



Book Review

Management Learning

1–3

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Kaija Belfry Munroe, *Business in a changing climate: Explaining industry support for carbon pricing*, University of Toronto Press: Toronto, ON, Canada, 2016. 151 pp.: CA\$37.50, ISBN: 9781487500559

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Business in a Changing Climate by Kaija Belfry Munroe is a timely, informative and highly applicable book about the complexities of the business community's engagement with policies to mitigate the effects of climate change. Munroe carefully examines 13 industry associations in Canada to reveal how, contrary to what is commonly expected, many businesses prefer an enforced policy of carbon pricing to voluntary efforts and agreements. *Business in a Changing Climate* demonstrates how policies within and between sectors to address the growing climate crisis can take into account mixed motivations and achieve collaborative and constructive results. Based on interviews as well as publicly available economic and other data, Munroe's book offers the first in-depth account of the processes by which the Canadian private sector expresses, negotiates and arrives at collective preferences with regard to climate policy.

A major area of climate-related initiatives and policies for the past two and one-half decades since the UN Rio Summit of 1992 has fallen under the heading of "emissions trading." The set of measures and schemes under this umbrella seek to assign monetary value to pollutants and especially to the greenhouse gases and principally to carbon dioxide. Popularly known as "cap and trade," most emissions trading frameworks focus on carbon credits that are limited in number by the government or an internal industry agreement. Limits are determined in part by historical averages for industries and individual businesses. In this scheme, participating businesses hold permits at least equal to their pollution levels. Participants ultimately can choose to reduce their own emissions, sell permits corresponding to pollution above their actual levels and/or buy up available credits (permits) from other participating businesses if their actual levels exceed the permitted amount.

One of the frequently touted appeals of such a system is the retention of control by business even within parameters that may be set by government. Moreover, many environmental organizations have expressed support for such a framework as economically feasible. Within such emissions trading frameworks, there remains controversy over whether the best quantitative measures are quantity, pricing, or a combination of the two. There are examples of emissions trading frameworks around the world and at state and regional levels in the United States. The strongest criticism of cap-and-trade policies is simply that they are too limited in requirements and expectations given the acceleration of climate destabilization and the need for dramatic cutbacks in emissions. The goal is to mitigate climate change; not just make a policy that is acceptable to industry. The global impact of climate policy leaves no hiding place for neutrality by industry managers, and thus Munroe has picked a rich vein to mine.

Munroe's analysis of industry responses to carbon pricing in Canada is historically situated yet focuses on the period since 2008, when Canada's National Roundtable on the Environment and the Economy called for a broad-based emission price policy. Despite expectations to the contrary, there was not widespread negative reaction on the part of business to the announcement and, in fact, two of the largest business associations, including the Canadian Association of Petroleum Producers, expressed support for the emerging policy framework. These reactions provide the underlying research question for Munroe's investigation.

Chapter 1 of *Business in a Changing Climate* offers a helpful overview of the Canadian business and economic contexts, especially evolving stances by industries toward climate-change mitigation policies and initiatives. Chapter 2 summarizes relevant academic, practitioner-based, and popular (e.g. news commentary) literatures. Notably, in addition to cost-benefit assessments, Munroe explains what she calls "a relational paradigm." Under this heading, the author considers how businesses and industries take into account not only their relationships with one another, the government and other stakeholders, but also assessments of what risks—for example, in not supporting a pricing policy—might entail for the future. In this way, business "calculations" are treated as far more sophisticated and sensitive to other actors and possibilities than assumed in most accounts of dominant private-sector positions toward climate policy. Chapter 2 concludes with five interesting and empirically supported propositions about business preferences for climate-change policy initiatives, considering factors and implications other than traditional cost-avoidance. Among these propositions is one that references the peer group of business leaders in terms of current "leading" ideas.

Chapter 3 of Munroe's book lays out her interview-based methodology and begins to build an explanatory model that includes taking into account multiple parties and seeking advantage for the long term. Chapter 4 is structured around a chronological analysis of public opinion and governmental policy from 1988 to 2016. Chapter 5 zeroes in on 2006–2007 with respect to business'—and especially energy industry's—realization that they needed as much certainty as possible in long-term investments and therefore would be more amenable to a predictable even if somewhat costly emissions framework. Chapter 6 assesses direct and indirect advantages to certain industries, including forestry and railways, respectively, from a national carbon-pricing policy. Chapter 7 emphasizes the experience and, more precisely, the familiarity of an industry with a policy instrument.

Chapter 8 finds that key managers' ideas are less influential on industry stances toward climate-mitigation policy options than previously hypothesized. Specifically, the author did not find corroborating evidence for anecdotal claims about individuals' own preferences guiding the process of arriving at industry positions. However, assessments of short-term versus long-term risks figured prominently in managers' personal as well as their companies' official stances. The author notes that experience plays a large part in these stances and suggests five patterns of professional experience that may be predictors of policy conclusions. For example, a "firm [which] had previous experience with a carbon-pricing instrument ... but would gain no apparent advantage from either cap-and-trade or carbon tax" will stay with what they already know. Patterns are interesting in that can be seen to depersonalize decisions; that is, patterns happen. In that sense it's like machine learning, an observation of what is, without questioning if it should be. The book's moral neutrality is admirable. It maintains its focus on communication and decision-making rather than moral theory. Still, industry managers are moral agents as well as agents on behalf of shareholders, and this use case could be mined from the point of view of agency. Munroe's suggestion that "further study is needed to determine how firms' [managers'] decisions on addressing the climate change issue are made" acknowledges that this is beyond the scope of this book, and understandably so. Still, such "further study" would necessarily bring the moral dimension into the light. The interaction

between personal beliefs and professional policy conclusions ultimately is a moral one for the manager/agent.

Munroe's analysis concludes in chapter 9 with a stress on the complexity of industry motivations and positions with respect to environmental policy in general and climate policy in particular. Ultimately, the book ably demonstrates how perceptions and calculated assessments of cost, risk, relationships, and the future contribute to industry positions. The author calls for similar studies in other countries as well as further investigation of the roles of investor and other stakeholding groups' roles.

Business in a Changing Climate offers a careful and penetrating look inside business engagement with climate change. It is a fine example of scholarship that is highly readable, relevant, and concisely presented. One imagines that the content gathered from her 60 interview subjects and her many cited references this book could have been treated in many more pages, but it is hard to imagine that more words would improve an already excellent volume. The book provides illuminating and valuable reading for leaders and change agents in all sectors as well as for academic researchers.