

FUTURES OF SUSTAINABILITY¹

Corporate Responsibility, Emerging Challenge for the Business World

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In *When Good Companies do Bad Things*, Peter Schwarz and Blair Gibb have noted, on the basis of their own experiences with companies, that they usually fail of being responsible for the a number of reasons [2]. First, they may fail (or are unwilling) to create a culture that tolerates dissent. Secondly, they focus exclusively on financial indicators of performance, thus leaving easily out those signs that show, for example, flaws in stakeholder relations. Thirdly, they discourage people from thinking about their work in a holistic way, thus creating a spirit of ignorance. Fourth, they talk to the same circle of people and information sources all the time and avoid those who disagree. Fifth, they let their commitment to a particular project or product overwhelm all other considerations. And sixth, senior managers consider ethical or social issues as matters for somebody else to resolve.

All these signs point the way to the new emerging social and economic structure that requires new ways of understanding the social role of companies. Ex. CEO of General Electric, Jack Welsh, has put in this way:

“I’ve always believed that the greatest contribution a business can make to society was its own success, which is a fountainhead of jobs, taxes, and spending in the community. I still believe that – but I don’t think that is enough anymore. And I don’t believe that even generous financial philanthropy on top of that prosperity is enough. In these times, companies cannot remain aloof and prosperous while surrounding communities decline and decay...” [2]

What happens is, I believe, that we are witnessing the last decades of era of industrial societies and entering slowly to something else that may be called network society where the driving force that may change our way of production and consumption is social and economic dematerialisation [3]. The future may indeed weigh less, because it is in the interests of producers and consumers alike that products become smaller. This usually serves to increase the usability of the products as well. A weightless economy may also entail an explosive growth of information flows, of networks, and also of a new kind of insecurity, a world in which changes often come rapidly and without warning.

In this world, the new and absolute minimum standard for corporate managers will be based on actual performance and accurate reporting of corporate capabilities. As Elliot & Schroth note, this is a management science and discipline that is possible, but largely forgotten in contemporary corporations. The capability for increasingly serious economic disasters means that companies that lie are the equivalent of economic terrorists in our midst [1]. In addition, the ability to conduct constructive dialogues with various stakeholders will become a crucial competence for companies. Moreover, because of pressures from enlightened consumers,

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companies will have to create their own ambitious environmental programmes, regardless of the state of environmental legislation of a particular country.

Eventually, the challenge to the corporate world is that its acceptance of responsibility should match the spread of its influence. And this influence is taking place in the world that is increasingly globalised and fragile and that suffers from increasing social and environmental pressures. When this is fully realized in the corporate world, it actually means that that we are leaving the Age of Regulation and entering the Age of Responsibility.

Let's make this argument clearer by having a short look at some of the global economic, social and environmental trends for the next 15 years, that require corporations and governments considerable increase of their awareness on issues related to corporate responsibility. These trends were strongly issued by Autumn 2002 in World Summit on Sustainable Development in Johannesburg. By screening these trends against the possible political solutions suggested in Johannesburg, particularly in its Plan of Implementation [4], we should be able to see, why we need pass our societies, and our corporate world in particular, to the Age of Responsibility.

From the viewpoint of outlining future alternatives, the expressed goals of the Johannesburg Summit can in fact serve as the foundation for a possible future scenario, albeit not currently the most probable one. A world where poverty has been drastically reduced by half, where access to clean drinking water is markedly improved, where the relentless felling of forests and the depletion of biodiversity have been stopped, where energy production relies on renewable resources to a much greater extent than at present, where unjust structures of trade have been dismantled, and where development aid has increased in absolute terms and become considerably more diverse than at present. In other words, a world where things measured by most standards are considerably better than at present, and which would be based on a New International Order. We may call such a scenario World Number Two.

For we need to set this scenario against another, World Number One. This scenario is one where current trends continue and even escalate by 2015. It is against this scenario that the potential for realising World Number Two must be examined. In what follows, I shall examine future trends relating to the possible realisation of both World Number One and Two from three thematically different vantage points, with special reference to the driving forces behind them [5].

- Population growth, ageing, and migration
- Imminent environmental crises and crises in food production
- Deepening globalisation of the world economy

I believe it is clear that none of these trends alone occupies a dominant position in the formation of the global future in these scenarios. The effect of the trends varies by region and by country in each of the scenarios. We should also note that these driving forces do not necessarily reinforce one another, but often pull in different directions. The question is, ultimately, how and under what conditions can we "insert" a World Number Two, one that follows the spirit of Johannesburg, inside World Number One.

Population Growth, Ageing and Migration

According to recent estimates by UN and US Bureau of Census, the population of the earth will grow from currently over six billion to 7.2 billion people in 2015 (Figure #1). We should note that only one million of the total global increment of 83 million in 2000 happened in the industrialised world. In some countries, such as Italy, the population is actually decreasing. The affluent industrial countries also suffer from a considerably ageing population. This will in the next few decades have a dramatic impact on the dependency ratio in many countries.

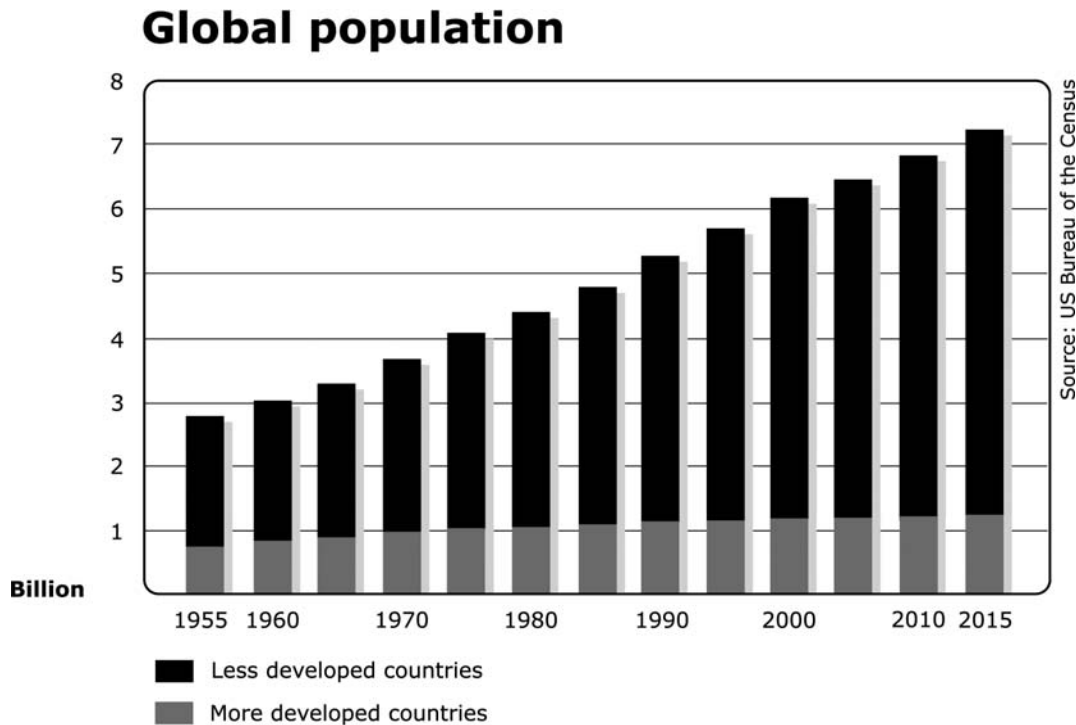


Figure #1: Global Population

The important, and in part particularly worrying, thing about population growth is that 95% of it takes place in the urban regions of developing countries, while, at the same time, the absolute growth of the population in Europe is already beginning to decline. The most significant growth will, in the light of present trends, take place in South and South East Asia, where many new megalopolises will emerge to join the present ones. Population growth in the future will increasingly happen in areas where people already have the greatest difficulty earning a living. More than one billion people are living in slums. Current trends indicate that, after no more than one generation from now, nearly five billion people will live in urban environments, making the control of urbanisation one of the crucial strategic issues in sustainable development.

We can also expect the mobility of the world population to see a dramatic increase over the next 15 years. Already at present, in over 50 countries 15% or more of the population are refugees. Despite all attempts to curb it, this new diaspora will escalate, particularly in Europe, where a greater workforce is needed to offset the ageing population and declining birth rate. In the developing countries, the challenges of increased migration combine with ethnic conflicts, unemployment and illegal migration, which in turn will lead to more unrest and a greater need for international cooperation. One special problem relating to human resources, the brain drain from the developing world, is already prominent in a world of widening welfare gaps. The

explosive spread of HIV/AIDS, especially in sub-Saharan Africa, can in some countries result over the course of the next 15 years in no less than 30 to 40 years' decrease in the average life expectancy of the population.

The most significant counter-measures decided on at the Johannesburg Summit, with respect to the stabilisation of development, involve, firstly, improving access to clean water and development of sanitation systems, so that, by 2015, the number of people in the world not covered by these services would have been halved. These are formidable goals, especially if we take into account that, according to some estimates, already over half a billion people are suffering from a chronic lack of clean water, and that under the present growth ratios their number is estimated to grow to 2.8 billion by 2025.

Imminent Environmental Crises and Crises in Food Production

The absolute amount of crops produced in the world has increased continuously and forecasts indicate that it will continue to do so in the future (see Figure #2).. The fact that gives cause for concern is that the *per capita* production of cereals is forecast to decrease during the next decade. The primary cause for concern is not, however, the global sufficiency of crops, but the division of its use.

At the Johannesburg Summit, the developing countries brought up time and again the, from their viewpoint, great inherent injustice of agricultural subsidies in the industrialised world. The subsidies not only prevent developing countries from having equal access to the markets, they also result in subsidised agricultural products being dumped on the developing countries when the demand in the industrial countries' own markets is not high enough. Consequently, the developing countries demanded the removal of the agricultural subsidies of the industrialised countries. It is clear that, if World Number Two is to be a reality in 2015, the current system of subsidies must be radically changed by that date.

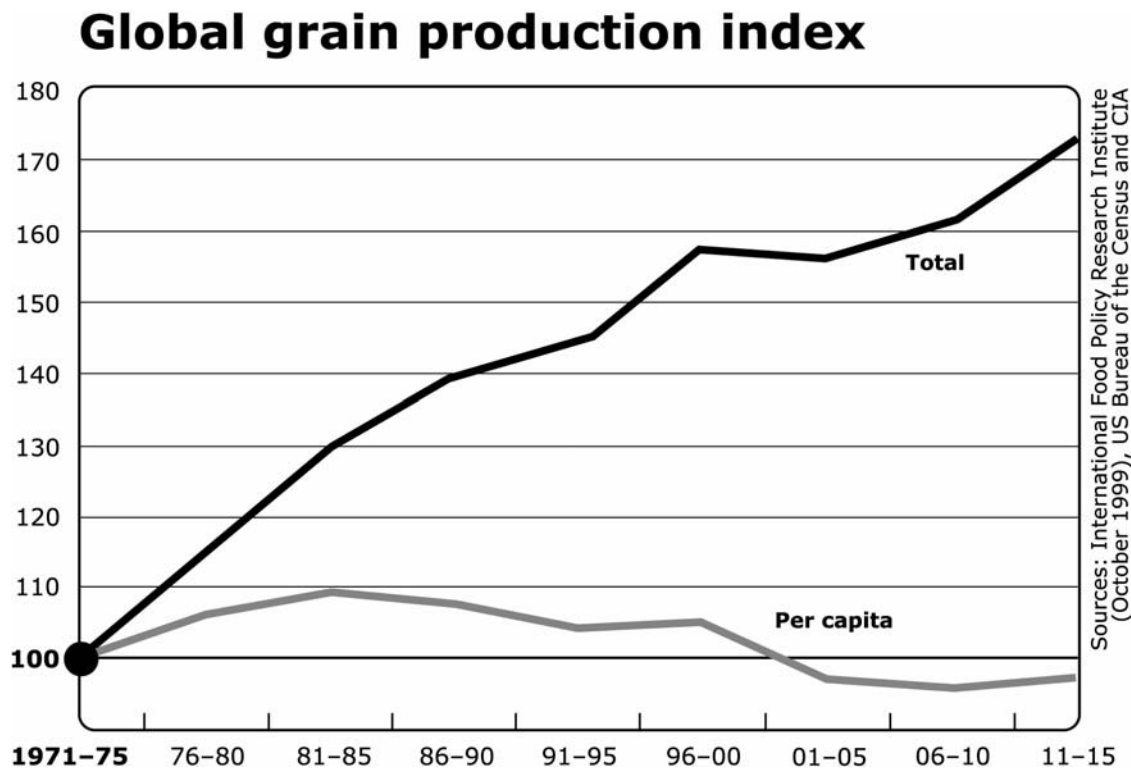


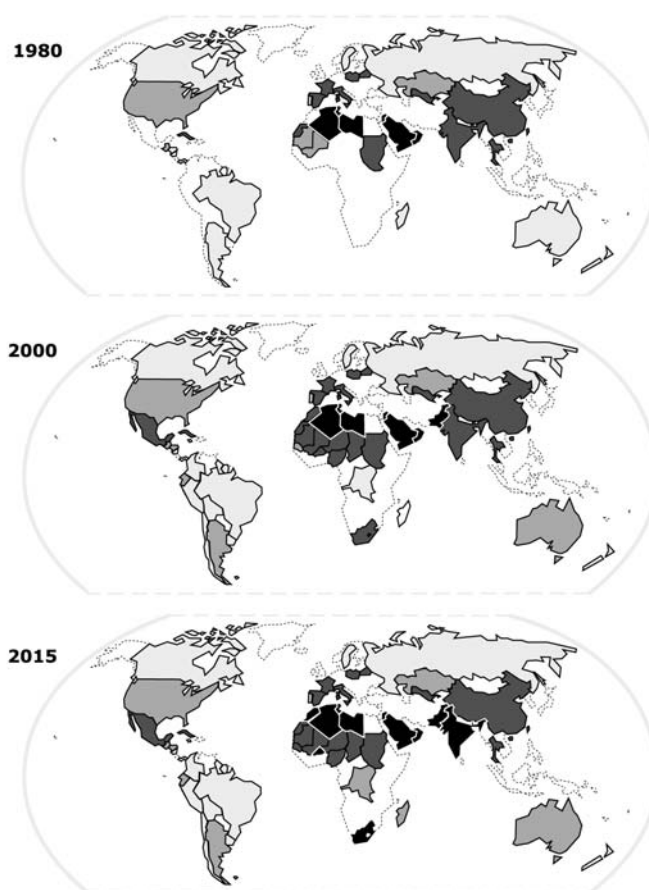
Figure #2 Global grain production index

The adequate supply of clean drinking water was one of the crucial issues of the WSSD, and no wonder: It is estimated that nearly half the world's population in 2015 will live in areas that suffer from severe water stress (see Figure #3). However, history teaches us that insufficient water reserves have in the past resulted in more co-operation than conflicts. But the situation can in the next 15 years change dramatically for the worse, as more and more countries find themselves with a chronic shortage of water, as indicated by recent forecasts. Already, over 30 countries get more than a third of their drinking water from outside their borders. This trend will considerably increase the mutual dependency of states. Also within the EU, where the first serious steps have now been taken towards a common water policy, there will be considerable insufficiency of water, especially because of chronic drought on the Iberian Peninsula.

Trend forecasts show both good and bad prospects for energy use and consumption. The good thing is that energy efficiency increases continuously, both in industry and in traffic. We can also observe that services and information technology, the areas of most dynamic economic growth, use fairly little energy compared to heavy basic industry.

Fresh Water Availability

1000 m³ per capita: □ Over 20 ▨ 5-20 ▩ 1-5 ■ Less than 1 ▫ No record



Source: Stockholm Environment Institute

Figure #3: Fresh water availability

On the other hand, economic growth coupled with population growth may lead to a 50 % increase in energy consumption between 2000-2015. Total oil consumption may grow from 74 million barrels per day in 2000 to 100 million barrels in 2015.

The growth will most likely be greatest in Asia, especially in China and India. In the light of current trends, Asia will be responsible for over half the increase in energy consumption, and in 2015 it will already have surpassed North America as the largest consumer of energy in the world (Figure #4). In the light of these trends, it is clear that we must hurry, globally, to make the transfer over to the use of renewable energy production in all possible ways.

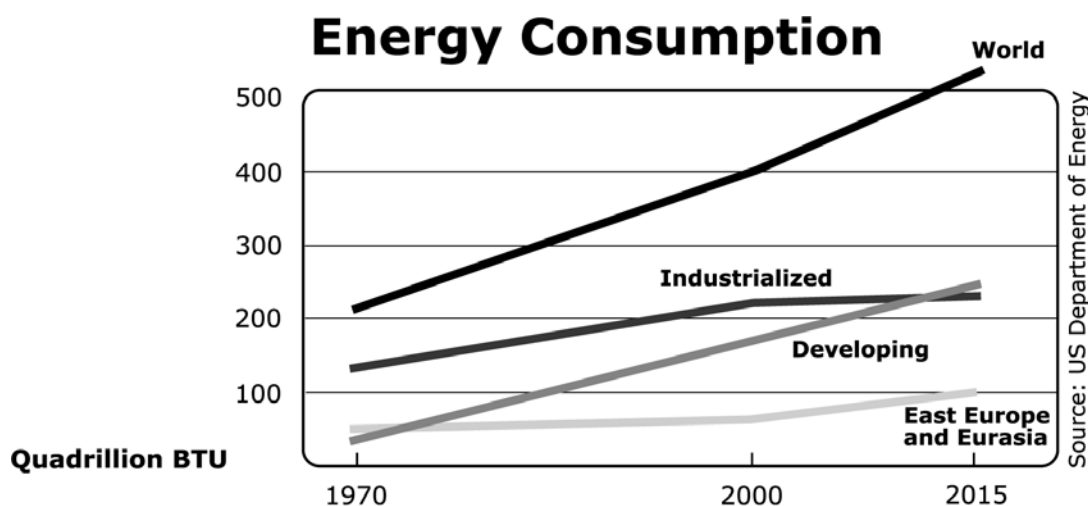


Figure #4: Energy consumption

The Johannesburg plan of implementation offers very few weapons for combating these trends. Initially, the EU in particular advocated the adoption of quantitative targets for renewables by 2015, but because of the opposition from the OPEC countries and the USA, all numeric targets were struck from the plan. Now the main threat is that the transition to the next paradigm of energy production will happen too late.

The mitigation of greenhouse gas emissions over the next 15 years will undergo some slight improvement, provided the Kyoto Protocol is ratified by enough countries, even though the change is hardly reflected in emission forecasts. There are plans to launch, during the latter half of the present decade, negotiations about the targets of second commitment period that would extend beyond 2015. These targets would have a greater effect on global emissions and as well on concentrations (Figure #5). As the Figure shows, the USA in particular has and will have difficulties in controlling its emissions. The weak climate policies of United States is clearly the greatest single threat to UN led attempts to combat the growing CO₂ emissions.

CO₂ and Kyoto Targets

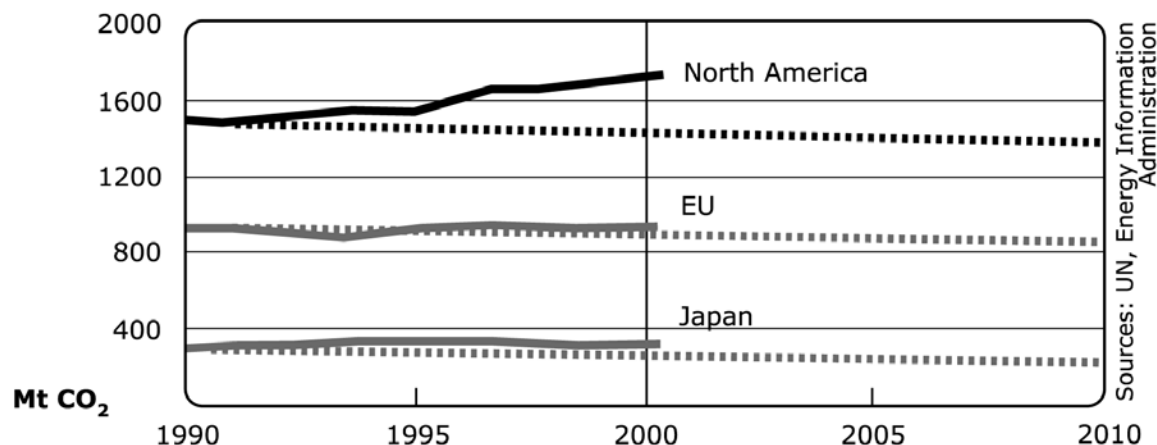


Figure #5: Co₂ and Kyoto targets
Deepening Globalisation of the World Economy

Perhaps the most important single motive force for the development of the economic dimension of globalisation is the increasing growth rate of the middle class; by 2015, there will be more than two billion middle-class people in the world, which in itself will entail a continuous increase in consumption. At the same time, pressures will also increase for democratisation and attainment of a stable political situation all over the world.

Perhaps one of the most important features in the Johannesburg Plan of Implementation was the commitment to prepare a ten-year programme for bringing production and consumption patterns in line with the principles of sustainable development – could, at best, be the crucial link through which this major motive force could better be harnessed to the promotion of sustainable development. In other words, we might, at best, have a situation where economic growth would no longer correlate – as it does currently – with the growth of material production. Considering that we can anticipate the economic growth rate in the industrialised countries to be around 3% up until 2015 and even about 7% in the developing countries, such a "delinking" of economic growth would, from the viewpoint of sustainable development, be crucial.

Conclusions

It is obvious from the above that corporate world faces formidable challenges that forces them understand their responsibilities in the society in the new light. We may assume that as international system will increasingly be challenged by these problems of global reach, the corporate world are forced to take a much larger responsibility to counteract them than now is the case. The first steps in the path of realising what does this mean in business practices have been taken as I have shown in this article. The utilisation of natural resources in production and consumption must be made more efficient and decreased in scope. Moreover, the shift to considerably more efficient recycling is also mandatory. The balance of the last 50 years is revealing: the total world consumption of oil, steel, coal and wood grew by 45 per cent from 1950 to 1995. The tentative investment in new energy sources should during the next 15 years develop into a veritable energy revolution, a third revolution to parallel the coal-based energy revolution in the 19th century and the oil revolution of the 20th. In absolute terms, most estimates indicate that mankind has, since 1950, used more natural resources than in the course of all previous history. In a time frame of 50 years, we must increase tenfold the efficiency of resource use (Factor 10 thinking) by dematerialising production and the delivery of products

and services, and by moving the main focus of economic activity from material goods to services.

What we need, in other words, is a radical change of direction and this is what the Age of Responsibility is all about. Most studies assessing the carrying capacity of the planet indicate that we no longer have even one generation left (see McKibben 1998). Mankind must adapt its activities to such dimensions as are called for by sustainable development and this must take place in next 15 years. In the political front, the programme for changing consumption and production habits adopted in Johannesburg aims at contributing to this goal. In the corporate sector, the first crucial steps towards understanding their new role has been taken but, at the same time, the need to “walk the talk” is urgent.

In the light of the challenges facing the emerging Age of Responsibility, the most important question remains: is World Number Two possible at all? Are there any rational grounds for expecting that the decisions taken in Johannesburg, and those of other, closely related international processes, can in fact become a reality so that the world in 2015 would be a critically better place to live? Is it a feasible idea that we might not merely be tossed by current trends and moving forces, or that we might bring them under control and redirect them onto such paths, where the common good could become a reality?

Is it merely wishful thinking that those pious thoughts could come true that are inscribed in the second paragraph of the Johannesburg political declaration, wherein it is stated that "We commit ourselves to build a humane, equitable and caring global society cognizant of the need for human dignity for all"? Could the world in 2015 be a place where principles would have become reality?

In my view, the possibility of such a world is, at the moment, unfortunately quite remote. For World Number Two to become a reality, a very great deal must happen. But I refuse to consider it as an impossibility. History shows that, when political pressures grow sufficiently acute, changes soon follow at an escalating rate. The downfall of the Socialist bloc and the sudden end of the Cold War provide a good example of extensive structural changes in the global system. What we need now is a corresponding structural change towards a new international order based on the principles of sustainable development.

The Johannesburg Summit gave the first real instruments for achieving this change. It remains to be seen, how actors of international and national development take up these instruments. But it is clear that there is on the horizon a common effort of a magnitude never before faced by humanity. In 2015, a mere 13 years in the future, a great many things must be different.

The pressing agenda for corporate world in the Age of Responsibility should then stem from at least two sources: First, from the fact that global governance managed by intergovernmental actors will not be possible without massively increased participation of corporate sector. Secondly, because corporate responsibility, in its multidimensional form, will be the key issue for companies to stay alive and flourish in the future Age of Responsibility. In business terms, it is all about the competitiveness in the global markets where the case for understanding what *ethical corporation* means in the structures and operations of the companies becomes crucial. Furthermore, there is even more at stake for societies trying desperately to control the activities of modern transnational corporations that now tend to exceed most national economies in their sheer volumes.

Eventually, we may say that the real challenge to the business community is ultimately moral and social, not economic or technological. As the future unfolds, it becomes more and more

unbearable for the society, if the benefits that a business brings by providing goods and services are produced at the cost of damage to the human, physical and social fabric of the environment in which it works. At this stage, only a fraction of business community has responded constructively to the challenge. The majority have, nevertheless, not done so.

References:

[1] Elliot, Larry & Schroth, Richard (2002). *How Companies Lie. Why Enron Is Just the Tip of the Iceberg*. Nicholas Brealey Publishing, London.

[2] Schwarz, Peter & Gibb, Blair(1999) *When Good Companies Do Bad Things. Responsibility and Risk in the Age of Globalization*. John Wiley & Sons.

[3] Wilenius, Markku (2002) Sustainable Development and Human Capital in the Network Society: The Challenge Europe is Facing in the Future. *Communication & Cognition* Vol. 35, No. 1 & 2,

[4] http://www.johannesburgsummit.org/html/documents/summit_docs/2309_planfinal.htm

[5] I have used a number of different sources here: statistics and forecasts produced by the UN, the "Global Trends 2015" report issued recently by the CIA (See: <http://www.cia.gov/cia/publications/globaltrends2015/>), as well as the studies and data banks of the Finland Futures Centre.