

## Research and Innovation Podcast

**Episode:** All quiet on the biodiversity strategy front: multinational enterprises, value creation and sustainable ecosystems

**Speakers:** Dr Ziko Konwar, Professor Ulf Andersson and Dr Chriss Hassell

[00:00:06] **Ziko:** Hello and welcome to the Research and Innovation Podcast. I'm Ziko Konwar, an assistant professor of international business at Leeds University Business School, and today I'm joined by Professor Ulf Andersson, who's a professor of business studies at Malardalen University in Sweden. Ulf is a fellow of the Academy of International Business and European International Business Academy, and is our incoming Cheney Fellow.

We're also joined by Dr Chris Hassell. Chris is an associate professor of animal biology at the University of Leeds. His expertise is around biological impacts of, and responses to, climate change, ecology and evolution of insects and on global threats to conservation.

The three of us are part of the Cheney Fellowship Project, and today, we're discussing the narratives around business and biodiversity.

A very warm welcome Ulf and Chris.

[00:01:00] **Ulf:** Thank you.

[00:01:01] **Chris:** Thank you.

[00:01:01] **Ziko:** Great. The first question I think is setting the scene here is - how and where do you see the role of business, especially large multinational enterprises, in co-creating value when it comes to environmental sustainability?

[00:01:16] **Ulf:** Well, we know that multinationals can accomplish quite a bit when they are set to it. I mean, that's very much what they are doing in a business sense. And if the MNEs want and need to factor in biodiversity preservation, they will do that in their strategy. I mean, they have the means, they are fast learners. The question is basically "how do we make them want and need this."

[00:01:55] **Ziko:** Okay, that's great. I think that's a good start to how academic research and business and management would view this. Chris, do you have another perspective on how you'd like to see this?

[00:02:08] **Chris:** This is a really interesting conversation from my disciplinary background. It's not a question that we ask ourselves. Too often, I think, in conservation, biology, biodiversity research, the big business is seen as the enemy and the cause of biodiversity decline aligned with land use change, habitat destruction, climate change. The actions of economic actors within - larger economic actors, more powerful economic actors - within biodiverse spaces are often intimately linked with the causes of biodiversity decline.

That said, I'm also aware from the social science side of conservation that there's a great deal of work being done in corporate social responsibility and environmental social governance, valuation in

shareholder value for companies. And so there does seem to be a great deal of interest and energy expended in this space.

I think it's less hard for me as an ecologist to understand the potential benefits because I'm not aware of any clear cut examples of where a large multinational has had that kind of demonstrated positive impact in an environmental context with which I'm familiar.

I do see a role, I can see the mechanisms by which it might be enacted, but I haven't I suppose seen the results of that action in a clear way that would make sense to me as a biologist.

[00:03:36] **Ziko:** Thank you, Chris. And thank you, Ulf. I think this is a great start to the conversation. Ulf, would you think there would be some sort of anecdotal evidence perhaps of co-creating value. I'm sure as we do in our case studies, there are numerous examples, but perhaps do you have anything specific in mind from Sweden or perhaps other part of the world?

[00:03:57] **Ulf:** I mean, I don't have anything on the top of my head where you can say that this multinational has been sort of instrumental in preserving or, I mean, reinstating a habitat or anything like that, but I'm sure there is, I'm sure there is.

But, there is one thing which is important in this whole conversation. And that is that multinationals or business is a means for a human demand of some sort. And it sort of always points to some kind of trade off. I mean, how much of habitat or species distinction can you stand to keep people fed?

I mean, if you draw it to the bottom line. And I think it's not business, it's humans that we have to sort of concentrate on, because if humans who are in business have these in mind and understand better how the activities they are pursuing to fulfill some kind of void has effects and creates voids in a different... then I mean, I think we are on to something which is... I mean, it becomes a choice.

Now, with different perspectives and coming from different angles, I mean, one is fulfilling one void, and that has some negative effects on the other side, but that's nothing. They are not there to think about that, but others are there to think about it. And then you get this, I mean, animosity between different fields, which basically shouldn't be there because in the end, it's us.

It's us as human beings and the world we live in and how we take care of that and still make a good life for us as a species, so to say. That's what it's all about. And I think it should be possible. I mean, it is, it is possible in small situations, it should be possible in larger situations. But how, how to get to that, how to put pressure on or awareness into managers and strategists in business to take this into account. That, I think, is the heart of the question.

[00:06:42] **Chris:** I think also, there's some interesting parallels between the way that businesses think about the services that they offer and the trade-offs involved in their ways of working. It's very similar in conservation biology. Traditionally, in a sort of a colonial sense, what we did was go to biodiverse areas and demarcate places where people weren't allowed to go - this "fortress conservation" as we call it.

We exclude human activity culture. We exclude humans. And that is a place just for animals, plants and other biodiversity. And what that does is, it's in the same way that the caricature of business practice is that it doesn't care about nature. The caricature of nature conservation is that it doesn't care about people.

And what we've learnt to do in conservation over the years is to have a people-centred conservation where the only viable sustainability paths that we have access to are those that bring people with us while we're trying to make environmental progress. And it's going to be exactly the same, I would expect, in business, where you have to bring nature with you as you make economic progress, weaving the two together, to avoid these trade-offs wherever possible.

[00:07:56] **Ziko:** Fantastic. That's excellent. I think this, brings me to three keywords, which sort of popped in my head. The first is a change in the minds or other paradigm shift in the mindset which is saying something. The second is how do we go about dealing with the trade-offs? And finally, we're talking about how do we measure them? So, if I may again, put it out to both of you starting with Ulf first- what would you see as some of the major challenges for multinational companies integrating nature-based solutions into their business models at a very general level?

[00:08:33] **Ulf:** I think, in many ways, it's the same thing as for anything. I mean, if there is a technological shift or anything, the same problems appears in a multinational. I mean, there are differences between countries, regions, and stuff like that. And there are distances and the distance sort of has an effect on how can I understand what they do.

And then you have the differences, which is cultural, institutional kind of things. I mean, it will be equally difficult to sort of introduce a nature conservation mindset into a subsidiary, which is very, very different and distant, as it is to introduce a new business model or a new way of producing things, technologies or systems.

But then again, I mean, multinationals have been doing this for a long, long time, so they know how to do it. And we know, I mean, on the overarching side, of course, that corporate social responsibility, fluffy kind of thing, is also used and implemented in distant and different areas by multinationals. It might not work the same way, it might not be as efficient, but sometimes it's the other way around.

And I mean, we also know that things might very well come from the subsidiary side. So changes in technology, in new products, and ways to do business might very well come from the subsidiary side, so it's not, I mean, pinpointing the centre and think that then everything is going to be smooth.

There are these distance difference problems between the centre and the periphery in that sense. But the periphery could very well be the centre many times.

[00:10:48] **Ziko:** Thank you. Chris, I think we're coming to a very important, interesting and important point in the conversation now, so let's pin it down a little bit more. So Chris, to what extent would you think current academic research in your field are effective at measuring environmental sustainability outcomes in particular? You know, biodiversity loss and decline. And then, we'll move on to Ulf.

[00:11:14] **Chris:** I think this is very relevant to the previous question as well, what the major challenges are for companies, for business interests.

Because ultimately, the challenges associated in my field with the measurement of biodiversity, which is this relatively poorly defined nebulous concept, are far greater than previous challenges around, say, climate, where you can conceive of a set of fairly basic indicators about temperature and extreme events on the one hand and largely greenhouse gas emissions on the other as a driver.

Here, suddenly you have 10 million different species around the world, probably more than that, all doing chaotic things in an interrelated way. And what exactly a general biodiversity indicator might be is going to be very difficult to define in a regulatory context, whether that's formal or informal regulatory contexts by which to generate guidance for businesses.

So from my perspective, I think the academic research needs to look at the needs of particular contexts for business if we're going to be contributing to this. You know, I've seen a lot of jobs advertised like head of biodiversity in banks. And I love that role. I have no idea what they're going to do though. What does that role look like? I mean, their backgrounds typically are ecological, ecological economics often, but ecological. And that opens up a whole new different way of thinking about how we protect the environment, not just as an economic asset, which I think is how businesses like to, and policy makers for that matter, like to think about the environment, but as a more philosophically important resource that we should be protecting, in the same way that we would protect museums and art galleries. In addition to how we protect banks and you know, valuable artifacts of other kinds.

So yes, for me, I think understanding how the measurement and the indicators, the incentives associated with the enforcement of indicators fits together into business practices is the way in which my field needs to get its hands dirty on this important question.

[00:13:27] **Ziko:** And thank you very much, Chris. There's a lot of good stuff in there. So Ulf, what I wanted to sort of press on is this tendency in business and management research and in broader business and management research to use accounting-based measures of investments in ESG, for example some of these measures with a huge heterogeneity in terms of the variables.

So what I would like to ask you is, to what extent would you think that we're missing out by only focusing on these ESG type investments when we try to measure environmental sustainability outcomes?

[00:14:07] **Ulf:** I mean, the big problem is, of course, the relationship between the measurement and the outcome, which is far from perfect to say the least, which is usually the same thing in all measurements.

And, the problem of measurements, although we probably need them in very many ways, but in this particular case is - the minute you set up measurements, the minute you say this is the KPI, this is what you need to do, and this is where we need to see that you are increasing or decreasing or whatever it is, you're setting up a system for manipulation.

I mean, it is an easy thing as long as you earn the money, you can always put the money and say, "look at the figures, we're spending this amount on preservation", but what preservation, how and does it really go there and does the profits, is that actually destroying more than you're preserving?

Of course, we need to have measures and hopefully measures will become better and more precise. But as it is, as it is now, it's very much a little bit like, it's probably better that you have this than don't have it. But we don't have the boundaries when it's too little, when it's too much, and the precision on the outcome.

So we need measures, but we need to be measuring the right thing at the right time at the right place. And that is very, very difficult.

[00:15:44] **Chris:** I agree. I have two thoughts on that. The first is that, yes, as the moment that you have an incentive linked to an indicator, you have corruption of that incentive. And there will be people trying to manipulate.

Plurality of indicators is one way to circumvent that problem. So you have multiple orthogonal indicators that allow you to grasp different dimensions of change, and that makes it more complex. You can have an evolving portfolio of indicators as well, which are updated depending upon how their success and implementation. So that's one thought.

The other point is that I think we really need to be focusing more on the implementation locally. I don't think we're ever going to have a case where we have a single suite that works across all potential multinational enterprises.

I think there's a lot to be drawn from the work on fair trade here, where fair trade was this poster child for how companies signed up to a charter that underpinned how they related to their subsidiaries or their small holders often in an agricultural sense. What's happened though is that the fair trade lobby has lost power and the schemes have been decentralized, and now individual multinationals are setting up their own certifications. And it's not always a bad thing when that happens. You can learn good practice from the multinationals innovating around indicators.

And so I think we need to be conscious, especially from my discipline, which is innately suspicious of big business interests, just culturally, that we shouldn't be trying to impose a single way of working. That there is real collaborative progress to be made if we're open to business input and a sort of dynamic landscape of indicators that's collectively agreed.

[00:17:32] **Ziko:** Fantastic. And then I think this is the sort of penultimate question, but it's a question which is very important. It is about the nature of tensions that Chris has just identified and Ulf has alluded to. How would you think we would go about reconciling some of these tensions in a philosophical manner?

[00:17:53] **Ulf:** I mean, to some extent, the more you would think about it as a philosophical issue, the less of a tension there is. I mean, we are humans, we are a species on this planet. We decide, to a larger extent than any other species, what to do. And, I mean, so far, in many ways, generally speaking, we have opted for welfare and so on.

And that is probably the root cause of most of these things. But we need to become, I think Chris is, is putting it very, very nicely there. We have to become much more local, not necessarily so that multinationals disappear, but I mean, what is good for the environment in Brazil, might not be the same thing as what is good for the environment in Sweden or the UK. I mean, I have an example. I was in Brazil a month ago as, as a keynote speaker and one of the colleagues brought up the sort of focus on electricity and, in particular, electrical vehicles. And Brazil is short on electricity. But they could easily utilize their big oil company, Petrobras, to put up power plants that produces electricity in order to change their vehicles into electrical ones. But I mean, it's the biggest producer of sugar cane. All the cars drive on ethanol. But if all the car manufacturers are going over to electricity, it's going to be much worse in Brazil.

They are already pretty good when it comes to emissions from traffic and cars. The more you push electricity as a big thing, like we do in the EU, for instance. I mean, the less cars that could be driven on ethanol there will be. And the more pollution you will have in Brazil.

So this thing understanding that things look differently in different places is, I think, a key issue to this and understanding that, okay, we have these standardized production processes, we have these things, but when we are there in that particular country, we have to change something. Because otherwise we're making more damage than we have to do.

And if you could just get to that point, the businesses thought about what is sort of the minimum damage we can do.

[00:20:47] **Ziko:** Chris, any thoughts on that?

[00:20:51] **Chris:** I'll pick up on the last thought first because it really interests me that ESG is based around minimizing damage. And that as a framing I can completely understand because if you look at the history of business and exploitation and environmental damage and resource extraction, it is all about reducing the amount of damage you do to the environment.

But all that means is that you have the big tech companies for now, at least, pending a re-evaluation under the AI revolution, being great along ESG, because they don't do any harm because they're up in the cloud and they have data centers. But they're not doing any good. And a pivoting away from no net-loss towards positive environmental progress, I think is one cultural shift that we can look at exploring together across the disciplines.

And I really do feel that there's not a lot of effort needed on the part of business to flip into positivity rather than just trying to mitigate loss. So that's the first point.

The second about tensions more generally is, I think there's various barriers that are concentric, that are stymieing our collaborative potential.

The first is that first conversation, and I've experienced this talking to colleagues in the business school, where I, as a bearded academic working in ecology, am immediately confronted with business colleagues who've been around the block a few times and are saying, "well, you always think this way. You people always feel that way. You don't understand. You just need to go and read some business stuff to veterans", and I would say exactly the same to those colleagues in business. It doesn't take long. It takes about an hour to get through that conversation out the other side, and then you're into the substantive differences, which are these notions of value creation, philosophical versus economic valuation of natural resources, and the trade-offs that are inherent between the value of what's produced by various industries and the costs in terms of the environmental damage that ensues.

And there are ways to push through that barrier as well towards finding the virtuous cycles that will allow us to develop sustainably in the future. And that is where the creative work needs to happen next. And where, while there's a lot of noise being produced, I don't think we're making the best use of the full spectrum of academic disciplines from the fundamental STEM biologists through to the fundamental organizational business, global value research is on the other end of it.

[00:23:20] **Ziko:** Great. Thank you. Excellent. I think we are running out of time. So this will be the last question. What trend do you see? Or what trend do you foresee at the intersection of business and nature in the, in the next 10 years?

[00:23:35] **Ulf:** Well, I mean, there is a lot more awareness and I think that that's where it has to start.

I mean, if you look at a lot of what has been up in terms of CSR, I mean, caring for your employees and, and having efficient, minimal invasive production lines and stuff like that, that, it's very different in different places of the world. And I mean, you can sometimes see that you don't have to go sort of the North/South divide or the poor/rich divide developed/developing divide. You will see that in certain environments I mean, making sure that people understand that you are doing something which is good is more important than doing good. And in other companies and other environments, you will see that they are already doing things which are very good, but they are not advertising it.

So it's part of the normal, this is normal business and normal business is always to think of certain things. And awareness is where we have to, we have to push for that even further because if firms, if multinationals have to and need to think about nature and biodiversity in their strategizing, they will do that.

I mean, it's, it is that easy because, and this is, of course, one of the big problems. The problem comes, there wouldn't be any businesses if there wasn't a demand. And the demand is always from individuals and humans. And that's the real challenge. I mean, how are we going to tell people that, "sorry, you don't have the means to buy this thing". Which is yeah, yeah. Almost philosophical in a sense.

[00:25:45] **Ziko:** And I think that is very interesting because that's the nature of the debate and the narrative that we have to get into. Chris, any thoughts on that?

[00:25:53] **Chris:** Yeah, I think, I have two. I think the first is that I certainly see regulations coming in more tightly. I think that we've got good examples, even if they aren't always implemented well, of how we've addressed elements of climate change. There are proper proposals on the table for carbon taxes, et cetera, which are interesting economic methods, regulatory methods for constraining or shaping business activities in a way that will be more sustainable.

There is a price to be paid, and I think there needs to be a recognition that we have not been paying enough for the amount of environmental damage that we have done. There are many built in costs that the shareholders of large companies have benefited from the rest of the populace paying whereas the companies providing the resource, providing the product haven't necessarily fully compensated, there will have to be a reckoning.

Things should be more expensive and, unfortunately, we just haven't recognized that fact and that's a hard truth, as Ulf says, that we'll need to make clear to people. I think the regulations will enforce that embodied cost to be more surfaced. And you know, good examples of carbon, good examples of the sugar tax, a "sin tax" as we call it, enacted by the conservative government, which has been astonishingly successful.

I think I read a report where the consumption of sugar by UK inhabitants populace has dropped by 30 percent as a result of this tax. Because sugary drinks and sugary food manufacturers have dropped the amount of sugar in their products to avoid the tax without anybody noticing. So little regulations can have substantial impacts. So regulation I think is one big area where I think we could do something quite exciting.

The second is nature focused businesses, nature positive businesses, rather than extractive industries. I think there'll come a time where we'll see a big boom in this. If we're going through the information age now and the growth of big tech and the magnificent seven techs, I think next, perhaps we do see a space for companies that are deriving value from the preservation of the environment rather than from the damaging of that environment.

I don't know what those companies could look like, but you can look to models like Costa Rica and the ecotourism revolution as potential case studies, examples of visions of how that could look in the future, at least in hyper biodiverse countries. So I think there's some exciting opportunities there for the future.

[00:29:04] **Ziko:** Excellent. Ulf and Chris, thank you very much for your contribution. And thank you to our listeners – we hope you found this episode interesting. You can find out more about this project on our webpage – the details are in the episode show notes. Goodbye.

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