



Facing up to our global challenges in a volatile, uncertain world

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Jorma Ollila was appointed Chairman of Royal Dutch Shell effective June 2006. He started his career at Citibank in London and Helsinki before moving in 1985 to Nokia, where he became Vice President of International Operations. In 1986, he was appointed Senior Vice President Finance and between 1990 and 1992 he served as President of Nokia Mobile Phones. Between 1992 and 1999 he was President and Chief Executive Officer of Nokia, and from 1999 to June 2006 he was Chairman and Chief Executive Officer; he continued as Chairman until May 2012. Mr. Ollila was born August 15, 1950, in Finland.

The world faces tremendous global challenges in the decades ahead, during a period of increased volatility and rapid change. In this speech, Jorma Ollila says the “triangle of trust” between government, business and civil society, which helped us tackle the great issues of the past, is in dire need of repair. The future challenges the world faces are complicated, global in scope, and will require far more collaboration between government, business and civil society than we see today. Ollila provides some thoughts on the role businesses can play in restoring the triangle of trust.

We are here tonight to celebrate the excellent work of this year’s six finalists for the Business Book of the Year.

I have always admired authors. It takes a heady mix of self-confidence, faith and risk-taking determination to write a book. No less of an authority than John Steinbeck once said, “The profession of book-writing makes horse-racing seem like a solid, stable business”.

Indeed, the decision to write a book is almost always a gamble. There is no guarantee your words will be published. Even if they are, there is always the fear your book will quickly end up in that most humble of literary destinations: the discount bin at Wal-Mart.

Fortunately, tonight’s finalists need not fear the discount bin. All have done a masterful job of accomplishing the award’s goal of “providing compelling and enjoyable insights into modern business issues”.

As one of the judges, I must confess this was a most difficult decision. All are deserving of this recognition. As I considered my decision, it occurred to me that unlike so many popular business books of the past, these books focus little on strategies and how to lead.

Instead, each in its own way addresses the difficulty of dealing with a rapidly changing world. Some common themes were the interactions between business and society, and how to balance our social values with a well-functioning market economy.

When I speak here of a rapidly changing world, I’m talking not only about the business world, but of the larger world around us. Whether we are addressing technology, the economy or our political institutions, the rapid pace of change is forcing us to consider new ways of dealing with the global challenges ahead.

That is what I would like to discuss tonight.

How do we manage these changes and effectively address our global challenges? How do we balance society’s needs with business needs? And can our political institutions address the big issues of the day in a rational, intelligent way?

Perhaps that last one is not a fair question to ask in the final week of a presidential campaign!

It does seem politicians at times debate the wrong questions. And they tend to avoid action on the toughest issues, particularly in an election year. I can assure you this, unfortunately, is not just an American phenomenon.

There clearly are major global issues we need to begin addressing soon. But before I go there, it’s useful to take a look at where we are.

The state of the world

We have entered an era of far greater economic volatility and cyclicity. This, in turn, is generating more political volatility and the perception of greater investment risk.

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To use a popular cliché, this is “the new normal.” It is a lot like this unpredictable weather: You never know how bad it’s going to get, so you had better be well-prepared for the next big storm and not take any undue risks.

We have been through the deepest global economic slump in 70 years, which has tested the resiliency of our institutions and of capitalism itself. It’s a bit surprising to realise that August marked the fifth anniversary of the crisis in global financial markets. Five years and we are still quite far from a full recovery.

In fact, the global economy remains surprisingly weak. One reason is our economy has evolved into an increasingly interdependent system – a system in which domestic policy, even in the largest economies, is shaped by global developments.

In addition, slow growth and high unemployment in much of the world have contributed to more divisive politics. And that, of course, works against more cooperative regional and global solutions.

In the short term, the world faces three big political uncertainties:

- The euro zone crisis;
- The transition of power in China;
- And the United States election.

On top of that, we have the ongoing volatility in the Middle East and North Africa, where the political uncertainty continues to affect the global economy.

So that is the state of our world at the moment:

- A painfully slow recovery;
- Businesses sitting on a large amount of cash, reluctant to invest;

- And a lot of uncertainty and pessimism ... driven in part by an increasingly divisive and paralyzed political culture.

Have I depressed you yet? I do promise to share some optimism in a moment!

But it is important to acknowledge the way we are dealing with our regional and global problems generally is failing. We seem increasingly ill-equipped to deal with change and the big issues of our day.

In the past, there was effectively a “triangle of trust” between government, business and civil society, which helped us tackle the great issues. Today that triangle of trust is broken.

The quality of interactions within the triangle has been steadily declining for years, and it is time we come to terms with that fact.

For the future challenges the world faces are complicated and global in scope. They cross borders. They potentially affect all of us. They will require far more collaboration between government, business and civil society – not less.

For example, how will we transition to a more sustainable energy system while meeting growing demand? How will we reduce CO₂ emissions to avoid the worst effects of climate change? How will we avoid overstressing our resource systems – including water, energy and food – as we add another 2 billion people to our population by mid-century?

New approaches

Long-term, there is no easy answer to these questions. But we have some choices to make now, and we know the turbulence ahead will only worsen the longer we delay action.

New approaches are needed. We need to find ways to get past the political and economic paralysis that is thwarting progress.

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Some even argue that in a more turbulent world we need to lower our expectation for continuous economic growth. They say it is unrealistic to expect ongoing economic growth, because productivity growth could very likely decelerate over the next century.

I'm not sure I buy that. But change and volatility do tend to cause us to question many of our assumptions, which is good.

Amid all this pessimism, I do believe there is reason for optimism.

It is important to remember this: We are facing some of these issues only because of the unprecedented progress the world has made through globalizing the economy over the past few decades – progress that has seen an estimated 2 billion more people rise into the middle class.

That is a tremendous achievement for humanity and shows what is possible.

In addition, the democratization of information and communication technology, such as the rapid spread of the mobile phone, is changing lives on a global scale – especially in developing countries.

So how do we deal with this new environment? How do we begin to mitigate the increasing stresses this progress is generating, while still growing the global economy? And how do we build a global movement for change so we can actually make progress?

I am afraid I don't have all the answers. If I did, I might be one of those politicians running for office! But I do have a few thoughts.

In a volatile world, there's a greater need to develop "resiliency" into our systems. By that, I mean the capacity of business, economic, political and social structures to adapt and grow in the face of change and volatility.

Businesses and governments that excel in the future will do a better job developing options to deal with unanticipated crises: From political upheavals to natural disasters to technological change.

To address the trust issue, we need to be more transparent in how we operate. The need for business to listen is far greater today. We also need to do a better job of explaining what we do and why.

Transparency in Alaska

Here's an example of what I mean: As you may know, this fall Shell began initial exploratory drilling for potentially vast oil and gas resources far below the shallow waters off Alaska's coast.

I was up there just last week. And I can tell you first hand, this is a region of tremendous beauty, opportunity and extremes: an extreme environment, with extreme resource potential and extreme oversight.

To deal with the environmental extremes, we are utilising our technical know-how and the latest drilling and spill-prevention technologies. Our preparations have been unprecedented. Our Alaska plans are arguably the most heavily scrutinised in our industry's history, and our actions are being closely watched.

Alaska's remoteness and sensitive environment warrant extraordinary precautions. So does the proximity of indigenous peoples who subsist off the land and water.

Just as important as our technical preparations, is the way we have behaved as a company. We recognized early on that it was critical to listen and learn.

Over the past several years, Shell took part in more than 500 meetings with people and organisations in Alaska to better understand and address their concerns. Through these discussions, we learned a lot. And we changed our plans.

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For example, we cut our drilling programme in half over concerns we were moving too fast. We committed to leave the area during the drilling season while Alaska Natives conduct their whale hunts.

By simply being open about our plans, by being respectful, by listening and responding, we have gained the support and trust of the people who will be most affected by our development, including some who initially opposed it.

Role of business

I also believe business needs to take a larger role in exploring new forms of partnership and collaboration, with governments, with interest groups and NGOs, and with businesses outside our own industries.

There are several reasons why this makes sense. First, government agencies and elected officials are constrained by their jurisdictional boundaries and short election cycles.

Second, industry generally has a longer-term view and a more international perspective and reach. In energy, for example, we often make large investments that can span over 30 or 40 years.

Third, each business and industry tends to have a limited focus on its role within the overall economic value chain. So partnership and collaboration among businesses is also essential.

This mismatch in boundaries and time frames between industry and government inhibits progress in responding to change and dealing with our long-term challenges. The regulatory capability of the public sector also could benefit from the private sector's technology, innovations and project skills.

So it makes sense to develop more effective ways to bring these parties together, to create new forms of collaboration that are integrated and influential.

Again, there is reason for optimism. Some work already is under way to create new forms of collaboration that could restore the triangle of trust.

For example, there has been an ongoing dialogue about one of the issues I mentioned earlier: the challenge of effectively managing our energy, water and food systems as we add 2 billion more people to the global population by 2050.

Our industry uses a lot of water to produce the energy we develop and the fuels and chemicals we produce; utilities use a lot of it to generate electricity. This will increasingly become an issue as the world's demand for water grows with the rising population and ever-larger cities.

It's also a big issue for the food and agriculture industries. That's because an even larger amount of water is needed to grow and get the food we eat to our tables.

At Shell, we've been working to understand how the world's energy and water systems are interconnected. Our goal is to do a better job of developing energy resources in ways that limit the impact on the water system.

Recently, we have brought together a small group of CEOs who have committed their companies to joint projects that may demonstrate what can be done to mitigate these kinds of resource stresses. The idea is to find practical ways to make local economies and resource systems more resilient.

What is interesting about this initiative is it involves companies from different industries, not just the energy industry. We want to identify what works, then replicate it elsewhere and create new business opportunities.

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We recognise actions are more persuasive than mere talk, which is why we have not really talked much about this initiative yet. It is still in its early days, and we want to wait until we have some positive results.

Another example of an effort to rebuild trust within the triangle is the Energy for Society Principles. This is an initiative of the World Economic Forum to help accelerate the effort to meet our future energy needs by restoring society's confidence in our industry.

The goal is to focus our industry around a set of principles to foster open and transparent communication, to increase understanding and more collaborative action. Shell CEO Peter Voser and 19 other energy company CEOs around the world have already signed on.

In the big picture, these are relatively modest efforts. But perhaps it is the accumulation of collaborative efforts like these, which cross traditional boundaries, that will grow into a movement and larger-scale success.

In fact, this "bottom-up" approach may be more viable and build more momentum in the long run, given the obvious failure of ambitious "top-down" approaches in recent years.

One final thought I'd like to add: If we are going to meet our future global challenges, leaders in both business and government will need to develop certain critical traits.

The old ways of doing business and governing are unlikely to get us where we

need to go. In this new era, leaders need to be humble enough to want to see through the eyes of others, and understand what drives them.

They need to be wise enough to recognise their success depends on accommodating the interests of others. They need to be far-sighted enough to distinguish trends and real disruptions from everyday volatility. And they need to be resilient enough to tackle the inevitable challenges of a turbulent world.

My guess is those who succeed in this regard will likely be the subjects of award-winning business books in the future.

In conclusion, we in business need to be willing to experiment more and accept that at times we will fail. We need to accept that some ideas by themselves will not generate profits immediately.

And we may need to move forward on promising initiatives even without the proper policies and incentives in place.

There is a great opportunity for global business leaders to restore the trust necessary to address these global challenges. It is also our responsibility to help address these issues, to help break through today's gridlock so we can continue mankind's long march toward greater prosperity.

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