooling and refrigeration technologies, renewable energy solutions, reducing food and other waste and meat consumption, protecting and increasing tropical forests, changing farming practices and measures to reduce population growth. In many areas, there are steps that can be taken at the individual, corporate, local and national level (Hawken, 2017) and in developing countries (Reid and Goldemberg, 1998). Where they are observed, international agreements can ensure that individual enterprises and economies are not put at an additional competitive disadvantage during a process of adjustment.

Are boards pulling their weight in relation to the Paris Climate Change Agreement (2015) and the collaboration required for global sustainability? Are new business and social initiatives required? What role can the media play in integrating climate change mitigation and adaptation? What are the implications for companies and the challenges for achieving India's national commitments under the 'Paris Agreement'? Can the risks of global warming and climate uncertainty for environmental sustainability be managed through affordable climate resilient technologies and actions?

National policy makers should consult and seek to work with those likely to be affected by changes required to achieve 'Paris Agreement' and other objectives (Agrawal, 2005). They are more likely to do this if corporate representations received reflect the general good and are focused on the cost-effective collective achievement of public policy objectives rather than the protection of narrow and special interests. How effective are sustainable development goals at combating climate change, safeguarding the global commons and creating business value? Must corporate, municipal and state plans be aligned if smart growth and climate protection is to occur (Barbour and Deakin, 2012)?

#### Aligning Business Strategy to UN Sustainability Development Goals

Kenneth Boulding (1966) recognised that economic activity must take place in the context of the finite natural resources that can support and sustain it. The Brundland Report (1987) stressed the importance of

sustainable development for our shared future with its test of “meeting current needs without compromising the ability of future generations to meet their own needs”. How many boards have strategies and road maps for corporate contributions to the UN's Sustainable Development Goals (SDGs) (2015) and building inclusive and sustainable supply chains? Do they understand SDG implications and the imperatives of environmental challenges and social transformation?

Opportunities for transformational leadership can arise at a city and municipal level, where there may be opportunities for businesses to work with enlightened public leaders who are looking to improve urban environments (Hochadel, 2017). Without engagement with stakeholders and continuing awareness of their changing public awareness, interests and focus, a board may find it is left behind in terms of the scale and speed of its response. Issues, such as the impact of plastic waste on the oceans can quickly arise that capture the attention of the public. They can also give rise to calls for Government and/or regulatory intervention.

The extent to which different groups are environmentally aware and connect with nature should be tracked, as this may enable opportunities for corporate and collective action that capitalises on the public mood to be identified (Wilson, 1984). Sachs (2015) considers sustainable development to be a defining element and requirement of our age. Food security through sustainable agriculture, fisheries and food processing, and energy and water security, are becoming public policy issues of concern to many Governments. What can and should boards do to contribute to such national goals? To what extent might innovation and entrepreneurship provide solutions?

#### Pollution Prevention and Waste Minimisation

Depending upon the nature of corporate operations, pollution prevention and control may need to be an element of a sustainable environmental management strategy (Turner, 1988). Some pollutants can represent a much greater danger to the environment than others, just as some effluents and waste gasses can be a bigger contributor to climate change than others. Hazardous waste can be particularly difficult to handle and recycle. It may be so potentially damaging that legal and regulatory controls may be needed. Could the use of incentives and inducements also achieve the changes of behaviour required and contribute to waste minimisation and recycling (Thaler & Sunstein, 2008)? Could they complement and support more direct forms of intervention?

In urban areas, are more integrated and sustainable municipal sewage, transport and waste and waste management models required? What role can companies and innovation play in developing and operating them? What contribution can boards and businesses make, for example in collaborating to develop pragmatic solid waste management technologies or adopting and supporting corporate and collective mitigation measures for noise, vibration and waste pollution?

In some areas, such as saving oceans from oil, chemical and plastic pollutants, while effective solutions may require collective and international action, individual companies and citizens can still make a useful contribution. Voluntary action might also delay or avoid the strict imposition of general legal, licensing or regulatory rules that are insensitive to local and particular circumstances.

Do boards sometimes need to take wider interests into account and look beyond an immediate business case to ensure corporate sustainability (Dyllick and Hockerts, 2002)? Where the pace of adjustment is slower than expected, an issue for some business leaders is whether or not to consciously appeal to the hearts as well as the heads of stakeholders (Kouzes and Posner, 1999).

#### Energy Security: Sustainable Energy Options

Perhaps less well known to the general public than disputes over the sharing of river water when dams are built, are policy differences relating to energy and the extent to which energy security is an issue (Farah, 2015). Is this an area in which more action is needed at a global level, for example promoting an international alliance for developing and agreeing a sustainable energy security plan? How might business experience, practice and eco-innovative solutions contribute to this process and provide cost-effective and sustainable energy? The International Energy Agency (2017) monitors developments in energy technologies.

It believes the systematic and coordinated financial and policy support of clean energy technologies to the limits of what innovation allows could reduce greenhouse gas emissions to levels consistent with the mid-point of Paris Agreement (2015) targets.

How effective are public and other energy efficiency initiatives and programmes? How could their impact be increased? Could more companies use applications of performance support to increase environmental awareness as and when decisions are taken to help employees, customers, supply chain partners, users and citizens understand the consequences of different options and make more sustainable and energy and water efficient choices (Coulson-Thomas, 2012a & b, 2013)? Might better understanding lead to greater acceptance of nuclear energy and genetically modified crops?

What are the impacts of India's Energy Conservation Act 2001 and Energy Management System ISO 5001 upon corporate policies and practices? Are boards doing enough to ensure such measures are appropriate, affordable and practical and that companies comply with them? In the case of Indian companies, are their deliberations and decisions influenced by Government plans and objectives, public measures and a road map and milestones for the achievement of a target of 175 GW of renewable energy options by 2022? In relation to SDGs and energy and water conservation, how might we ensure that corporate and political strategies are better aligned (Bleischwitz, 2004)?

### Water Management: A Crisis that Cannot be Watered Down

Water is an essential requirement for human life, food production and many industrial processes. The environmental impact of cities and the water needed for urban sustainability is a particular challenge (Newman, 2006; James et al, 2015). It is one that businesses operating in cities such as Bengaluru or Cape Town are very much aware of. Is more effective water capture and storage and its more efficient and sparing use just buying time until more radical action is required? Is managed relocation, scaling back, the adoption of different business models, the sharing economy or innovation in operating, working and living practices the solution? Are boards considering practical and affordable options? Can changes be made within the available timescales?

The integrated management and conservation of water resources is a critical issue for many countries. In addition to their political, security and international relations consequences and the disputes mentioned earlier, the damming of major rivers to address water and energy shortages can have negative environmental and bio-diversity impacts (Winemiller *et al*, 2016). Some may gain while others lose. Achieving a more integrated approach may require more boards to become involved in public debates. Are boards ready for the possibility of controversy when their interventions may be supported by some interests and opposed by others? In the case of some boards, does more thought need to be given to preparing people who can speak with authority, knowledge and confidence on environmental and climate change related issues?

Fresh and usable water supplies in relation to growing demand are a serious problem in various parts of the world (Gleick, 2014). In many places there are crises in relation to the public health consequences of a lack of potable water, falling water tables and inadequate and unsustainable management of ground water. Together with climate change and rising sea levels, they could lead to unplanned migrations of large numbers of people. Are boards doing enough to monitor such developments, assess their impacts and consider how to respond, including identifying opportunities to help others to adjust? Might the relocation, movement and resettlement of people become a new arena for creative solutions and enlightened entrepreneurship? What further action could be taken in water risk assessment, audit, control and regulation?

### The Opportunity for Board Responses and their Importance

There is much that needs to be done in relation to water network efficiency in agriculture and in rapidly growing urban areas. There are also opportunities for improvement and innovation in waste water recycling, marine ecology and ocean conservation. Legal action and regulation is not a panacea and can lead to additional costs and unintended consequences (Mejia, 2009). It can also be inflexible, time consuming to review and susceptible to manipulation by vested interests. The risk of special pleading and undue influence

can cause regulators to maintain distance in order to preserve their objectivity, and this can complicate engagement and inhibit or even prevent the responsible co-creation of better regulatory policies and frameworks.

Without appropriate and timely action, certain environmental challenges and climate change implications could reach a tipping point and become a crisis. Whether responding to increasing pressures, a natural disaster or a man-made crisis, directors should not assume that crisis management and recovery processes are regularly reviewed and exercised and will work as planned. The 1986 Chernobyl disaster was met with inadequate responses, denial and initial attempts to conceal what had happened (Ploky, 2018). It also reflected the reality that however effective one's own processes one can be the victim of a neighbour's deficiencies. Boards should ensure awareness of risks and dangers in the contexts of corporate operations.

Some directors and boards are overly defensive in the face of the criticism of business, capitalism and markets emanating from radicals, green activists and others that is sometimes associated with environmentalism. They should be confident and proactive when addressing environmental issues and tackling climate change. For Roger Scruton (2012; 2018), conservation, taking responsibility, accountability, having pride in our homes, safeguarding our surroundings, protecting our heritage from the present and the past, and looking after the interests of future generations are the essence of conservatism. They are, and should be, key elements of prudent and responsible corporate direction, good governance and caring capitalism. Transformational leadership is natural and desirable.

#### Further Information

Details of the 20<sup>th</sup> World Congress on Environment Management and Climate Change 2018 can be found on: <http://iodglobal.com/20th-wcem-2018.html>.

The convention is organised by the Institute of Directors: <http://www.iodglobal.com/>

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