



## Business Can Tackle Climate Change

**Government efforts to tackle global warming are significant but insufficient. Business should and can do more.**

Seven million people die prematurely every year from pollution exposure, according to the World Health Organisation, making air pollution the world's single biggest environmental health risk. And yet, fossil fuel subsidies, which cost nations US\$2 trillion per year, continue to encourage vehicle use. The problem could become even more acute when, by 2040, there will be an additional 2-3 billion middle class consumers on the planet.

Recent government efforts to improve the state of the planet's environment have been powerful, but unfortunately inadequate. At the recent **33rd Sustainability Executive Roundtable**, hosted by the **INSEAD Social Innovation Centre** at INSEAD, participants welcomed the positive steps, but were also sceptical about the impact they would have. The 17 Sustainability Development Goals adopted by United Nations (UN) countries in September to keep global warming below two degrees above pre-industrial levels, still have to be ratified by 55 states, said Douglas Webber, INSEAD Professor of Political Science. **Ernst Rauch**, the head of Munich Re's Corporate Climate Centre said that achieving a temperature limit of 1.5 degrees is "extremely unlikely".

Delivering a keynote speech at the roundtable, **Arab Hoballah**, Chief of Sustainable Consumption and Production in the United Nations

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Environment Programme (UNEP), said that more collaboration is needed between governments, business and society. All three sectors need to become engaged with the goals, work together to achieve them and adopt a systems approach at every stage of the process, he said. Unless this happens, it will be difficult to reach them.

As three quarters of the world's population will live in cities by 2040, cities need to be part of the solution. Hoballah suggested that the building industry has huge opportunities for reducing the impact of emissions, particularly in developing countries, where 80 percent of buildings are new. Through proper design and simple behavioural changes, energy and water consumption can be reduced by at least a third; representing considerable cost savings. For example, by positioning windows in good alignment with the sun, energy savings of between 30 and 50 percent can be achieved. At the same time, better natural lighting is an improvement to the quality of life.

### **How should business respond?**

Participants of the roundtable argued that addressing sustainability allows companies to stay ahead of standards and regulations, access new markets, increase profitability in the supply chain and attract finance. **Jessica Fries**, Executive

Chairman of The Prince's Accounting for Sustainability Project explained how many Chief Financial Officers are embracing sustainability because of its ability to save costs, improve efficiency, mitigate risk, open new revenue opportunities, drive innovation and improve employee retention.

Young companies, who view sustainability as an opportunity for growth, have disrupted traditional industries and captured market share from long-established competitors. Established companies, willing to address the sustainability challenges gain greater employee engagement and sales. For example, Unilever recognised that 6 million children die before they reach the age of 5 due to infections. The simple habit of washing hands can reduce infant mortality by 40 percent in developing countries. So, its soap brand, Lifebuoy teaches children to wash their hands. Unilever has found that its brands with a social mission consistently grow twice as fast as other brands.

**Ravi Fernando**, Operations Director of the Malaysia Blue Ocean Strategy Institute suggested that business leaders pick one of sustainability goals, and embed it into the strategy. Becoming world class in this area could act as a strategic differentiator as, making reference to **Blue Ocean Strategy**, a concept launched at INSEAD, "the future blue oceans are all green", he said.

### **Develop responsible leaders**

Dean of INSEAD, Ilian Mihov highlighted that the goal of every business school should be to develop future leaders that behave in a manner "that is consistent with a positive society - so they bring together performance and human progress".

MBA students agreed that they want to have an impact on this world. Jonathan Martel, a student in the MBA programme at INSEAD, explained that "88 percent of the current MBA students would accept to lower their salary by 50 percent if they could work in a career or a cause they care about." They also want a toolbox for the future. However, as Catherine Tilley, Director of Graduate and Executive Education, Cambridge Institute for Sustainability Leadership at the University of Cambridge noted the difficult task teachers have delivering a packaged toolbox for an unprecedented future where the rules and skills that future leaders need "are related to new problems, things that we've never dealt with as a society and as an economy, in history".

**Doug Baillie**, Chief Human Resources Officer at Unilever, explained that his company is looking for leaders who can think very holistically and make sustainability part of their DNA. He believes there is a need for more transparent, "principle-based

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leaders – leaders who ask themselves the question and continue to ask themselves, not 'can I do this?' but, 'should I do this?'" Leaders' key skills should include authenticity, adaptability, resilience and results orientation. Systematic thinking will be key "to try and make sense of (the complex world) and actually do something to move forward very quickly".

The panel on leadership, chaired by INSEAD Chaired Professor of Ethics and Social Responsibility, N. Craig Smith and participants echoed these sentiments, calling for future leaders to build sustainability mindsets which are triple bottom line (social, environmental, financial), so they can truly grapple with the future of the planet and be relevant in tomorrow's setup. **Rolf Abdon**, CEO of Abdon Mills and on the Advisory Council of INSEAD made an impassioned plea for the younger generation to understand the implications and prepare themselves for the world to come. "The situation is serious. Unless these complex issues are addressed now, there will be social unrest or future deterioration of the environment."

INSEAD Professor of Technology and Operations Management, Luk Van Wassenhove's research has focused on sustainability for some 30 years. He founded INSEAD's Social Innovation Centre and directed it for five years. Prof Van Wassenhove said he was pleasantly surprised by the strongly voiced demand from the participants to fully embed sustainability into INSEAD's programs. He hopes the Deans have also registered this demand and will act upon it. This demand came out loud and clear in the closing panel on what business schools should do.

*Dawn Jarisch is a Research Associate at INSEAD's Social Innovation Centre.*

*The 33rd sustainability roundtable was hosted by **Luk N. Van Wassenhove**, Henry Ford Chair of Manufacturing and Director of the Humanitarian Research Group. The sustainability roundtables are held twice per annum and are open to external participants. Please contact the INSEAD Social Innovation Centre on **S-ROUNDTABLE.Fb@insead.edu** for details of the next roundtable.*

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