

# Leadership of Innovation for Resilience and Sustainability

## Maintaining Focus among Seismic Shifts and Mega Disruptions

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**T**he World Meteorological Organisation (WMO) reports that 2024 was the warmest year on record, climate change indicators reached new highs, and sea level rise and ocean warming are now irreversible. 151 unprecedented extreme weather events occurred, and record numbers of people were displaced by natural disasters. Current growth ambitions will further increase climate and related risks. Future costs of dealing with the results of some choices are likely to rise rapidly. Will directors follow the herd or address realities and grasp nettles?

### Resilience and Sustainability Realities

While some of them may be desirable, prudent and responsible, many current business operations and human activities are neither resilient, nor sustainable. Around the world there is push-back against past attempts to reduce greenhouse gas emissions, phase out fossil fuels, and live in harmony with the natural world. Following the election of climate change denying President Trump in the US, leading international companies have dropped 'green

strategies' and refocused on increasing oil and gas production. The consequences are likely to include exponential increases in environmental damage, global warming and the extinction of species. As final tipping points are crossed, more existential threats may become unstoppable.

Boards operate in a fragmenting, more transactional and conflict-ridden world. The pursuit of short-term national interests takes priority over addressing shared concerns. Governments seek rates of growth that seem unsustainable. Competitors rush to embrace AI, regardless of consequences for energy use and rare minerals consumption. Directors face dilemmas. While innovation is now required, rather than more of the same or incremental change, customers and investors may jump on bandwagons while there is still time, rather than act to mitigate and address implications for resilience and sustainability.

### Following Others or Maintaining Focus

Early and easier sales are often for uses of scarce



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capacity that are trivial in comparison with applications that may require time and effort to develop but could be much more beneficial. Limited bandwidth for satellite operations that might monitor and address environmental challenges is largely devoted to TV, while adoptions of AI that are unnecessary compared with others, result in sky rocketing energy demand. Should boards join lemming like rushes to boost sales regardless of their negative externalities, or should they address existential threats and maintain focus on resilience, sustainability and our collective survival?

While evidence accumulates that many corporate green initiatives can have environmental and sustainability benefits, there is a risk that more boards may jump on the bandwagon of push back against them. Will they save current costs by culling them rather than redoubling efforts to achieve Paris agreement targets? Some companies have changed direction and ditched previous renewable and

climate change policies. Their costs have been questioned, and boards try to avoid their companies being at a competitive disadvantage. Reigning back green ambitions can postpone the costs of stopping operations with negative externalities.

### Seismic Shifts and Mega Disruptions

President Trump's relentless pursuit of America first policies, regardless of consequences for others, has marginalised some countries and transformed the prospects of others. Threats, actions and mercurial changes have exacerbated divisions, sown anxiety, left governments confused and uncertain of how to respond, and alienated previous allies and former friends. Moves to exploit vulnerability and dependency appear unconstrained by past loyalties, shared values, ethical values or moral principles. Trump has signed an executive order to pause enforcement of the Foreign Corrupt Practices Act to prevent bribery of foreign government officials, increasing the inducements and tools US companies could use to obtain contracts.

US withdrawal from certain international organisations could preface a wider decline of multi-lateral arrangements and lead to even greater emphasis upon national self-reliance. What might this mean for the security and defence of small countries in the face of evident desires of certain authoritarian states to expand their spheres of influence to past levels? Hard ball US tactics against Ukraine, its marginalisation of former European, NATO and other allies, in favour of direct contact, rapprochement with and diplomatic support of the Russian Federation suggests a 'switch of sides' from liberal democracy to authoritarianism.

### Global Uncertainty, Insecurity and Rearmament

The abandonment of Ukraine, a victim of an unprovoked and illegal invasion to eliminate it as an independent sovereign state, has already triggered alarm bells across Europe. Several countries and victims of hybrid warfare fear they could be invaded by an emboldened and autocratically controlled Russia with its economy on a wartime footing. Various governments and the EU have announced intentions to ramp up defence budgets and build up domestic armaments sectors. Around the world we may see a switch of resources urgently needed to combat climate change and other existential threats to rearmament programmes.

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Defence sectors, technologies and infrastructures are becoming higher public spending, productivity and innovation priorities. Hot wars have speeded up innovation in both attack and defence, especially in the use of drones and UVs. National defence and survival, the protection of borders, and territorial integrity have the first claim upon many budgets, resources, capabilities and manpower. Renewal and relocation of community infrastructures and climate mitigation measures may be starved of funds in comparison, leading to diminished resilience and increased vulnerability. Should innovation in dual and multiuse technologies now become a priority?

### Innovation and Looming Challenges

Declining fertility in various parts of the world will lead to successive waves of ageing societies with fewer younger people to look after those who are older and in need of help. Affordable support services that are economical in their use of finite resources is an obvious arena for socially beneficial innovation. Access for poor and marginalised communities will depend upon the creativity of solutions. Despite push back against net zero drives, green initiatives and an emboldened fossil fuel sector, the science remains unchanged. Extreme weather events look set to become more frequent and destructive, with areas

becoming uncomfortably hot and uninhabitable, and food insecurity increasing at an accelerating rate.

Innovation is required to deal with the consequences of looming challenges, including mass migrations. Strategic decision making has been complicated by uncertainty from one day to the next about what President Trump might do and how previous relationships could be disrupted and past assumptions invalidated in multiple arenas. Opinions among board members and corporate stakeholders may become more starkly divided. Shorter term opportunists might favour going for it during their lifetimes and while there is still time. Realists may take a longer-term less self-interested view and favour doubling down to address the global risks and existential threats we collectively face.

### Revisiting Board Leadership

Prudent and responsible leadership might sometimes seem uneventful in comparison with dramatic actions that stir things up and grab headlines. Caution, the balancing of contending interests and constraints of values and multiple environmental considerations may feel onerous and limiting, compared with the simplicity of pursuing self-interests, pandering to core supporters and exploiting current advantages and vulnerabilities of others. A narcissist may want to exert influence, exploit power, or slight and wrong-foot others.

Promoting the longer-term success of a business is not a game of cards. Relationships and trust that have taken years to build can be quickly lost. Measures that impose unwelcome burdens, costs and disruptions upon others and the environment can lead to alienation, ill-will and long-term distrust. Directors should think through the implications and consequences of proposed actions before imitating others and jumping on bandwagons. This month's UAE global convention represents an opportunity for directors to discuss with their peers how to cope with seismic shifts and global disruptions and what they mean for innovation priorities. ■

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holds a portfolio of leadership roles and is IOD India's Director-General, UK and Europe. He has advised directors and boards in over 40 countries.