Turbulence

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Published by Amsterdam University Press

Kupers, Roland and Roland Mullie.
Turbulence: A Corporate Perspective on Collaborating for Resilience.
Amsterdam University Press, 2014.
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Preface

Peter Voser

In early 2010, as the multilateral world was still licking its wounds from the disappointing Copenhagen Summit on Climate Change, one of my advisors asked me about the evolving global policy and technology agenda and what Royal Dutch Shell’s role as an integrated energy company should be.

In response, I said that we as an innovative company needed to obtain a better understanding of the energy, water, food and climate ‘stress nexus’ by working in partnership with others across sectors and value chains and focusing on small-scale initiatives rather than grand designs.

That answer was based on the insights I had gained in over two years as CEO of Shell. I had engaged with many political, civil society and industry leaders, and several common themes had emerged. One shared concern was and continues to be the broken circle of trust between government, industry and society. The financial crisis in 2009 unleashed a wave of public scepticism in Western countries about banks and invited a host of policy measures. These measures came with spill-over effects for other sectors, including energy, chemicals and manufacturing. One aspiration I shared with CEOs of other leading industrial companies was to remind society of the importance of industry as a generator of real jobs, a funder of Research & Development and a provider of the energy and products without which modern society cannot exist. We also wanted to demonstrate that the people working in these companies have the talent and the commitment to contribute to society and drive progress on the ground, even in the absence of clear global policy frameworks.

In Asia and the Middle East, the attitude towards the energy sector and industrial enterprises tends to be more positive. Companies like Shell are seen as indispensable partners for fostering development and growth, while addressing the main downsides of development: environmental degradation and resource scarcity. Their key challenge is how to fuel and feed a growing population with energy, food and water against a backdrop of urbanisation and improving living standards.

Meanwhile, in Shell, our own experts were indicating that the water-energy nexus was going to be absolutely vital for going forward, either as a fundamental challenge or as a critical success factor, depending on how Shell as a company would respond: it takes water to produce and process energy; it takes energy to produce, treat and transport water; and it takes
both energy and water to produce food. We saw that the water-energy
nexus was going to make itself especially felt in arid regions with growing
populations like the Middle East and North Africa.

The 2010 conversations were the beginning of a new phase of strategic
thinking to broaden the company’s understanding of the linkages and
stresses in the world’s energy, food and water systems, to identify key factors
that make companies, cities and countries resilient in the face of these
stresses, and, finally, to build partnerships to drive progress in these areas.

Shell’s New Lens Scenarios, published in 2013, included more thinking
on energy-water-food, resilience and urbanisation than ever before.
The scenarios were built on several years of joint research with academic
institutions and think tanks. We included water data in Shell’s World Energy
Model, so that Shell’s scenario team can now factor both CO₂ pricing and
water constraints into their modelling, thus contributing to the long-term
resilience of the company.

Working on solutions to address the nexus and increase systemic re-
silience require new ways of working, as these complex challenges cross
boundaries between countries, industries as well as the public and private
sectors. Solving them requires a broad, holistic approach, an open mind and
an understanding beyond our own areas of expertise.

To further foster systemic thinking and collaboration, I convened a small
group of chief executives from a number of different sectors. We wanted to
show that big corporations can make progress even if there is no pressure
from government and civil society to do so. We were like-minded CEOs of
companies that face similar or similar-scale challenges. We quickly found
that mayors of cities are natural partners to CEOs, since their problems are
just as concrete and their solutions have to be just as real. And we like to
work together with NGOs such as The Nature Conservancy (TNC), Wetlands
International, International Union for the Conservation of Nature (IUCN)
or the World Resources Institute (WRI) that have the capacity and will to
look beyond single issues and deal with complexity.

The first CEO meeting was held in Davos in early 2012 and brought to-
gether CEOs with a personal passion, a long-term vision, and a willingness
to drive progress personally from the top. This meeting in Davos led to
the creation of the ‘Resilience Action Initiative’. Since then, we have made
progress, made mistakes and learned a lot. The rest of this book serves as
testimony.

For CEOs interested in driving progress in areas that are unexplored and
where progress cannot be measured in next year’s shareholder returns, I
have some tips:
– Build your narrative carefully and gradually. Don’t give the whole story too early if you can’t make a link to foreseeable benefits. You will need to use lots of psychology.
– Show resilience as a leader – keep pushing it through until key leaders and staff are convinced. At Shell, it took two years, and now senior Shell leaders in critical areas of the company are deploying systemic thinking and resilience methodology in different areas of operation.
– Small pilot projects can be difficult to set up and finish, but they are good for inspiration and encouragement and for creating feedback loops with knowledge work streams.
– Embed new ways of thinking in your overall innovation drive and make clear innovation goes beyond technology.
– Promote integration of thought leadership in these new areas with the brand expressions your people are already familiar with – the synergies will surprise and inspire your people and help you to overcome resistance. (For instance, at Shell, we developed close integration between our resilience work streams and the Shell Eco-marathon and Shell Powering Progress Together events.)
– Finally, be a collaborative leader, which means having the curiosity and willingness to learn, the humility to work with partners whose skills and capabilities complement your own, and the sense to be practical and action-oriented.

Looking back at my years as a leader at Shell, I am more convinced than ever that effective leadership is about having the right balance between focus and vision. It’s not an easy balance to achieve or maintain. The leader of an industrial company that aspires to be competitive had better stay focused on the company’s core skills and capabilities. At the same time, one needs to have the societal antenna to position the company in the cycle of major policy and technology trends, so it can help shape them. The stress nexus is going to be with us for decades to come, as will be the search for resilience. This search will require closer cooperation between companies, cities and NGOs than ever before in modern corporate history. It is satisfying to know that the Resilience Action Initiative has given its member companies a chance to dip into the future and position themselves as active and innovative players, rather than as passive bystanders.

Peter Voser, The Hague, May 2014