

## The Relationship Between Business and Society

An Interview with  
Lord John Browne, Executive Chairman, L1 Energy

**EDITORS' NOTE** Lord Browne joined BP in 1966, became a member of the board in 1992, and was Group Chief Executive from 1995 until 2007. He has served on the Boards of Intel, DaimlerChrysler AG, Goldman Sachs, and SmithKline Beecham. He is the Chairman of the Trustees of the Tate Galleries in the U.K. and the QEII Prize for Engineering. He is also the Chairman of the International Advisory Board of the Blavatnik School of Government at Oxford University. Lord Browne holds degrees from Cambridge University and Stanford University, as well as numerous honorary degrees and fellowships.



Lord John Browne

**COMPANY BRIEF** L1 Energy's ([l1energy.co.uk](http://l1energy.co.uk)/l1-energy) ambition is to build a new world-class global oil and gas company. It will do this through acquiring and then developing a portfolio of several regionally focused platforms. The company's access to permanent capital means that they can make acquisitions that generate superior growth and returns over time. Currently, L1 Energy manages a 100 percent interest in Dea. Their deeply experienced team works closely with the management of the companies they invest in to provide strategic expertise, deep sector knowledge, and clarity of purpose. Their priorities are operational excellence, value creation, and the pursuit of five core values: safety, sustainability, community, transparency and ethics, and respect for employees.

**Your book is titled *Connect: How Companies Succeed by Engaging Radically with Society*. Would you talk about how the idea for it came about?**

This book has been in my head for probably 15 years, but it has taken me time to figure out what to say. It was the reaction to the global financial crisis that pushed me to write it.

It's about the relationships between business and society. We wanted to see how long business and society have had a fractious relationship and we found that even as far back as 100 BC, in Ancient China, the relationship was strained. The book tracks this relationship through the good and bad, be it Johnson & Johnson, Hershey's, Enron, and others.

My point in the book is that the relationship with society needs to be integrated into the business, and if this is done well, more money will be made.

**Are leading companies going this route?**

The advent of corporate social responsibility (CSR) has put on the agenda the idea that companies have to invest in society to create a sustainable company. We found that great companies weren't just doing transaction after transaction – they thought about things in the long-term, and they

had a real purpose to produce goods and services that society wanted and needed immediately. CSR was developed in that way, but it has been degraded and has been semi-ignored by CEOs and boards.

Without this clear engagement with society, it's very easy for a company to lose sight of its purpose and to focus solely on maximizing profits to the extent that the law allows.

The purpose of a company however, is not simply to produce profits but to produce goods and services that serve people, are of high quality, and to make sure they are aware of their impact on society.

My idea is not entirely to kill corporate social responsibility; what I propose is that businesses think about how a better bond can be built with society.

**Do you feel a company's purpose needs to address societal need?**

It is certainly a company's responsibility, but it is also part and parcel of being a company that is resilient to shock and sustainable for the future. One has to be part of society to be wanted by society, and most great companies think about not just profits and growth but how long they can keep going. Lengthy horizons are only enabled by having the right relationship with society.

No company is without flaw but great companies build reservoirs of goodwill through their relationship with society, which they can then draw upon to get through a crisis.

**Are CEOs today able to focus long term and make those commitments when there are so many short-term pressures?**

I believe so, but the strategy and expectations have to be very clear.

People need to recognize they're investing in a long-term instrument. If you approach investors with a genuinely cogent and convincing

plan, say you're going to do things properly and efficiently using the best technology, and that you're going to do this for the long term, not all but many investors will come with you.

A company that gets into a weak position is subject to investors changing their minds or, more importantly, having activist investors change how management works. If a company is in a strong position with a clear view of the future, then investors will stay the course.

After all, equity markets are good places to be and great companies do better than bad companies.

**Do you prioritize stakeholders or are you focused on everyone at once?**

Most of the time, a company will deal with everyone at once. An enduring principle is first to engage the team internally because without that, performance will be poor. It's all about inclusion and reducing boundaries, which is the single most important internal mission of any leader. It's also about how to get people to believe that they're all genuinely respected. When one does that, people perform at an enormously high level.

Externally, you have to engage people on a different basis in different places, and that's very complex.

**What is a board's role in all of this and what do you see as the key characteristics that make a truly effective board today?**

Boards catalyze the thinking of executives and keep testing them to ensure they're thinking about things on a sufficiently long-term basis, and that they've thought about all the people that are being affected.

The fact that something can be done doesn't mean it should be done immediately. The board should take a wide, long-term view of the reaction of society.

Also, a board has to measure the reservoir of goodwill that has been built up.

**Has the culture changed to where the CEO is no longer so closely affiliated with the brand?**

The CEO should be a face of the brand, not the face of the brand. The role of leadership is to inspire and open people's minds to the possibility of them being able to do things they could not have conceived of doing themselves.

That said, the global financial crisis of 2008 has changed the culture somewhat. CEOs have, necessarily, become more cautious and focused on compliance, risk, and the downsides to their strategies. ●