

Can an energy mogul talk like an environmentalist?

BP's Lord John Browne

believes passionately in oil and natural gas, but he is determined not to sully the water—or the land or the air—to make hydrocarbon-based fuels available to consumers.

Oil & Water

The world is brimming with people who need energy for lighting, climate control, and transportation; and Lord John Browne wants them to have it. He just doesn't want to destroy the earth while he figures out how to supply it. The group chief executive of London-based BP was the first major oil executive to speak out for cleaner and more efficient fuel while maintaining focus on growth and profits for the firm. Although he is committed to petroleum and natural gas, he is pouring millions of dollars into research on alternative fuel sources. He has set out to prove that oil and water really can mix, at least in the energy field.

A vocal and visible commitment to sustainable development is only one thing that has made Browne an executive to watch. Since being named to the top post of BP in 1995, he has led the company to its current ranking as the No. 3 oil company and eighth-largest business in the world. He has done that partly by guiding the company through a series of mergers and acquisitions, most notably the 1998 merger with Amoco. *Forbes* lists the company's sales at more than \$285 billion.

Browne himself has a global outlook, a wide range of interests, and a dedication to education. He holds a degree in physics from Cambridge University and an MS in Business from Stanford University—along with honorary doctorates from Cranfield University, Thunderbird, and a host of other schools from Europe to Russia. He also serves on the advisory boards of Stanford, Cambridge, and Tsinghua Universities. He is a trustee of the British Museum and honorary trustee of the Chicago Symphony Orchestra; he has served with various national and international business organizations. Knighted in 1998, he was appointed a life peer in 2001.

by Sharon Shinn

Perhaps all the honors and accolades simply reflect his enthusiasm and optimism about the world. In speeches and interviews, Browne constantly emphasizes one message: "Fatalism is the enemy of progress." While he doesn't underestimate the staggering troubles of the new century, he firmly believes they can be overcome.

"Business, because it's a great integrator, can solve some of the major problems of the world," he says. "Health. The environment. Provision of water. The increase in the fertility of crops and land. Reduction of hunger. This is, after all, the noble purpose of business—to participate in and often lead to the solutions to some of these world problems."

Browne recently spoke with *BizEd* about some of the solutions BP is seeking—and how to educate a new generation of managers to think about saving the world.



Now must be a fascinating time to be a CEO in the energy industry. Demand is growing, prices are skyrocketing, and much of the world's oil supply lies in a volatile region of the world. What do you see as your biggest challenge at this moment?

Our principal purpose as a firm always is to provide secure supplies of energy to give people light, heat, and mobility. So far we've been able to do that without interruption, at a scale and a growth rate that matches demand. To continue to meet demand, we will have to keep finding new reserves of oil and gas all over the world, and that's always the biggest challenge.

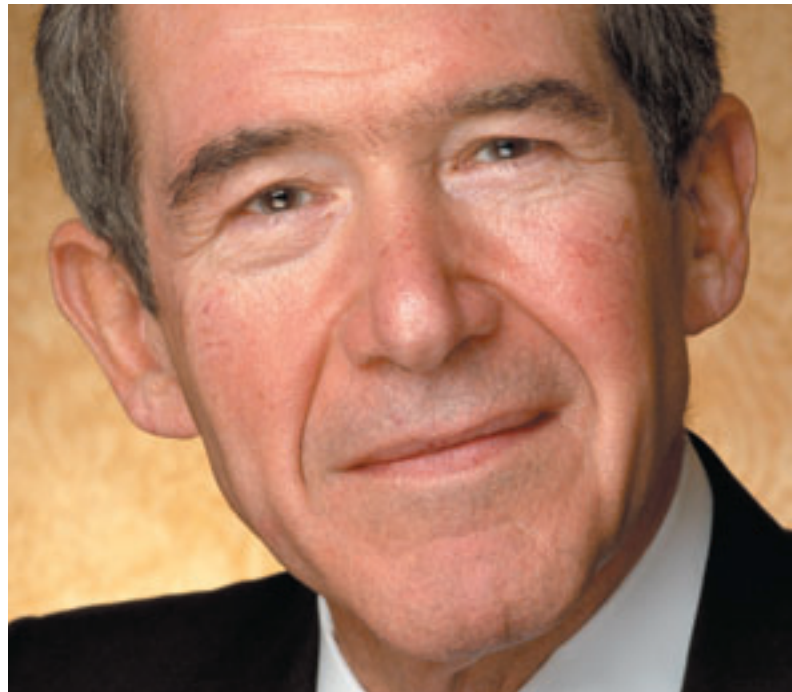
In 1997, you announced that BP would essentially go green. The company began working to reduce its CO₂ emissions, improve efficiency, and take other measures to protect the environment. What led you to become such a passionate supporter of sustainable development?

I think, in any business, you need to be mindful of your customer base. Ideally, you want as many people as possible to have choices; and you want to make sure you have the products, technology, and reputation for trust that will make people choose you over others. But in the energy field, the issue of sustainability says that we also have to think about the locations where we work and how good we are at helping people through the challenges of development.

We also have to be mindful of the environment. It's not a free good, whether you're talking about the earth, the water, or the upper atmosphere. That doesn't mean we can keep the environment pristine or roll back the problems of the past. But it does mean we can supply technology and behave in ways that allow us to reduce the harm that is potentially being done to the environment without reducing the rate of human progress.

That's why I'm passionate about reducing greenhouse gas emissions to the atmosphere. The scientific evidence and the forecasts made on simulation models of the future increasingly show that if something isn't done, there will be an impact on the earth's temperature through manmade emissions. That's not a dead certainty, but the probabilities can't be ignored. People often debate whether the science behind these predictions is absolutely solid. I give the answer that Karl Popper would give: "All science is provisional."

It's a bit like real life. You don't normally take out household insurance after the burglar has been there. You take it out because, on the balance of probabilities, something may happen and you need to do something about it.



A number of business schools are starting to focus on corporate social responsibility and sustainable development, but it's still a largely overlooked field of study. How do you think business schools should teach sustainable development?

I would first say it's very important to study it as part of business, not as separate from business. Students should not be taught a specialist subject on sustainable development that makes it feel like an elective. Because in life, it's not an elective. Sustainable development should be an integrated part of making business decisions.

Personally, I worry about the phrase "corporate social responsibility." While I completely agree with many of the themes behind it, the phrase sends the signal that corporations could be *irresponsible*.

In my view, to do business, corporations first have to understand their purpose, which is always about providing great goods and service so people will choose them over others. Second, they have to do business in a way that offers mutual advantage to the corporation and anyone it comes across. One way is to offer products with better features. At BP, we want to make gasoline go further and have less pollution. In our exploration and production business, we want to use less steel in the platform. When we produce oil and gas, we make sure none of it escapes or is burned up unnecessarily. All of these measures provide mutual advantage. It's very important that these are considered part of business rather than separate pursuits.

BP is investing R&D in solar energy and other alternative energy sources. Is one of your goals to make sure you're in the energy business even if the energy business changes? What are the other benefits?

Oil and gas themselves will last a tremendous amount of time, so we're also doing a lot of R&D on them. Can they be burned more cleanly? Can we recover them more effi-



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ciently? Can we make gasolines that have even less carbon in them by using products that come from biological matter? We don't know the answers to these things yet.

It's certainly true that the mix of energy in the world keeps changing. If you go back 50 years, we were burning a tremendous amount of coal, the use of oil was growing very fast, and natural gas was an unusual fuel that only a few people used. Today, natural gas is growing much faster than crude oil. It's more benign to the environment, it's much better for making electricity, and it's much more efficient. Energy makes changes. And I believe it will continue to make changes for a very long time.

We're looking at all sorts of energies and saying, "It's too early to pick a winner, but there are some areas where we can apply our skills." We're considering a better oil product and better ways of recovering oil and gas. We're looking at what we can do with photovoltaic energy. We're looking at how we can use wind energy. What's the role of nuclear power? What's the role of hydroelectricity? What's the role of hydrogen? What's the role of coal? There are many, many questions that are being asked.

I believe the benefit is simply this: When we look at alternative energy, we remind people that the future is always different from the past. For the future, people want secure supplies of energy, and they absolutely do not wish to harm the environment. No tradeoff, in other words. I believe a company like BP should be able to contribute greatly to solving this problem.

BP does business in more than 100 countries, so you understand the need for a global outlook. Business schools today emphasize globalization, but are they successfully preparing their students for careers in an international market?

You can't prepare for a career in the global market without going to places and experiencing them. Because, however

global the world is, when something happens, it actually happens in a *place*, not a concept. So the first thing to remember is that students need to get the experience.

Second—it cannot be stated too often—every person is different, every place is different, every nation is different, every culture is different. In global business, it's very important to listen and learn. Nothing should be presumed. Presumption can destroy a relationship, and relationships are needed to understand how to do business.

To create the best business globally requires doing business that creates mutual advantage locally. That may be as simple as saying, "I need to change my supply chain to get more local products. To do that, I need to set up some microfinance activity to encourage enterprise; and to do that on a sustaining basis, I need to help people get educated in business principles." It may be as complicated as saying, "To do business here, I need to remediate past environmental problems." Every place is different. There is no recipe, which means students need to go out and get experience.

When I began my career, the place to start was America—so I went to America. If I was starting today, I might go to China or India. I would want to have an experience that would last me a very long time.

The British magazine *Management Today* has several times named you its Most Admired Leader. What traits do you think landed you on this list, and what traits do you admire most in other leaders?

I believe I'm a work in progress, and I'll always believe that, I hope. I prefer to talk about what I admire and emulate in other leaders.

First, I believe that change is a powerful thing in this world. To be effective, you have to keep changing yourself—not necessarily changing your deep values, but what you understand about the world.

Second, I think you need to be open. You need to have a touch of humanity.

Third, you have to be determined. You have to be very clear. If you have an objective, you should get there; but you should be mindful that perhaps the way from one part of the city to another is not a straight line but through some other roads.

I also admire in other people the ability to market great ideas, to communicate in a way that inspires, engages, and aligns people. That's very, very important.

Last year, Columbia Business School awarded you the Botwinick Prize in Business Ethics, which goes to an

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IAN WALDIE/GETTY IMAGES

outstanding business leader who exhibits the highest standard of ethical conduct. Obviously, we've seen a lot of scandals in recent years and many examples of bad corporate behavior. How have you been able to maintain a sense of ethics?

I think first you have to commit to the values of the firm. I don't want to use the word "ethics"—I think it's too narrow. I'm going to redefine the question about how to maintain a sense of integrity.

Behavior is always enhanced by more transparency. That we know for sure. A leader has to set the standard and require that people be transparent about what they do. That's easy when things are successful; but the real test is, can you be transparent when things go wrong?

A leader must demonstrate that there is virtue in being balanced and truthful. I'm tempered, I believe, by the organization. Everyone else looks at what I do, and what my direct reports do, and how we set the tone. I believe there are very high standards I have to adhere to in terms of clarity of disclosure, behavior within the code of conduct, and certainty that there is no conflict of interest—or perceived conflict of interest—in the things I do. If you are a gatekeeper, you'd better make sure people understand how you are keeping the gate.

The other thing I recognize is that we're all frail, me included. This requires you to have a great team. I don't mean sycophants, I mean real people who help one another through difficult times. That's a very important way of making sure behavior is ethical and open, because, as they say, a problem shared is very often a problem solved.

Most business schools today are adding an ethical component to their courses of study. Do you think their efforts will truly lead to more ethical corporations?

An ethical purpose is very important in teaching—but, insofar as is possible, it has to be free of cultural bias. One person's values are not necessarily another person's values.

In a corporate sense, these values are written into a code of conduct which says, "On the basis of these values, we've written a code, an internal law, and we're going to abide by it." The real question then comes down to consequences. How do you judge the actions of a person, and how do you implement consequences if those actions are negative? It's very rare that this is cut-and-dried. It's very rare that people are caught red-handed. It's important to get the organization to understand this, and consequences must be applied in a way that is equitable and uniform. Otherwise, it will weaken the organization.

Again, the challenge is getting people to be open under *all* circumstances. I think these days we're better off in this regard because we have tools and techniques that allow people to speak up without fear of retaliation—hotlines, open talk lines, counselors, law firms. This is very important in terms of keeping people on point. Even if they just think something is wrong, in my view, people should speak up and find out what's going on.

Occasionally, you speak to management students at business schools. What is the message you most want to deliver to these future executives?

I always want to convey how important business is to society, how businesses do good, and how business leaders and executives are good, on balance. Business is behind the starting line in this regard. People don't instinctively trust business executives or business. I always tell students to be humble, but be confident. Out of humility can come strength. Always remember that business has a very noble role in society.

Is there any advice you would give specifically to business students considering careers in the energy field?

I would naturally say, come into the field! It's very exciting, because energy is one of the key fundamentals. Health, water, food, education, energy—these are the things you need. I would tell students to go into the field and see how many different careers they can have.

You've led BP in its quest to become a superpower in the oil industry. You've been the first CEO of a major energy company to publicly embrace sustainable development. What do you think your most enduring legacy will be?

It's too early to write my testimonial, I think. But I hope people will remember that I wanted to use energy in the right way. That I made it possible to supply energy without the tradeoff of damaging the environment. What a marvelous aspiration. **Z**



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